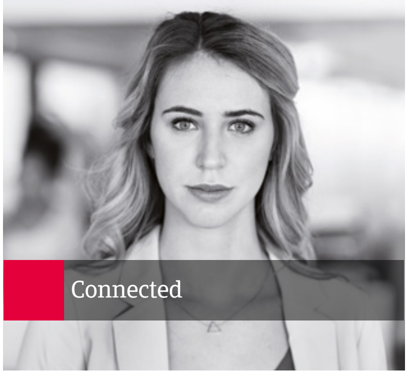
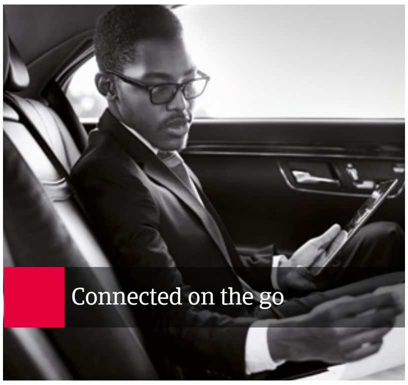
Atradius
Managing risk, enabling trade

Connected

Annual Report 2017 Atradius N.V.

Contents





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This is Atradius

People don't care how much you know until they know how much you care.

Theodore Roosevelt

When Roosevelt said this he was speaking about politics, but this is a principle which equally applies to business and this is something that we believe in at Atradius. We genuinely care about our customers' businesses and their success.

At Atradius we engage in a very real sense with our customers, connecting with them on many levels to provide the best possible service. We are committed to excellence in our support of trade across the globe and in all of our business lines. That commitment is essential for our continuing success and that of our customers.

Connecting with customers is crucial to the service we provide. Connecting with customers means understanding their business and getting to know the people involved so that we can deliver a service that suits their needs, whether this is for a highly involved one-to-one service, or a more hands-off digital experience. Either way Atradius has the people and tools to deliver first-class cover, information and insight that truly enables trade for our customers.

As our customers' businesses grow and the world in which they are trading evolves, so do the demands that they place on us. That's why we are continuously innovating to enhance the ways in which we serve them. We want to support our customers to not only manage the trade credit risks that are inherent in business, but also to meet the new challenges that the fast-paced, digital world is bringing.

We continue to raise the bar in our digital connections, with tools like Atradius Insights and Atradius Atrium providing our customers and partners with vital information to help them manage risk. Regular tasks such as applying for credit limits or submitting claims have been streamlined and simplified so our customers can focus more of their time on activities that add value to their business.

It isn't only digital connections that make Atradius a strong and reliable partner. The relationship that we build – through personal contact – plays the most significant role in defining what we stand for and creating long-lasting and mutually beneficial bonds. Through this personal interaction we can fully understand what our customers expect from us and respond accordingly. This personal interaction also allows us to display to our customers what Atradius stands for and the values that underpin our organisation and culture.

It is important to Atradius that we are geographically close to our customers' operations and to the markets in which they trade to build these connections and understand our customers' businesses and the risks they face. Our presence in over 50 countries across six continents ensures that we have a good understanding of the cultural, political, legal and economic peculiarities of the markets they are trading in.

Atradius connects in many ways, not only with our customers and intermediaries but, equally importantly, with information providers, insurance partners & fronters, reinsurers and collections networks that are vital to Atradius' ability to provide our services and meet - and exceed - our customers' expectations.

All of these connections have evolved and strengthened over the years to enable us to help our customers achieve success in growing their business by increasing the value of the services we provide.

As a result, we don't just work for our customers: we genuinely work with them.

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We don't just work for our customers: we genuinely work with them.

The evolution of Atradius

1925 – NCM (Nederlandsche Credietverzekering Maatschappij) is founded in the Netherlands, with the aim of improving trading conditions for Dutch companies.

1929 – Crédito y Caución is founded, becoming the first credit insurer in the Spanish market.

1932 – NCM partners with the Dutch government to provide export credit services to Dutch companies on behalf of the Dutch State. This relationship continues to be successful.

1954 – In Germany, Gerling Kreditversicherung (Gerling Credit) is established as the credit insurance arm of the Gerling Group.

1962 – Gerling Credit opens its first international branch office in Switzerland, and is the first private credit insurer to offer export credit protection.

1991 – NCM acquires the short-term export credit arm of the UK's Export Credit Guarantee Department (ECGD), itself a long-standing credit insurer.

2001 – The paths of NCM and Gerling Credit meet and Gerling NCM is formed.

2004 – Gerling NCM rebrands to Atradius.

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

2011 – Atradius launches its Roadmap for Success; a strategy to enable its regional teams across the globe to be even more responsive to their customers' needs.

2013 – Atradius redefines its corporate guiding principles with a clear focus on delivering tailor-made solutions in each of its markets.

2014 – Grupo Catalana Occidente S.A. celebrates its 150th anniversary, and the 10th anniversary of the Atradius brand.

2016 – Atradius merged its two European insurance carriers consolidating the leadership in the market, and strengthen its information services by acquisitions of Graydon Holding N.V. (Graydon) in the Netherlands and IGNIOS Gestão Integrada de Risco S.A. in Portugal (now named Iberinform Portugal).

2017 – Atradius acquires 25% of Credit Guarantee Insurance Corporation of Africa Ltd.

Our 2017 performance at a glance

Building our business by connecting with our customers across the world

- Total income increased by 2.5% (3.2% at constant foreign exchange rates).
- Total revenue increased by 4.3% including service and other income (5.1% at constant foreign exchange rates), supported by growth in the Global unit, North America, Asia and Central and Eastern Europe.
- The investment return contributed positively to the bottom line. Excluding extraordinary impact for associated companies, net investment result increased by 8.6%.
- Our risk acceptance remained balanced in 2017 with a solid 41.7% claims ratio by successfully managing claims costs in a challenging risk environment.
- The combined ratio ended at 77.4% (1).
- The result for the year was EUR 186.2 million.
- Our shareholders' equity and subordinated debt position was further strengthened by 6.6%, resulting from profit generation.

Management Board

Isidoro Unda, Chairman
Andreas Tesch
Christian van Lint
Claus Gramlich-Eicher
Marc Henstridge

The Supervisory Board

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

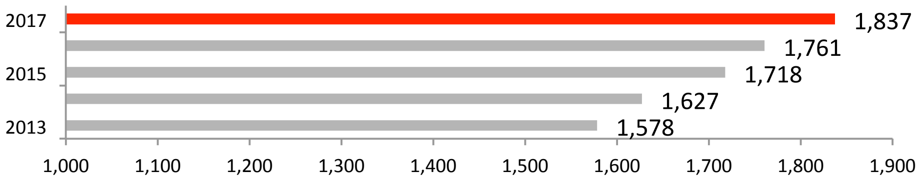
Supervisory Board Committees

Audit Committee
Remuneration, Selection and Appointment Committee

(1) *The combined ratio is calculated using the insurance industry standard; the sum of claims and expenses divided by insurance revenue.*

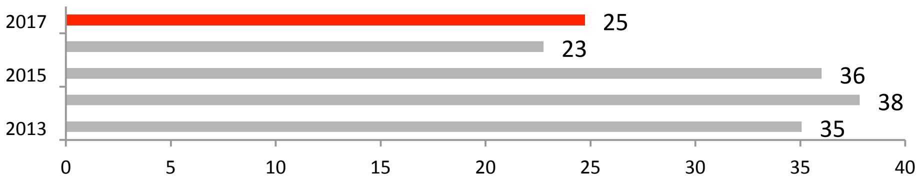
Total Revenue

In EUR million

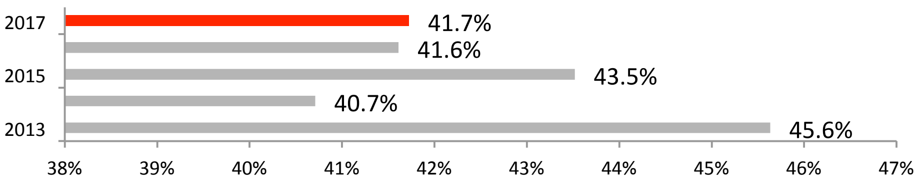


Net Investment Result [1]

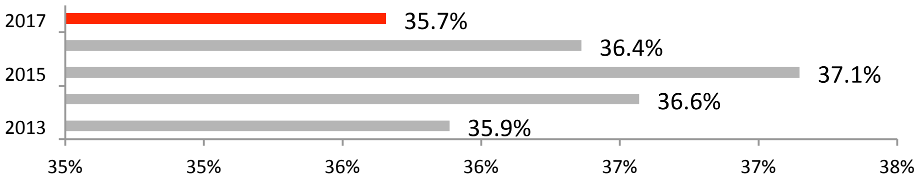
In EUR million



Claims Ratio

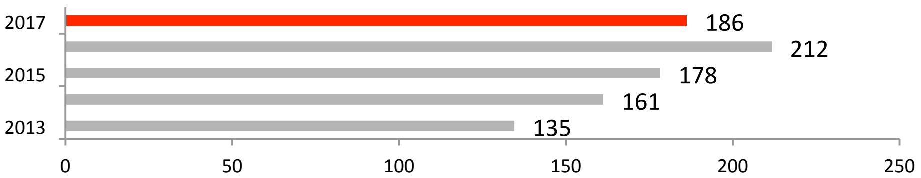


Expense Ratio



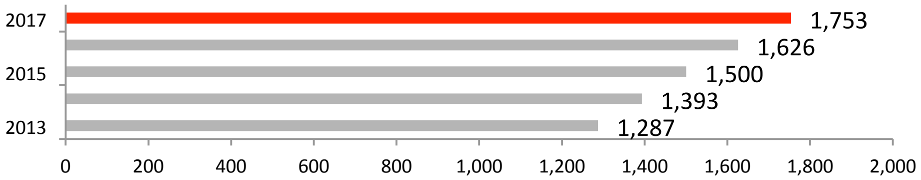
Result For The Year [2]

In EUR million



Equity

In EUR million



[1] *Net Investment Result consists of net income from investments and share of associated companies (excluding realised gains & losses and impact of valuation of associated companies in 2016 and 2017).*

[2] *Result for the year includes impact of associated companies (minus EUR 11.7 million 2017 impairment and EUR 22.2 million 2016 realised gains).*

Ten years in figures

Financial information (in EUR million)	2017	2016 [1]	2015	2014	2013	2012	2011	2010	2009	2008
Insurance premium revenue	1,588.1	1,557.6	1,537.0	1,458.2	1,412.1	1,439.8	1,403.4	1,345.6	1,468.6	1,616.4
Service and other income	249.1	203.1	180.8	169.0	166.4	161.8	150.5	155.1	197.8	225.4
Total revenue	1,837.2	1,760.7	1,717.8	1,627.2	1,578.4	1,601.6	1,553.8	1,500.7	1,666.4	1,841.8
Net investment result [2]	24.7	22.8	36.0	37.8	35.1	30.3	31.1	22.7	68.3	47.8
Total income	1,861.9	1,805.6	1,753.8	1,665.0	1,613.5	1,632.0	1,584.9	1,523.4	1,734.7	1,889.6
Result for the year	186.2	211.8	178.2	161.2	134.5	113.6	129.8	124.9	(113.3)	(193.4)
Balance sheet information										
(in EUR million)										
Equity	1,753.2	1,625.5	1,500.2	1,393.0	1,286.9	1,196.3	1,129.8	1,035.2	905.0	1,005.5
Total assets	4,519.2	4,391.5	4,250.2	4,130.9	3,697.8	3,737.2	3,580.1	3,285.2	3,389.7	4,021.0
Insurance contracts	1,530.3	1,561.2	1,648.8	1,572.2	1,486.3	1,592.8	1,549.3	1,311.8	1,508.1	2,166.9
Shareholders information										
Return on equity [3]	11.0%	13.6%	12.3%	12.0%	10.8%	9.8%	12.0%	12.9%	(12.0%)	(17.0%)
Outstanding ordinary shares (at year-end)	79.1	79.1	79.1	79.1	79.1	79.1	79.1	79.1	79.1	79.1
Dividend paid	76.7	71.2	64.9	53.8	43.5	43.5	25.3	-	-	25.3
Technical ratios										
Gross claims ratio	41.7%	41.6%	43.5%	40.7%	45.6%	51.2%	49.7%	38.6%	85.2%	98.3%
Gross expense ratio	35.7%	36.4%	37.1%	36.6%	35.9%	35.0%	35.2%	35.4%	36.6%	34.1%
Gross combined ratio	77.4%	78.0%	80.6%	77.3%	81.5%	86.2%	84.9%	74.0%	121.8%	132.4%
Net claims ratio	41.4%	42.0%	42.0%	42.6%	46.4%	49.1%	50.3%	44.6%	76.6%	96.9%
Net expense ratio	34.2%	35.4%	35.9%	35.8%	37.4%	37.5%	34.2%	39.3%	46.2%	32.3%
Net combined ratio	75.5%	77.4%	77.9%	78.3%	83.8%	86.7%	84.5%	83.9%	122.9%	129.2%
Employees										
Full-time equivalents (FTE), at year-end	3,596	3,586	3,161	3,139	3,107	3,143	3,149	3,171	3,488	3,863
Credit ratings										
A.M. Best	'A, outlook stable'									
Moody's	'A2, outlook stable'									

[1] *Including Graydon, Iberinform Portugal, Gestifatura and Informes Mexico since Q3 2016.*

[2] *Net income from investments excluding extraordinary impact of associated companies (minus EUR 11.7 million 2017 impairment, and EUR 22.2 million 2016 realised gains).*

[3] *Return on equity is defined as the result for the year divided by the time weighted average shareholders' equity.*

A message from the Management Board

Left to right: Claus Gramlich-Eicher, Marc Henstridge, Isidoro Unda, Christian van Lint and Andreas Tesch.

Dear stakeholder,

2017 was an exciting year for Atradius. We have continued to cement our excellent performance and leadership at the same time as embedding plans to future-proof our organisation for the years to come. Our financial results are evidence that Atradius is a strong and reliable business partner with market leading retention levels (93.0%), a combined ratio of 77.4% and a strong and growing capital base (including subordinated debt) of EUR 2,077 million up by 6.6%.

We find ourselves in an environment where technology is changing the face of trade and the way that we interact with our customers and partners. Being 'connected' to our customers – both in terms of personal relationships and in a technological sense - is very important to Atradius and something that we continue to invest in, at both a strategic and an operational level.

Atradius has always been at the forefront of innovative technology in our industry. We were the first credit insurer to offer customers an online policy management tool and connectivity web services. We have a long history of using sophisticated algorithms to drive automation of underwriting so we can provide instant credit limit decisions to our customers on high volumes of limits and our global IT platform is a foundation from which we are able to provide the best service to our customers on a multinational basis.

> Technology is changing the face of trade and the way that we interact with our customers.

At Atradius we understand the ways that global trade is evolving and the challenges our customers are facing to continue growing in a safe environment. We are advancing our digital capabilities to adapt our business to the changing environment and strengthen our connections with the customer. In 2017 we launched Atrium, our new online customer portal, where insured customers can access all their Atradius services. Atrium delivers streamlined and simplified processes that put the customer and their business at the centre. Atradius Collections also developed an e-commerce platform where customers can purchase Collections services directly from Atradius online and an online payments portal to increase the efficiency and effectiveness of collecting debtors' payments. This tool is to be launched in 2018.

In 2017 we started a multi-year programme to enhance our core systems using the latest technology to deliver the best digital experience for our customers, partners and teams. For our customers this will include easier ways to connect with us to reduce the time needed to administer their policy. We want our customers to focus on our value added services that will provide information and insights on risks and opportunities that can put them one step ahead of their competitors. For our teams this will include being able to access systems via mobile devices so they can spend more time in front of the customer, fulfilling the important role of working in partnership to enable trade.

For our partners this will include new and more efficient ways of sharing information so that our services can be more easily integrated with there is at the point in time when it is needed.

Our ability to deliver reliable standards of service and of the highest quality requires collaboration and connectivity on a global scale across time zones and cultures. At Atradius, this is possible because of the strong work ethic of our teams but also through the systems and IT connections that are in place for them. Atradius is proud to have a global IT system, that means an underwriter in Hong Kong can access the same information on a buyer as an underwriter in Paris at any given moment. This is a foundation of our core business.

As well as improving our core systems, Atradius is also using technology to innovate in Credit Management. We understand the rapid, and potentially disruptive, nature of some of the latest technology trends. We are harnessing newer technologies to integrate the growing areas of blockchain, platforms, big data and advanced analytics into our core business. We are also stimulating innovation ideas from within the organisation via our 'Innovation Hub' which allows all staff to play a part in the innovation journey of Atradius and learn about the trends and technologies which are shaping the world of tomorrow.

2017 saw further expansion of the Atradius Group with new Credit Insurance offices opened in Bulgaria and Romania, the completion of the acquisition of a 25% stake in the South African Credit Guarantee Insurance Corporation of Africa Ltd. and increased presence of Atradius Collections through new cooperations in Indonesia and Portugal. These are important steps in Atradius' growth strategy to deliver a more complete service to our customers.

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An underwriter in Hong Kong can access the same information on a buyer as an underwriter in Paris.

During 2017 Atradius achieved a significant milestone with the regulatory approval of our Partial Internal Model for underwriting risk. Atradius has an internally developed economic capital model for the calculation of regulatory capital under Solvency II. With this approval our supervisors confirm the sophistication of Atradius' risk modelling capabilities. With a strong solvency position, including well capitalised operating entities, we are able to withstand financial stress, meet our financial obligations and ultimately deliver shareholder value.

Atradius' sound financial position and its leading position in the credit insurance industry are reflected in the robust credit ratings assigned to the Atradius Group by A.M. Best ('A' excellent, Outlook Stable) and Moody's ('A2', Outlook Stable). Moody's upgraded Atradius to 'A2' from 'A3' in March 2018. The rating upgrade by Moody's is a recognition of the strong and consistent profitability as well as solid capital position of Atradius. Atradius' profits over recent years have been supported by steady revenues, a relatively low claims ratio and solid cost control. The company's financial situation has continued to prosper with a profit of EUR 186 million in 2017 and the shareholders' equity at an historic high.

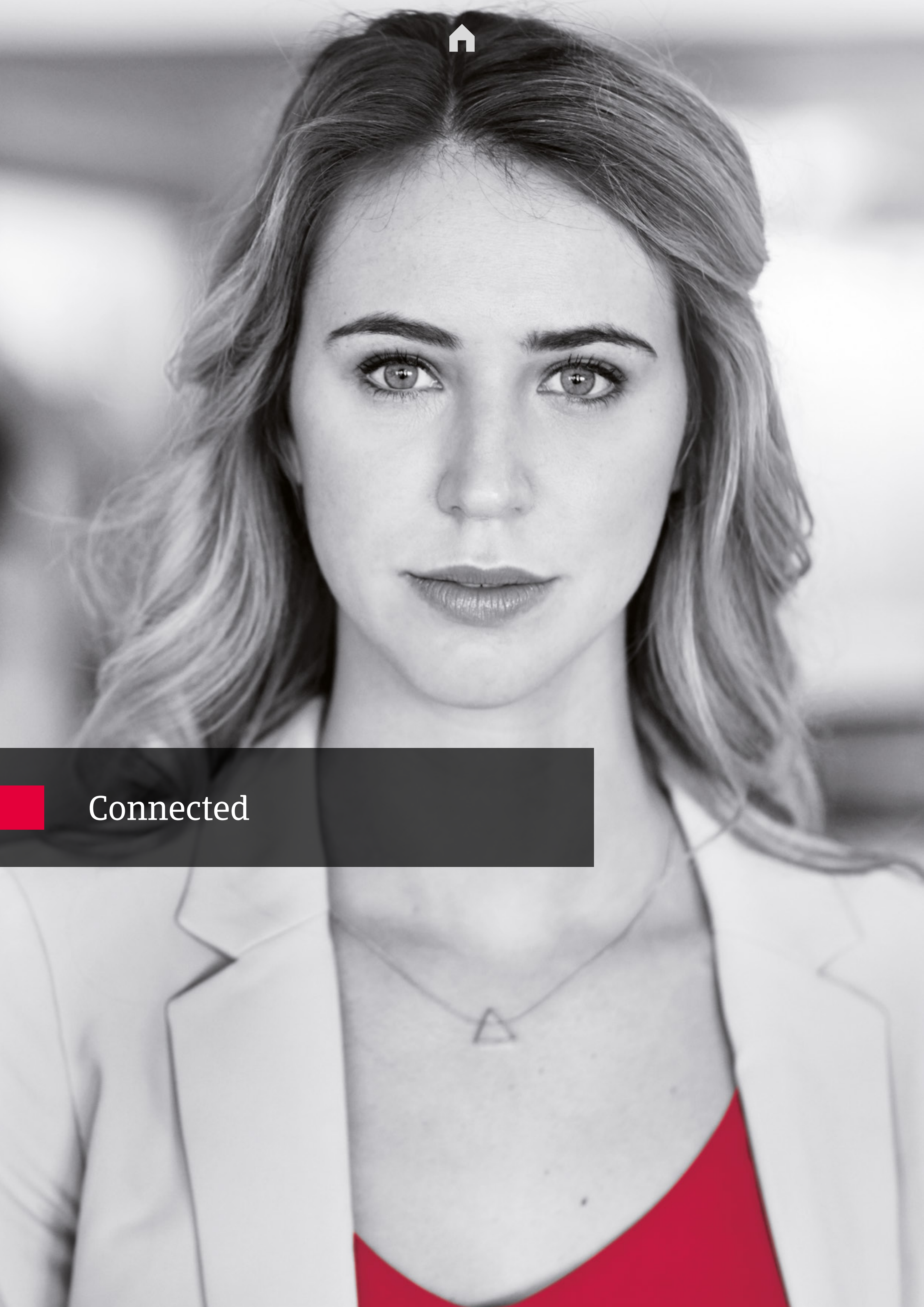
The outlook for 2018 is one of continued strengthening of the global economy with worldwide growth forecast to increase to 3.2%. The main challenges to growth that we have experienced in recent years (low inflation, negative bond yields, austerity and low commodity prices) are slowly starting to phase out and the outlook for emerging markets is brighter. Atradius is a reliable partner in managing risk through bad times and good. We work with customers and business partners to avoid risk and seek opportunities so that we deliver on our promise to 'enable trade' for our customers. We will continue to focus on growth, service and sustainability and leverage the latest technologies to evolve our value proposition so that we can provide the best digital experience for our customers.

The Management Board would like to thank our customers, business partners, brokers, reinsurers, agents and our employees for helping us to achieve our excellent results in 2017 and we look forward to the challenges that 2018 will bring and working alongside you to make it another successful year.

The Atradius Management Board

Isidoro Unda, Chairman
Andreas Tesch
Christian van Lint
Claus Gramlich-Eicher
Marc Henstridge

We work with customers and business partners to avoid risk and seek opportunities.


Connected

Products and services

Our products and services are designed to provide businesses of all sizes with peace of mind and commercial advantage. We work in all sectors with teams of experienced underwriters who are experts in the type of business they underwrite.

Credit insurance offerings to suit all sizes of business

Our core product - credit insurance - provides cover for financial losses arising when a customer's buyer can't or won't pay for goods and services bought on credit.

Our strategy is to focus on a range of business segments: offering credit insurance tailored to the needs of small and medium-sized enterprises (SMEs), medium-sized and large local companies, and multinational corporations.

For multinationals we offer a sophisticated and tailored credit management solution in the form of our Global policy. As a market leader and pioneer with 20 years of experience in this segment, Atradius Global has developed an excellent understanding of the needs of multinationals.

Global customers can choose between a credit insurance policy with standard terms and conditions, serving both the parent company and all its subsidiaries, stand-alone policies that accommodate varying performance levels and country conditions, or a combination of both.

Our dedicated Global account teams are situated across the world, providing extensive cross-border customer service. Dedicated underwriters ensure consistent high quality decision making on the buyer portfolio of our Global customers.

For our large and medium-size customers we offer a flexible modular credit insurance policy that gives protection against non-payment and allows the terms of cover to be adapted to each customer's needs. In this way, cover can be adapted to fit all kinds of businesses, large and small, doing business domestically or across the world.

To meet the many different demands of SMEs we have created a range of SME products, all of which are characterised by their simplicity.

Our strategy is to focus on a range of business segments.

We realise that traditional credit insurance cover, on a ‘whole turnover’ basis, may not be the right solution for every company. That is why we offer a range of structured credit risk solutions for specific large and complex transactions. These solutions address a range of circumstances, from enhanced credit protection for single contracts or buyers to pre-export finance, and can be combined to meet multiple needs.

Insuring the insurers

Atradius Reinsurance DAC (Atradius Re) is the leading specialised credit and bonding reinsurer in the market, offering reinsurance solutions for the credit insurance and bonding business of primary insurers around the world, through its dedicated team of underwriters. The combination of the skills of a reinsurer with the experience of a leader in credit insurance and bonding reinforces Atradius Re’s most developed proposition to the market. The reinsurance business is underwritten by a dedicated team of specialist underwriters based in Dublin at Atradius Re.

A leading bond provider in Europe

Present in 11 European markets, Atradius Bonding serves a wide portfolio of large corporates and SMEs active in different sectors, looking for a unique bonding partner to support them locally and internationally. Our long-standing bonding expertise, deep local market knowledge and the ability to seize niche market opportunities allow us to offer flexible solutions that meet the needs of our customers. We have benefitted from steady growth over the last couple of years thanks to the consolidation of our portfolio and earned the trust of major organisations, making us a leading bond supplier in Europe.

Covering the risks of multiple instalment agreements

Atradius Instalment Credit Protection (ICP) covers short and medium-term risks involved in multiple instalment agreements with private individuals and businesses. The core product offering of ICP covers consumer credit, leasing and renting risks. More recently the product range has been extended to offer residential real estate insurance products for co-ownerships and for rental guarantees as well as products for private car leasing arrangements. The latest new product - B2C Protect – is offered to customers in the construction sector to protect against payment default by home owners. ICP’s services are offered to financial and corporate policyholders in Belgium and Luxembourg.

Skilled and sensitive debt collections

With worldwide expertise and local staff in 29 countries, Atradius Collections helps businesses - both insured and uninsured - to collect domestic and international trade debts while maintaining sound business relationships with their clients. It has built a strong reputation as a dedicated business-to-business specialist, leveraging the strength of Atradius Credit Insurance, combined with its own integrated international network of collectors, lawyers and insolvency practitioners as well as its online capabilities.

> We offer a range of structured credit risk solutions for specific large and complex transactions.

Since 2015 Atradius Collections has also offered a first party collections service, so that customers can outsource their reminder process immediately after due date. A range of services has been created for the financial industry, including back-up servicing, cross border collection and invoice verification, allowing factoring companies and asset based lenders to investigate whether the business transactions and/or invoices from their client are acknowledged by the buyer.

Working with the Dutch State

Atradius Dutch State Business (ADSB) is the Export Credit Agency of the Netherlands. To minimise the risks of non-payment that are not covered by the private market, ADSB offers a wide range of insurance and guarantee products to Dutch exporters of capital goods, internationally operating construction companies, their financiers and/or investors. ADSB works on behalf of, and for the account of the Dutch State, making sure that export transactions can be completed successfully.

Business intelligence

Atradius offers business intelligence services through the following companies: Iberinform in Spain and Portugal, Graydon in the Netherlands, Belgium and UK and Informes in Mexico. These companies support Atradius by providing information to underwrite buyer risks for our core credit insurance business. They also support our customers with business intelligence solutions that can help customers to manage risk and grow their business.

Through these companies we are able to offer our customers a range of business information solutions which can help them to make smart business decisions in several areas of their business including: credit management, risk and compliance and marketing.

“

Business intelligence solutions that can help customers to manage risk and grow their business.

Global footprint

Europe

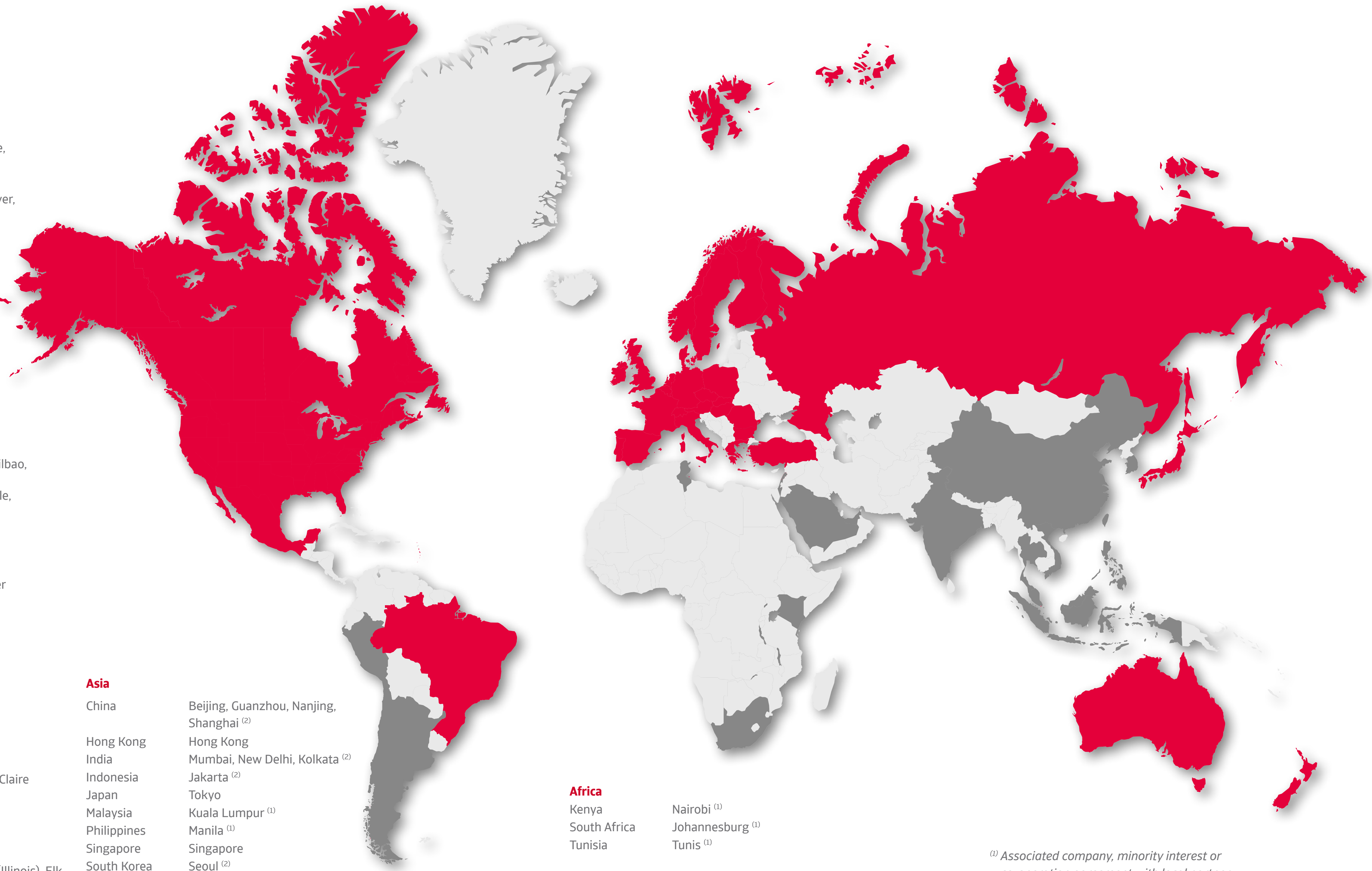
Austria	Vienna
Belgium	Namur, Antwerp
Bulgaria	Sofia
Czech Republic	Prague
Denmark	Copenhagen, Århus
Finland	Helsinki
France	Paris, Bordeaux, Compiègne, Lille, Lyon, Marseille, Rennes, Strasbourg
Germany	Cologne, Berlin, Bielefeld, Bremen, Dortmund, Düsseldorf, Frankfurt, Freiburg, Hamburg, Hanover, Kassel, Munich, Nuremberg, Stuttgart
Greece	Athens
Hungary	Budapest
Iceland	Reykjavik [1]
Ireland	Dublin
Italy	Rome, Milan
Luxembourg	Luxembourg
Netherlands	Amsterdam, Ommen
Norway	Oslo
Poland	Warsaw, Krakow, Poznan, Jelena Gora
Portugal	Lisbon, Porto
Romania	Bucharest
Russia	Moscow
Slovakia	Bratislava
Spain	Madrid, Alcalá de Henares, Alicante, Barcelona, Bilbao, A Coruña, Castellón, Girona, Las Palmas de Gran Canaria, Málaga, Murcia, Oviedo, Pamplona, Seville, Tarragona, Terrassa, Valencia, Zaragoza
Sweden	Stockholm
Switzerland	Zurich
Turkey	Istanbul
United Kingdom	Cardiff, Belfast, Birmingham, London, Manchester

Middle East

Israel	Tel Aviv [1]
Lebanon	Beirut [1]
Saudi Arabia	Riyadh [1]
United Arab Emirates	Dubai [1]

Americas

Argentina	Buenos Aires [1]
Brazil	São Paulo
Canada	Almonte (Ontario), Mississauga (Ontario), Pointe Claire (Quebec)
Chile	Santiago de Chile [1]
Mexico	Mexico City, Guadalajara, Monterrey
Peru	Lima [1]
USA	Baltimore (Maryland), Carmel (Indiana), Chicago (Illinois), Elk Grove (California), Hallendale Beach (Florida),Irvine, California, Los Angeles (California), Morristown (New Jersey), New York (New York), Plano (Texas)



Asia

China	Beijing, Guanzhou, Nanjing, Shanghai [2]
Hong Kong	Hong Kong
India	Mumbai, New Delhi, Kolkata [2]
Indonesia	Jakarta [2]
Japan	Tokyo
Malaysia	Kuala Lumpur [1]
Philippines	Manila [1]
Singapore	Singapore
South Korea	Seoul [2]
Taiwan	Taipei [1]
Thailand	Bangkok [2]
Vietnam	Hanoi [1]

Africa

Kenya	Nairobi [1]
South Africa	Johannesburg [1]
Tunisia	Tunis [1]

Oceania

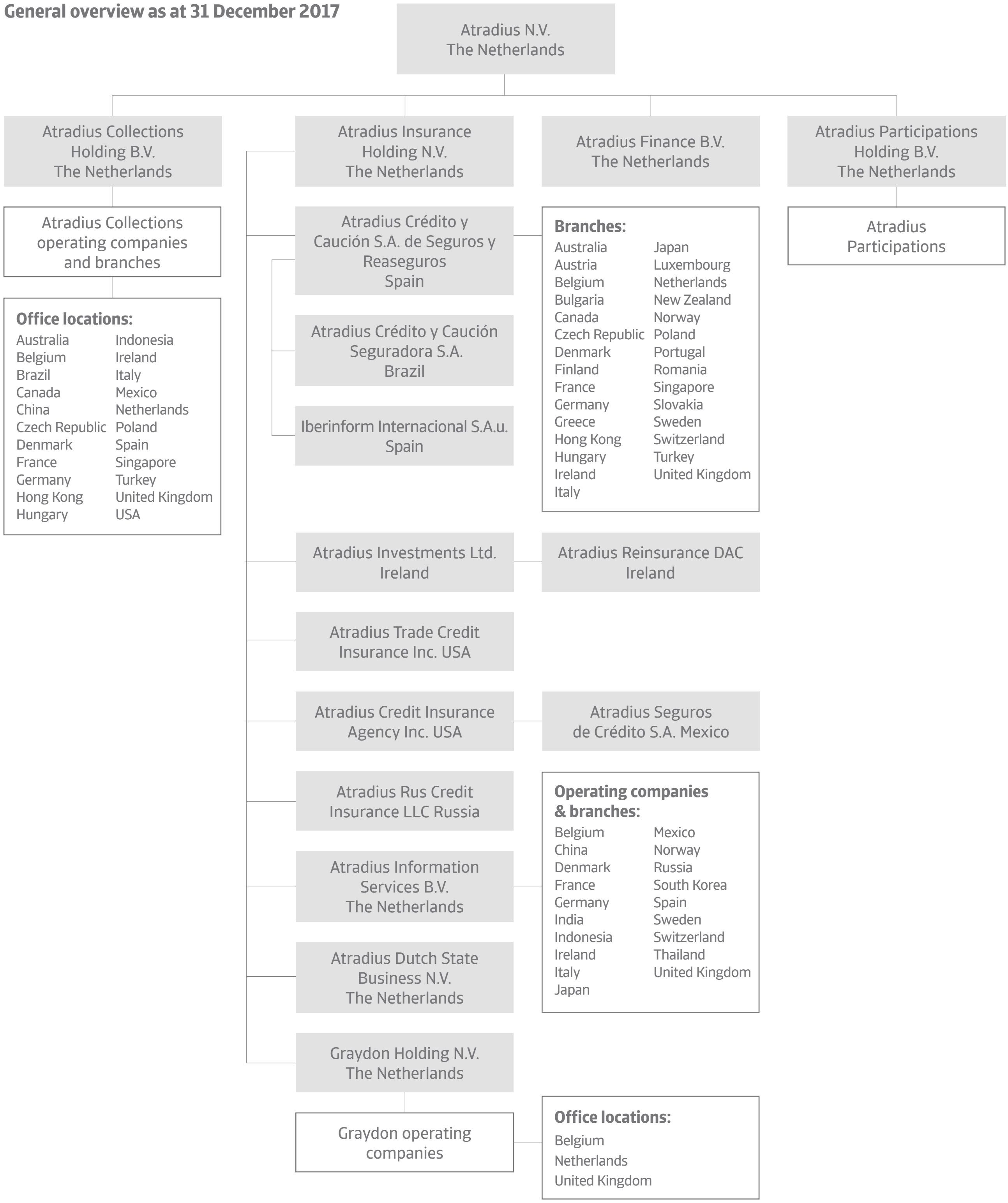
Australia	Sydney, Brisbane, Melbourne, Perth
New Zealand	Auckland

[1] Associated company, minority interest or co-operation agreement with local partner

[2] Service establishment and co-operation agreement with local partner

Atradius Group organisation

General overview as at 31 December 2017



Connected to people

Report of the Supervisory Board

After the slow pace in 2016, the global economy strengthened in 2017. Both emerging markets and advanced economies have improved their growth rate. The US economy continues with its robust recovery while also all Eurozone economies grew, although not evenly distributed among all member states. Domestic demand remained the pillar of growth in 2017. Private consumption growth was underpinned by rising employment, low inflation and strong sentiment while the unemployment rate declined further in 2017. For Emerging markets, China's higher domestic demand and exports resulted in higher growth while also Russia, Brazil and Argentina emerged from their previous recessions.

Global growth is also expected to pick up slightly in 2018, keeping good economic prospects in practically all countries. While the economic outlook is promising, political risk challenges still may affect stability. The evolution of the negotiation of the Brexit will be an element of special sensitivity for the European Union and, particularly, for United Kingdom.

In 2017, world trade has experienced a greater than expected expansion, growing above 4.0% in recent months. In the United States, it increased by 3.3% while the Eurozone grew by 2.6%. It is especially noticeable the growth of 6.3% in Asia Pacific. Global export orders, which is another leading indicator, have also remained firm. As a result, the forecast of insolvencies at a global level shows a reduction of 3% in 2017; looking forward, conditions are expected to ease further, supporting a more stable insolvency outlook in 2018.

In 2017 Atradius once again achieved strong results. The profit for the year was EUR 186.2 million which was supported by a 2.0%increase in insurance revenue compared to 2016. Also risk acceptance remained high in 2017 at 41.7% claims ratio by successfully managing claims costs in a challenging risk environment. The shareholder's equity and subordinated debt position was further strengthened by 6.6% resulting from profit generation.

During the year, Atradius undertook several initiatives to improve its service offering and product development to maintain and enhance its strong value proposition to its customers. In 2017 multi-year projects were started to enhance Atradius' core systems leveraging on the latest technology to deliver excellent digital experience to customers, partners and staff. For our staff this will include best-in class applications for policy and buyer underwriting, fully automated and globally accessible via mobile devices. For our customers this will include easier ways to connect with us to reduce the time needed to administer their policy. For our partners this will include new and more efficient ways to share information so that our services can be more easily integrated.

Atradius is also using technology to innovate in credit management with the aim to integrate some of the digitalization opportunities like platforms, big data, advanced analytics and robotics into our core business. In particular, in 2017 the state of the art on-line customer portal Atrium was launched.

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In 2017 Atradius once again achieved strong results.

Atradius continues to enhance its diversification also in 2017 by acquiring the 25% of Credit Guarantee Insurance Corporation of Africa Ltd., based in South Africa, opening new offices in Bulgaria and Romania, expanding the bonding segment to Germany and France and beginning collections activity in China and India.

In the course of 2017 Grupo Catalana Occidente in-house 'Partial Internal Model' for calculating regulatory capital under Solvency II was approved by the College of Regulators. This reinforced our risk management and risk quantification. In particular, the solvency ratio of Atradius at the end of 2017 is well above 200%.

In 2017, the full Supervisory Board convened five times, the Audit Committee five times, while the Remuneration, Selection and Appointment Committee convened three times.

As in previous years, both the Management Board and the Supervisory Board participated in Atradius' annual Permanent Education Programme. In 2017 this programme covered, amongst other topics: New developments in the financial/insurance industry (incl. Big Data, Fintech & Blockchain), Cybercrime and Cybersecurity. The Supervisory Board was also involved in the review of the Remuneration Policy.

With effect from 1 January 2018 Messrs. Bernd-Hinrich Meyer and Francisco Arregui and Mrs Désirée van Gorp were reappointed as member of the Supervisory Board.

Atradius N.V.'s Annual Report contains the financial statements for the financial year 2017, audited by Deloitte Accountants B.V., and has been presented to the Supervisory Board by the Management Board. The Supervisory Board has approved the Annual report and advised the General Meeting to adopt the financial statements for 2017.

The Supervisory Board would like to thank the Management Board and all Atradius employees for the excellent results achieved in 2017 as well as all customers for continuing to trust their business to us. Finally, the Supervisory Board is confident that the Atradius management team and employees will contribute to another successful year in 2018.

Ignacio Álvarez
Chairman

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The solvency ratio of Atradius at the end of 2017 is well above 200%.

Shareholder structure

Atradius is part of Grupo Catalana Occidente. It is the international brand of the credit insurance business.

Shareholder structure of Atradius N.V., since 2011:

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

Grupo Catalana Occidente is the main shareholder with an economic stake of 83.2% (35.77% directly and 47.43% indirectly through the holding Company Grupo Compania Española de Crédito y Caución, S.L.).

The shares of Grupo Catalana Occidente are listed on the Continuous Market of the Barcelona and Madrid stock exchanges as part of the IBEX Medium Cap Index. Currently, 38% of its capital is floating and the main shareholder is INOC, S.A., holding 62% of the capital of Grupo Catalana Occidente.

Thanks to the stability of the results and the prudent investment policy, Grupo Catalana Occidente has a solid solvency position.

Key figures (EUR million)	2017	2016	% change 2016/2017
Long-term capital market value	**3,755.5**	**3,508.5**	**7.0%**
Equity	3,078.6	2,834.7	8.6%
Subordinated debt	200.2	204.9	(2.3%)
Return on long-term capital	**11.8%**	**11.7%**	
Funds under management	**11,988.2**	**11,672.1**	**2.7%**
Total revenue	**4,254.3**	**4,235.8**	**0.4%**
Consolidated result	**357.3**	**324.5**	**10.1%**

Grupo Catalana Occidente

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

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

More than 19,000 insurance brokers

More than 1,600 branches

Presence in more than 50 countries

More than 7,300 employees

More than €4,200 million turnover

Strategic goal

To be leaders in the field of risk protection and long-term savings of families, as well as that SMEs, and to be international leaders in commercial risk coverage.

Growth

Defining markets targeted by the Group, appropriate product and service development and establishing suitable distribution channels to reach the customer.

Profitability

Recurrent and sustained profitability based on technical and actuarial rigour, investment diversification and processes that allow tight cost ratios and quality service.

Solvency

Prioritise own resources generation and continued growth in order to support the Group's expansion, ensuring compliance with commitments and ensuring appropriate shareholders returns.

	Characteristics	**Lines of Business**
Traditional Business	Focused on Spain	Multi-risk
	Families and small and medium sized companies	Automobile
	Professional agency network	Other non-life
	1,405 offices	Life and financial products
		Health
		Funeral
Credit Insurance Business	Service offered in more than 50 countries	Credit insurance
	Companies	Bonding
	Agents and brokers	Credit and bonding reinsurance
		Debt collection
		Instalment credit protection
		Business information

Fundación Jesus Serra

Fundación Jesús Serra, named after the founder of the Grupo Catalana Occidente, was created in 2006 in order to channel the philanthropic actions of the Group and to drive the human and professional values that were characteristic of its founder. For this reason, the foundation participates in more than seventy projects in the areas of business, teaching, investigation, culture, sport and social action. In this way the Group contributes to the construction of a fairer, more united and more developed society, in which values such as initiative, effort, healthy competition and continuous improvement prevail.

Building trust

Atradius endorses the importance of sound corporate governance. Key elements of independence, accountability and transparency create a relationship of trust between Atradius and all of its stakeholders.

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

The Management Board

Composition

The Management Board of Atradius N.V. currently consists of five members.

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

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

Role and procedures

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

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

Remuneration

The Supervisory Board determines the remuneration and further employment conditions of each member of the Management Board, based on the recommendation of the Remuneration, Selection and Appointment Committee of the Supervisory Board and in accordance with the remuneration policy adopted by the General Meeting. Information regarding the amount of remuneration received by Management Board members can be found in the explanatory notes to the consolidated financial statements of the Annual Report 2017.

Conflict of interest

A member of the Management Board with a potential conflict of interest with the Company will immediately report this to the Chairman of the Management Board who will determine whether the reported case qualifies as a conflict of interest. A member of the Management Board will not participate in any deliberations or decision-making process of the Management Board if such member of the Management Board has a direct or indirect personal interest which conflicts with the interest of the Company or its business. In such case the other non-conflicted members of the Management Board will pass the resolution. If all members of the Management Board are conflicted, then the Supervisory Board will pass the resolution.

The Supervisory Board

Composition

The Supervisory Board of Atradius N.V. currently consists of ten members.

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

CVs of each of the Supervisory Board members, showing their background and experience are available on our *website.*

Role and procedures

The Supervisory Board supervises the Company's general affairs and the policy pursued by the Management Board. The responsibilities of the Supervisory Board include, among others, supervising, monitoring and advising the Management Board on the Company's strategy, performance and risks inherent to its business activities; the design and effectiveness of the internal risk management and control systems and the financial reporting process. The Supervisory Board rules describe the decision-making process and the composition and committees of the Supervisory Board.

The General Meeting has the authority to appoint the members of the Supervisory Board on the recommendation of the Remuneration, Selection and Appointment Committee of the Supervisory Board. A Supervisory Board member may be suspended or dismissed by the General Meeting at any time. The Supervisory Board shall consist of at least five members. Supervisory Board members shall resign according to a rotation scheme determined by the Supervisory Board pursuant to which each Supervisory Board member shall resign after a maximum period of four years, after the date of appointment. A resigning Supervisory Board member may be reappointed. A Supervisory Board member will resign early in the event of inadequate performance or in other circumstances in which resignation is deemed necessary by the other members of the Supervisory Board.

The composition of the Supervisory Board

The composition of the Supervisory Board shall be such that the combined experience, expertise and independence of its member enables the Supervisory Board to best carry out its various responsibilities. The current members of the Supervisory Board have extensive experience in insurance and reinsurance, investment banking, strategic consulting and regulatory matters.

Role of the Chairman and the Company Secretary

Among other things, the Chairman of the Supervisory Board co-ordinates the decision making of the Supervisory Board, draws up the agenda of the Supervisory Board meetings, chairs the Supervisory Board meetings and the General Meetings of Shareholders, ensures the adequate performance of the Supervisory Board and its committees, ensures the annual evaluation of the functioning of the members of the Management Board and the Supervisory Board, and acts on behalf of the Supervisory Board in serving as the principal contact person for the Management Board. The Chairman of the Supervisory Board is assisted in his role by the Company Secretary.

Committees of the Supervisory Board

The committees of the Supervisory Board are set up to reflect both the Dutch corporate standards and the specific interests of the business of Atradius. As risk management is considered to be a key area for attention, the Supervisory Board considers it important that this subject is discussed by the full Supervisory Board, rather than in a specific risk committee. All risk subjects dealt with in meetings of the Supervisory Board are chaired by Bernd H. Meyer.

Audit Committee

The Audit Committee supports the Supervisory Board in fulfilling its supervisory and monitoring duties with respect to the assurance of the integrity of the Company's financial statements, the external auditor's qualifications, and the performance of internal and external auditors. The Audit Committee monitors, independently and objectively, the financial reporting process within Atradius and the system of internal controls. The Audit Committee also facilitates the ongoing communication between the external auditor, the Management Board, the internal audit department and the Supervisory Board on issues concerning the Company's financial position and financial affairs. In 2017, the Audit Committee met five times. The Audit Committee currently consists of Xavier Freixes (Chairman), Francisco Arregui and Dick Sluimers.

Remuneration, Selection and Appointment Committee

The Remuneration, Selection and Appointment Committee supports the Supervisory Board in fulfilling its supervisory and monitoring duties with respect to proposals for the appointment of members of the Management Board and the Supervisory Board, the remuneration policy, the remuneration of senior management and other corporate governance matters. In 2017, the Remuneration, Selection and Appointment Committee met three times. The Remuneration, Selection and Appointment Committee currently consists of Francisco Arregui (Chairman), Ignacio Álvarez and Hugo Serra.

Remuneration

The General Meeting determines the remuneration of the members of the Supervisory Board based on the recommendation of the Remuneration, Selection and Appointment Committee and in accordance with the remuneration policy adopted by the General Meeting. Members of the Supervisory Board are reimbursed for their expenses. Information regarding the amount of remuneration received by Supervisory Board members can be found in the explanatory notes to the consolidated financial statements of the Annual Report 2017.

Conflict of interest

A member of the Supervisory Board with a potential conflict of interest with the Company will immediately report this to the Chairman of the Supervisory Board who will determine whether the reported case qualifies as a conflict of interest. A Supervisory Board member will not participate in any deliberations or decision-making process of the Supervisory Board, if such Supervisory Board member has a direct or indirect personal interest which conflicts with the interest of the Company or its business. In such case the other non-conflicted Supervisory Board members will pass the resolution. If all Supervisory Board members are conflicted as referred to above, then the General Meeting will pass the resolution.

General Meeting

The General Meeting is the body of the Company formed by the shareholders and other persons entitled to vote. The General Meeting can exercise its rights at the General Meeting of Shareholders. The General Meeting is also authorised to approve important decisions regarding the identity or character of Atradius, as well as major acquisitions and divestments.

The internal and external auditor

Internal auditor

The internal auditor fulfils an important role in assessing and testing the internal risk management and control system. The Director of Internal Audit reports to the Chairman of the Audit Committee and, with respect to day-to-day activities, to the Chief Executive Officer of Atradius.

External auditor

The General Meeting appoints the external auditor on the recommendation of the Audit Committee of the Supervisory Board. The Audit Committee evaluates the performance of the external auditor and also pre-approves the fees for audit and permitted non-audit services to be performed by the external auditor. The Audit Committee ensures that the external auditor is not appointed to render non-audit services that are listed explicitly as prohibited services in the Atradius Compliance Code on Auditor Independence.

The General Meeting appointed Deloitte Accountants B.V. as the Company's external auditor for the financial year 2017 on 13 June 2017.

Connected through technology

The global economic environment in 2017

Global growth strengthens

The global economy strengthened in 2017, with higher growth rates in both emerging markets and advanced economies. Global growth rose to 2.9% in 2017, up from 2.4% in 2016 and is expected to increase further (to 3.2%) in 2018.

Advanced markets

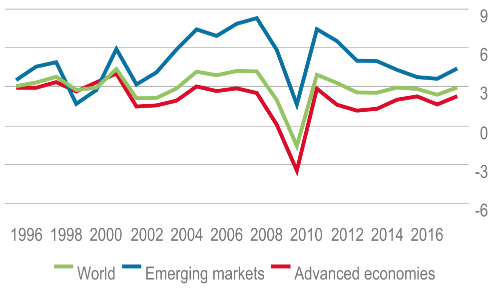
Growth in advanced markets improved in 2017. Eurozone recovery strengthened to 2.4%, with private consumption, investment and external demand bolstering growth. Domestic demand remained the pillar of growth for the Eurozone in 2017. Private consumption growth was underpinned by rising employment, low inflation and strong sentiment. The unemployment rate declined further in 2017, to 8.7% in November 2017, compared to 9.6% at the start of the year.

All member states' economies grew last year. Still, Eurozone growth continues to be unevenly distributed, with Southern European member states lagging behind their Northern European counterparts. Spain is the clear exception in Southern Europe: for the third consecutive year it showed robust economic expansion, with 3.1% GDP growth in 2017.

Financial conditions remained very loose in 2017. Low interest rates kept funding costs for companies low and made it relatively cheap for consumers and firms to borrow. As a result, borrowing in the Eurozone continued to recover in 2017, with banks relaxing their credit conditions, making it easier to obtain loans. Southern Europe remained a weak spot in bank lending, as banks still have to cope with still weak balance sheets and high levels of non-performing loans.

The US economy experienced robust recovery in 2017, with GDP growth coming in at 2.3%. Private consumption, which accounts for more than two-thirds of the US economy, remained the primary growth driver. Labour market conditions continued to improve and the unemployment rate was at 4.1% in December 2017, below the previous 2007-low.

Global economic growth
Real GDP growth, percent change y-o-y



Sources: Macrobond, Oxford Economics

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Eurozone growth continues to be unevenly distributed.

Emerging Markets

Emerging market growth strengthened in 2017. China's growth went up a notch in 2017 as a result of higher domestic demand and exports, supported by accommodative policy. Also, some of the largest emerging markets (Russia, Brazil and Argentina) emerged from their 2015-2016 recessions.

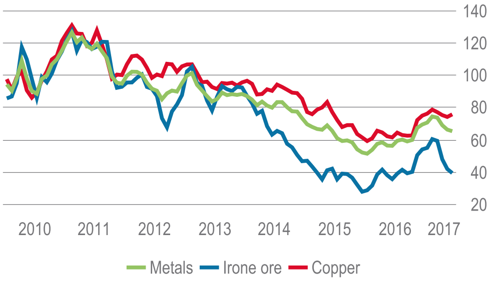
The emerging world benefitted from a cyclical recovery in global trade. Trade expanded particularly in emerging Asia and Latin America. Declining policy uncertainty in the US has benefitted Latin American countries. Mexico maintained growth momentum, despite uncertainty related to NAFTA negotiations and significant tightening of monetary policy. Brazil and Argentina emerged from their 2015-2016 recessions, helped by structural reforms and the increase in commodity prices. In Eastern Europe, the higher oil price lifted Russia from its recession. Trade growth rose in emerging Asia due to higher import demand from China.

As monetary policy in the advanced world remained very accommodative, financial conditions in emerging markets have remained supportive of economic activity. Moreover, net importers of commodities such as oil, steel and coal benefitted from another year of relatively low prices, providing stimulus to domestic demand. Among these net importers are many Latin American countries.

Growth in Central and Eastern Europe strengthened due to the positive effect of the Eurozone recovery which translated into higher exports and more inward investment, as well as re-emerging growth in Russia.

Global commodity prices

Price index, 2010 = 100



Sources: Macrobond, IMF

> The emerging world benefitted from a cyclical recovery in global trade.

Cautious decline in insolvencies

Global insolvencies declined slightly in 2017, as the world economy continued to build momentum. The strongest improvement is seen in Eurozone countries, like the Netherlands, and some of the southern European countries (Portugal, Italy) which are recovering from high insolvency rates. Credit conditions for businesses generally improved across advanced markets in 2017. However, insolvency levels remained elevated in many Eurozone countries – especially in southern Europe – and financial conditions were still far from the pre-2008 benign environment.

Other advanced markets generally faced improving conditions as well. US insolvencies declined on the back of another year of robust growth. Insolvencies have started to pick up again in the UK due to reduced growth levels as a result of Brexit uncertainty. In most other advanced markets, strengthening domestic demand and higher exports have pushed up GDP growth rates, leading either to stable or declining insolvencies.

Growth picked up slightly in most emerging markets in 2017, producing a slightly more benign insolvency environment. Insolvencies are forecast to decline in India, Brazil and South Africa because these are countries that will benefit from increasing economic growth. Other emerging markets are expected to see a rise in insolvencies in line with the poorer economic conditions. In China, insolvencies have increased in 2017 as companies have been impacted by worsening funding conditions. Turkey saw a steep increase in insolvencies due to high inflation and lira volatility.

Outlook for 2018

Global growth is expected to increase momentum in 2018. Across emerging markets growth is expected to pick up helped by a mild recovery in commodity prices. In Latin America, the economic recovery is expected to continue this year, with a higher growth rate for Brazil and Argentina, and stable growth for Mexico. However, a possible breakdown of the NAFTA negotiations remains a sizeable downward risk for Mexico. In Eastern Europe, growth is expected to moderate slightly next year. Asian growth, supported by India and China, will continue to fuel the engine of global growth.

Despite this positive outlook, emerging markets may endure some financial pressure from US monetary policy tightening. Advanced markets are expected to maintain their growth rate. Eurozone growth is expected to cool slightly in 2018, resulting from lower export and consumption growth. US growth is forecast to continue in 2018 as a result of fiscal stimuli.

For advanced markets as a whole, the business environment is expected to remain more or less stable with no significant changes to insolvencies. Financial conditions are expected to remain accommodative, despite US monetary policy tightening and the gradual scale-back of the ECB’s bond-buying programme. The UK is expected to see the strongest rise in insolvencies, as uncertainty surrounding the negotiations with the EU and adverse effects from the weak pound will really impact next year. This will also have moderate negative spill-over effects on other EU countries.

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Financial conditions were still far from the pre-2008 benign environment.

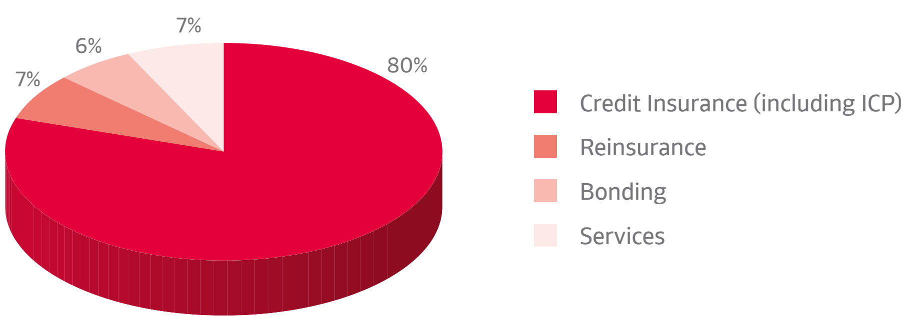
Stable and profitable growth

(EUR thousands)	2017	2016	
Insurance revenue	1,718,925	1,684,984	2.0%
Gross insurance claims and loss adjustment expenses [1]	(717,228)	(701,147)	(2.3%)
Gross insurance operating expenses [1]	(612,910)	(612,682)	(0.0%)
Reinsurance result	(133,683)	(140,062)	4.6%
Insurance result	**255,103**	**231,093**	**10.4%**
Service income [1]	121,056	78,438	54.3%
Service expenses	(116,016)	(70,517)	(64.5%)
Service result	**5,040**	**7,922**	**(36.4%)**
Net investment result [2]	24,726	22,761	8.6%
Operating result before finance costs	**284,870**	**261,775**	**8.8%**
Result for the year (after tax)	**186,236**	**211,772**	**(12.1%)**
Employees (FTE) [3]	**3,596**	**3,586**	**0.3%**

[1] *Overview includes inter-segment revenue and (claims) expenses.*
[2] *Net income from investments excluding extraordinary impact from associated companies (minus EUR 11.7 million impairment in 2017, and EUR 22.2 million of realised gains in 2016).*
[3] *Including FTE from Graydon, Iberinform Portugal, Gestifatura and Informes.*

	Gross		Net	
	2017	2016	2017	2016
Claims ratio	41.7%	41.6%	41.4%	42.0%
Expense ratio	35.7%	36.4%	34.2%	35.4%
Combined ratio	77.4%	78.0%	75.5%	77.4%

Revenue by business segment



In 2017 Atradius once again achieved strong results. The insurance result increased by an outstanding 10.4%. The net investment result increased by 8.6% in 2017 (excluding extraordinary impacts from associated companies) which led to the operating result growing by 8.8%.

Despite the excellent operating result, the result for the year 2017 decreased by 12.1% purely driven by the extraordinary impacts of associated companies (Minus EUR 11.7 million impairment in 2017 and EUR 22.2 million of realised gains in 2016.)

The profit for the year of EUR 186.2 million was supported by a 2.0% increase in insurance revenue compared to 2016. Gross claims were at EUR 717.2 million (2.3% above 2016) while gross insurance expenses remained in line with the previous year at EUR 613 million. The gross combined ratio, ended at an excellent 77.4%.

The credit insurance business performed well in 2017, despite reduced premiums in Southern Europe. The performance in Spain, which is our largest credit insurance market, continues to show strong activity and increasing volumes of insured turnover, although price pressure has impacted premiums driven by the competitive environment.

The markets in North America, Asia and Central and Eastern Europe showed strong revenue growth, in line with our ambition to expand in these regions. Claims costs in 2017 saw an inflow that was both moderate and stable.

The Global unit performed well with an increase in revenue whilst Special Products experienced a marginal decline. Both units however experienced a significant reduction in claims compared to 2016. For Bonding revenue grew in 2017 and the result remained excellent with a claims ratio of 18.6%. Also for Reinsurance revenue increased slightly in 2017 and the claims ratio recovered from 70.1% in 2016 to 57.9% in 2017.

The Atradius gross insurance operating expenses in 2017 amounted to EUR 612.9 million with the cost ratio of 0.6 percentage points lower compared to 2016. Brokerage fees increased by 1.4% compared to 2016, however this is 0.6 percentage points less than the growth ratio of insurance revenue.

The reinsurance of the Group remained under a single quota share contract with the retention remaining at 57.5%, in line with 2016. The cost of reinsurance in 2017 was EUR 133.7 million, a decrease of EUR 6.4 million compared to 2016, largely a result of higher reinsurance commission.

Services achieved a positive result of EUR 5.0 million this year, showing positive performance in all businesses with the exception of Graydon which was impacted by one-off expenses. Our Collections unit saw a positive development in service income as a result of growth in market share of our non-insured collections products and the improving insolvency environment in Western Europe.

The net investment result contributed positively to the bottom line. Excluding extraordinary impact of associated companies, the net investment result increased by 8.6% compared to 2016.

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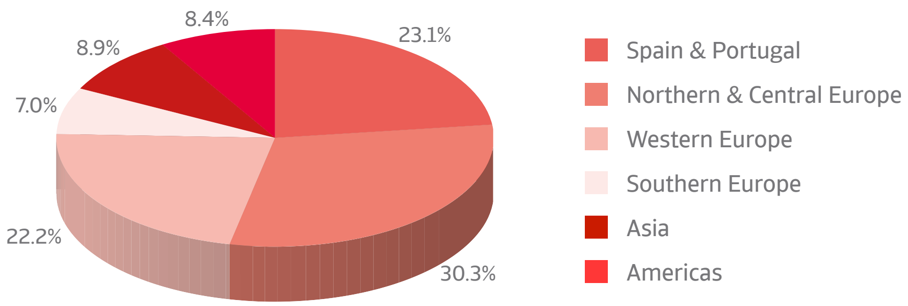
North America, Asia and Central and Eastern Europe showed strong revenue growth.

Credit Insurance including Instalment Credit Protection (ICP)

(EUR thousands)	2017	2016	
Insurance premium revenue	1,341,173	1,316,365	1.9%
Information income	130,830	127,396	2.7%
Insurance revenue	**1,472,003**	**1,443,761**	**2.0%**
Gross insurance claims and loss adjustment expenses [1]	(618,736)	(600,704)	(3.0%)
Gross insurance operating expenses [1]	(509,929)	(501,364)	(1.7%)
Result before reinsurance	**343,339**	**341,693**	**0.5%**
Reinsurance result	(108,898)	(113,341)	3.9%
Result after reinsurance	**234,441**	**228,352**	**2.7%**
Total credit insurance and ICP gross claims ratio	**42.0%**	**41.6%**	**(1.0%)**

[1] Overview includes inter-segment reclassifications

Credit insurance & ICP revenue by region



Credit insurance is Atradius' core product in terms of premium. It is compromised of traditional credit insurance for both domestic and export trade and the structured credit and political risk business of our Special Products team.

The global economy is continuing to strengthen. Worldwide growth is expected to increase 3.2% in 2018.

The outlook for emerging markets was brighter than in 2016, as Brazil, Argentina and Russia emerged from recession and access to finance remained favourable. Many markets benefitted from the elevated commodity prices. Financial markets' perception of emerging economies is increasingly positive, but countries with high external liabilities remain vulnerable.

While the global economic outlook is more robust than previous years, political risk remains a downside risk to stability. The Eurozone economy has benefitted in 2017 from a pick-up in global activity, driven largely by emerging markets and some advanced markets. Despite the pick-up in global activity, Eurozone growth largely came from domestic demand. Consumer and business confidence indicators remain strong. The US economic outlook is steady with GDP growth driven primarily by consumer spending, supported by low interest rates and the tightening labour market. The UK economy has been resilient in the aftermath of the Brexit vote but GDP growth is beginning to ease.

The outlook for emerging markets was brighter than in 2016.

Atradius' credit insurance business showed consistent performance in 2017, with a result before reinsurance of EUR 343.3 million, 0.5% higher than in 2016. Insurance revenues reported a 2.0% increase compared to 2016 (2.7% at constant foreign exchange rates). Claims inflow remained under control. Claims expenses increased slightly in 2017, moderately by a small number of larger cases. This increase in claims however resulted in higher recoveries from claims ceded to reinsurers. Credit conditions were supportive in Europe and finally improving in emerging markets. The insolvency outlook has also been favourable overall with the exception of Spain which continues to be stable. Gross insurance operating expenses increased by 1.7%, at a lower level than the development in insurance revenues.

The global economy is still influenced by uncertainty. Against this background, we continued to provide cover to our customers around the world. Our total potential exposure (TPE) in 2017 increased by 6.1% to EUR 622.8 billion. The top three regions for exposure concentration did not change compared to 2016 with Europe accountable for 72.7% of the exposure, Asia for 13.8% and the Americas 12.4% of the total exposure.

In relative terms, the region with the highest concentration (Europe) is also the region where exposure grew the most (up 6.8%). Other regions with high growth were Oceania (5.9%) and Asia (6.6%) but all buyer regions contributed to the increase in exposure. In North America the increase was marginal (1.0%). In China, our exposure increased substantially, a result of the steady domestic economic rebalancing.

The concentration of exposure by trade sector remained fairly stable. 76.8% of the Group's TPE is in seven trade sectors: chemicals, construction, consumer durables, electronics, food, metals and transport. In 2017 our exposure increased most notably in agriculture and construction due to increased business levels of existing and new customers.

Our initiatives to meet customers' needs were rewarded with improved customer retention. Overall our credit insurance portfolio reported moderate growth of 2.0%.

Germany, one of our larger markets within Europe, delivered an increase in revenues of 3.8% compared to 2016. The United Kingdom & Ireland on the other hand showed a decrease in revenue of 1.5%. However at constant foreign exchange rates revenue grew by 8.2%. France and Italy showed moderate increases in revenue of 1.3% and 1.5% respectively, while Belgium & Luxembourg grew by 1.9% and the Netherlands by 2.9%.

Revenue growth between 6.8% and 7.3% was observed in the Nordic region and Central & Eastern Europe while revenue grew even more significantly in Asia and NAFTA by 11.6% and 10.0% respectively. In Oceania revenue grew by 4.5%. In Spain revenue decreased by 7.9%, impacted by price pressure in a competitive environment.

Gross claims expenses of local credit insurance ended at EUR 423.8 million, a 10.6% increase compared to 2016. In Asia the claims ratio increased by 3.4 percentage points while both our Global and Special Products units improved substantially.

"

The global economy is still influenced by uncertainty.

Our Global unit represents a significant part of our total credit insurance revenue and is the acknowledged market leader in the multinational customer segment of the credit insurance industry. In 2017 the Global unit celebrated its 20th anniversary and is proud to be the pioneer for a multinational approach in the industry. The ongoing success of Global once again affirms the importance of having a separate unit dedicated to providing solutions to the multinational segment.

Our Special Products Unit (SPU) offers solutions outside the framework of our whole turnover policies, to cover the non-performance of trade transactions and of the related financing. In 2017 SPU has delivered stable revenues and a decrease in claims, combined with an increase in recoveries

Instalment Credit Protection (ICP) covers the medium- and long-term risks that financial and corporate policyholders face in their multiple instalment agreements with private individuals and businesses. In 2017 insurance revenue increased. The claims ratio remained exceptionally low at 1.7% thanks to above-target recoveries.

In 2017 Atradius started a company wide multi-year programme, named Credit Insurance Business Transformation, focused on enhancing our business processes, modernising our IT systems and strengthening our value proposition. Our goal is to redesign our core company processes and applications, and how we interact with our customers, distribution channels and cooperation partners in the coming years. Our first focus area will be the commercial processes.

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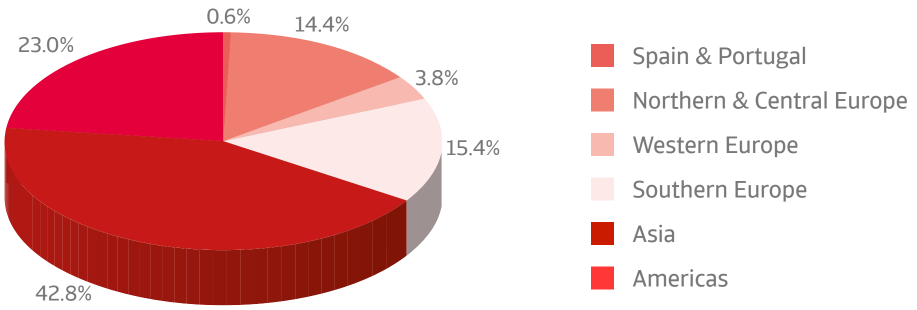
Enhancing our business processes, modernising our IT systems and strengthening our value proposition.

Reinsurance

(EUR thousands)	2017	2016	
Insurance revenue	**133,697**	**132,024**	**1.3%**
Gross insurance claims and loss adjustment expenses	(77,452)	(92,542)	16.3%
Gross insurance operating expenses	(54,840)	(54,927)	0.2%
Result before reinsurance	**1,405**	**(15,446)**	**109.1%**
Reinsurance result	(592)	2,865	(120.7%)
Result after reinsurance	**813**	**(12,581)**	**106.5%**
Gross claims ratio	**57.9%**	**70.1%**	**17.4%**

Reinsurance revenue by region of cedent



Atradius Re provides reinsurance capacity for primary insurance companies from both the developed and developing credit insurance and bonding markets and assumes business from over 60 countries. The underlying business consists of around 60% credit insurance and 40% bonding, based on premium volume. The business is underwritten by an international team of underwriters based in our offices in Dublin, Ireland.

Atradius Re has long-standing relationships with its clients and leads more than one third of its treaties, in addition it maintains close contacts with specialist brokers. The quality of these client relationships is underscored by the Company's unique offering: combining our skills in the primary underwriting of credit insurance and bonding risks with expertise in structuring reinsurance solutions. In this way, Atradius Re can anticipate and respond to clients' specific and changing needs. The strategy of Atradius Re is to diversify and evolve the portfolio by region, country and business type, with a focus on Asia, the Middle East, Africa and Latin America.

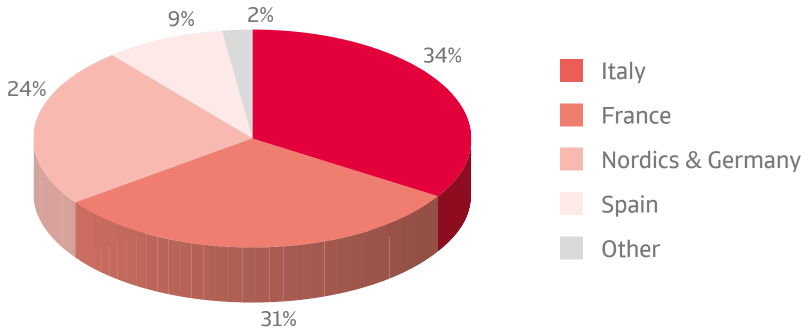
The total reinsurance revenue for 2017 of EUR 133.7 million has increased slightly from EUR 132.0 million in 2016, despite the decision in favour of a proactive strategy towards long-term relationships.

> Combining our skills in the primary underwriting of credit insurance and bonding risks with expertise in structuring reinsurance solutions.

Bonding

(EUR thousands)	2017	2016	
Insurance revenue	**113,225**	**109,199**	**3.7%**
Gross insurance claims and loss adjustment expenses	(21,040)	(7,901)	(166.3%)
Gross insurance operating expenses	(41,396)	(40,885)	(1.2%)
Result before reinsurance	**50,789**	**60,413**	**(15.9%)**
Reinsurance result	(24,194)	(29,585)	18.2%
Result after reinsurance	**26,595**	**30,827**	**(13.7%)**
Gross claims ratio	**18.6%**	**7.2%**	**(156.8%)**

Bonding insurance revenue by region



Atradius Bonding is active in Italy, France, Spain, the Nordic countries (Denmark, Finland, Norway and Sweden), Germany, the Netherlands, Belgium and Luxembourg.

Atradius Bonding works with different industries and maintains relationships with a large range of companies. We offer a wide variety of products closely linked to local legal requirements and tailored to customers' needs. The products offered can be clustered into two groups of bonds: contract bonds (bid, performance, advance payment, maintenance) and commercial bonds (tax, excise, custom and authorisation bonds). Atradius Bonding is constantly monitoring the markets of its operations, seeking new opportunities and products following legislation changes (e.g. travel bonds).

In addition to the traditional Bonding sectors (such as construction, engineering, capital goods and travel), demand for bonds is growing in new sectors such as environmental services. Bonding customers show an increasing need for both domestic services and international bonds support. To meet customers' expectations we have expanded our geographic footprint so that we can also address the international requirements of our domestic customers. Our expanded presence throughout Europe allows us to support our customers' multinational activities, combined with a wide network of fronters across the world.

Moreover, our active response to the innovation of the insurance sector and, in particular to the bonding market, means we provide an advanced web solution to support our customers in handling their bonds efficiently while at the same time maintaining a pioneering catalogue of products.

" A wide variety of products closely linked to local legal requirements and tailored to customers' needs.

Thanks to our long-standing Bonding expertise, deep local market knowledge and ability to seize niche market opportunities, we benefit from steady growth over the last years and the trust of major organisations. This places us in the peer group of other major surety companies and makes us a leading bonds supplier in Europe.

Insurance revenue in 2017 amounted to EUR 113.2 million, a 3.7% increase compared to 2016. The business developed well in Spain, Italy, France and the Nordic region. Performance in newer markets such as Germany, Belgium, the Netherlands and Luxembourg has been outstanding and has been an important driver for growth since 2016. The result is in line with the long-term strategy of the Bonding unit.

The claims ratio evolution in 2017 is satisfactory for all countries with a gross claims ratio of 18.6%.

In 2017 as part of our innovation programme, we have started to develop a common Bonding IT platform for customers, partners and staff. This common platform will help us sustain our market position by providing our customers with modern customer journeys that bind, enable geographical expansion to countries where Atradius has a footprint, and support the further expansion of our bonding service portfolio.

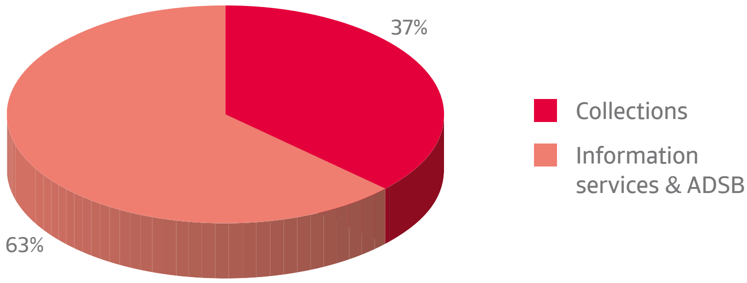
“ A leading bonds supplier in Europe.

Services

(EUR thousands)	2017	2016 [2]	
Service income [1]	121,056	78,438	54.3%
Service expenses	(116,016)	(70,517)	(64.5%)
Service result	**5,040**	**7,922**	**(36.4%)**

[1] Overview includes intersegment revenues
[2] Overview includes Graydon, Iberinform Portugal and Gestifatura since Q3 2016.

Service income



Atradius' Services segment is comprised of our debt collection operations, the Dutch State Business and service revenue from our buyer information businesses.

Debt Collection

2017's economic climate followed a similar path of consolidation as 2016. The challenges remained linked to scarce availability of liquidity and low cash flow levels.

In Western Europe we see indeed that the insolvency environment is improving. Emerging markets, however experienced another challenging year. China and Turkey are suffering from a distressed situation which in combination with a slow down of growth rates and an increase of outstanding debts, creates the ideal environment for a positive development of our activity in future years. We see local and global companies with a presence in these regions increasingly asking us to support them there, also for first party collection services.

Atradius Collections' service income increased 3.9% in 2017. Debt placement decreased by 4.0%, mainly as a result of decreased claims. Despite the decrease in debt placements, we observed an increase of collected sums which is testament to the improved quality and performance of our local teams. The positive development of our performance and the underlying increase in our customer base are providing a positive outlook for further business development and collections service income generation. Atradius Collections expanded its reach in 2017 further by establishing service in Turkey and Indonesia.

A positive outlook for further business development.

Atradius Dutch State Business

Atradius Dutch State Business issues credit insurance policies and guarantees to Dutch companies and banks financing Dutch exports on behalf of and for the account of the Dutch State. The technical results for the account of the Dutch State were positive throughout 2017.

The main activity of Atradius Dutch State Business is to provide cover for risks related to infrastructure projects and the export of capital goods – often on medium or long-term credit – and for services to buyers in countries outside the Netherlands that are not covered by the private market. ADSB provides cover for political risks related to investments in other countries.

In addition, Atradius Dutch State Business provides cover on development investments relevant for export contracts in medium and lower income countries which benefit (local) SMEs. This service is provided under the Dutch Good Growth Fund.

Next to this, the Dutch Trade and Investment Fund enables Atradius Dutch State Business to provide cover on investments and export contracts up to EUR 5 million for which finance support by commercial banks is not available. By discounting bills of exchange, these contracts can also be financed by Atradius Dutch State Business.

In addition, Atradius Dutch State Business provides debt management services, under an agreement with the Dutch State, including those relating to international debt agreements concluded by the Paris Club. It also manages the loan portfolio of the 'Nederlandsche Investeringsbank voor Ontwikkelingslanden'. This portfolio is in run-off and consists of concessional loans to developing countries on behalf of the Dutch State.

Information Services

Atradius offers a wide range of information services through its new group companies Graydon and Iberinform. These companies support business decision-making with business intelligence tools designed to analyse customers, suppliers and competitors. Credit scoring models and business reports help companies to assess customer credit risk, assign credit limits and, ultimately, improve their cash flow.

Graydon has offices in the Netherlands, Belgium and the UK and uses a network of 130 international databases around the world with information on more than 90 million companies. Graydon is one of the leading providers in business information solutions for credit management & collections, marketing intelligence and risk & compliance. Graydon's markets show modest growth. Competition is fierce at the low-end segment and incumbents are moving to value added services. Graydon is moving towards more tailored solutions for customers delivering scalable products and services.

Iberinform is active in the Spanish and Portuguese markets. Iberinform Portugal started in 2016 after acquiring an 80% share in Ignios. This puts Iberinform in a strong position to consolidate a powerful range of products and services for the Iberian market.

Business information services are also offered in Mexico via our company Informes Mexico S.A.

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Business intelligence tools designed to analyse customers, suppliers and competitors.

Building through people who can make a difference

The success of Atradius depends on the success of our employees. Ambitious Teamwork is one of Atradius' core values – promoting working together.

Employee engagement survey

We value our employees, opinion about what is going well and what could be improved upon in Atradius. Since 2006, Atradius has conducted four employee engagement surveys. The survey gives insight into the organisation from the perspective of the employees and offers the different units and teams practical information to pinpoint improvement areas and design concrete actions.

In 2017 another survey was conducted. The results showed that Atradius scored higher than the previous survey and also higher than the benchmark on most themes.

Overall the survey showed that our employees are strongly connected to Atradius as an employer and improvement opportunities are being addressed with the roll-out of local improvement plans.

"Employees are strongly connected to Atradius as an employer."

Atradius Academy

The motto of the Atradius Academy is 'to maximise the potential of our staff'. Atradius supports an environment of continuous learning and invests in upskilling staff. Being adaptable to new challenges is important in this time of rapid change, Atradius invests in the development of staff so they are able to support our evolving customers' needs in the best way possible and to remain positive and open for change in the future.

Atradius invests in people by offering a wide choice of development opportunities. At any time and in any place, staff can connect to our Learning Management System to immerse themselves into a wide selection of E-learning courses. Staff and managers have the ability to create personalised learning paths from an extensive library of training materials to suit their own development needs.

In 2017 three Management Development Programmes were organised by the Atradius Academy: Stepping Forward 1 & 2 and Moving Forward with each programme being designed for a specific audience. This year the Moving Forward programme was offered to the entire Atradius Leadership Team to support them with the important challenge of leading our staff through a period of change and transformation.

For our Management Board and Supervisory Board we organised a Permanent Education session covering two topics: new developments in the insurance and finance industry and cybercrime.

To ensure that all Atradius employees maintain up-to-date knowledge of compliance and governance rules and regulations, we run the annual Atradius Learning Carousel. The 2017 version of the Carousel addressed an introduction to the General Data Protection Regulation (GDPR) and Cybercrime. Participation in these e-learning courses is mandatory for all employees.

“

The importance of teamwork and social responsibility.

Evolve +

Evolve+ is the continuation of our multi-year cultural change programme which focuses on increasing innovation and being more externally focused to support connecting with our customers in a personal and meaningful way.

The ‘Atradius Cares’ initiative was launched in 2017 to highlight the importance of teamwork and social responsibility. This initiative brings together all the social activities that are organised by our staff worldwide to create a powerful overview of the impact that Atradius is making on our local communities. Events such as charity sports events, and food and toy drives have resulted in engaging and empowering experiences for the people involved.

Gender diversity

Dutch public interest entities that meet the criteria of a large legal entity in accordance with title 9, Book 2 of the Dutch civil Code, effective from 13 April 2017, requires large Dutch companies, when nominating or appointing members to their Management Board or Supervisory Board, to take into account, as far as possible a balanced composition of these boards in terms of gender, so that at least 30% of the positions are held by women and at least 30% by men. Although it is not obligatory, Atradius uses this policy as good practice.

The current composition of the Management Board and the Supervisory Board deviates from these percentages. In January 2017, two new appointments were made in respect of the Supervisory Board and none for the Management Board. With regard to future appointments, the Management Board and the Supervisory Board will take gender diversity objectives into account as far as possible.

Indicators	**2017**	**2016 (1)**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**	**2008**
Headcount	3,756	3,758	3,333	3,298	3,257	3,315	3,304	3,318	3,627	4,106
Total average number of employees (full-time equivalent)	3,591	3,584	3,153	3,132	3,132	3,139	3,159	3,318	3,662	3,851
Total year end number of employees (full-time equivalent)	3,596	3,586	3,161	3,139	3,107	3,143	3,149	3,165	3,470	3,854
Retention rate	91.1%	92.3%	92.0%	94.9%	91.4%	92.6%	91.1%	85.8%	88.6%	88.8%
Sick leave	3.1%	2.9%	3.1%	2.8%	3.0%	3.1%	3.4%	3.6%	3.4%	3.0%
Development and training										
Expenses as % of salaries	1.8%	1.7%	1.6%	1.5%	1.2%	1.4%	1.3%	1.3%	1.4%	2.5%
Number of training attendees	9,228	7,680	6,366	5,646	5,283	1,656	1,952	1,236	1,943	4,455

(1) Including FTEs from Graydon, Iberinform Portugal, Gestifatura and Informes since 2016.

Securing future financial stability

As a global insurance company, Atradius is exposed to many and varied risks

Atradius classifies its main risk types as insurance, financial and operational. Insurance risk is predominantly the risk of non-payment by a buyer covered by a policy (credit insurance) or the risk of non-performance of a customer (bonding). Financial risks arise out of developments in financial markets and with counterparties - including market risk, credit risk and liquidity risk. Operational risk is the risk of direct or indirect losses resulting from human error, inadequate or failed internal processes, systems or external events - and includes fraud risk.

Risk management

The boards of the Group companies have ultimate responsibility and accountability for risk management and internal control within their respective companies. The Management Board owns, implements and oversees Atradius Group-wide risk governance through the Risk Strategy Management Board (RSMB). A number of committees support the RSMB in specific risk-related areas such as underwriting of buyer exposures, country risk, provisioning, asset composition and investment policy, reinsurance, quantitative modelling, and approval of new products. In addition, all employees have well-defined authorities specifying the level of risk they can accept. This framework ensures that risks are assumed and managed in a controlled way and in line with the risk appetite of the company. For the description of the main risks and uncertainties and how these are managed please refer to Note 4 Risk and Capital management of the consolidated financial statements.

The relationship between risk and capital is fundamental for Atradius. Understanding how risk-taking consumes capital allows management to steer Atradius and to take strategic decisions with the interdependence of risk and capital in mind. These decisions are increasingly informed by the outcomes of Atradius' internally developed economic capital model. This model contributes to a multitude of risk assessment activities and risk profile measurement, and allows Atradius to better monitor and manage risk levels within the organisation through the allocation of risk-based capital. In addition the model is used in the partial internal model for calculation of regulatory capital requirements under Solvency II.

Atradius compliance framework

Compliance practices support our business, our reputation and our integrity. Complying with relevant laws, rules and regulations and maintaining a high standard in terms of ethics and integrity leads to lower operational risk and more stable business processes. The Group's Code of Conduct outlines the basic corporate, legal and ethical compliance principles and guidelines that apply to all employees of the Group and that govern the Group's operations and its employees' business conduct and actions. Individual Compliance Codes address specific compliance areas in more detail and set out detailed compliance requirements that must be followed across the Group and which must be included in business procedures. For example, the Customer Due Diligence Code addresses potential risks in areas such as sanctions regulations and money laundering. The Compliance Function within Atradius consists of the Group Compliance Function and the Local Compliance Functions. The Compliance Function supports the management of Atradius in meeting its objective of being compliant with applicable laws, rules and external and internal regulations.

Capital management

Atradius seeks to maintain a strong capital position and well capitalised operating entities. This helps us to support the evolution of our insurance business, withstand financial stress in adverse business and financial markets, meet our financial obligations and ultimately deliver shareholder value.

In 2017 all Atradius' entities were able to meet their financial obligations efficiently and to comply with local legal and regulatory requirements.

Shareholders' funds and Subordinated debt

Shareholders' funds at the end of 2017: EUR 1,753.2 million increased by 7.9% from EUR 1,625.5 million at year end 2016, due mainly to positive results after tax.

Subordinated debt of EUR 323.6 million (nominal value) at the end of 2017 consisted of subordinated notes of EUR 248.6 million and a subordinated loan of EUR 75 million, both of which qualify as Tier 2 basic own funds for Solvency II. For further details please see Note 16 of the consolidated financial statements of the Annual Report 2017.

Regulatory capital

Atradius' regulated entities maintain a strong solvency position. In particular, the solvency ratio of Atradius at the end of 2017 is well above 200%.[1]

As approved by the relevant supervisors during 2017, Atradius applies a partial internal model of underwriting risk for regulated entities to calculate regulatory capital requirements under Solvency II. For further details on the main Solvency II regulatory capital requirements please see the *Solvency and Financial Condition Reports* of Atradius' European regulated entities.

[1] *Subject to finalisation of any audit procedures.*

Connecting with our communities

Atradius continues a journey to report fully on our Corporate Social Responsibility (CSR) in accordance with the Global Reporting Initiative (GRI).

Atradius reaffirms its support of the ten principles of the United Nations Global Compact (UNGC) with respect to Human Rights, Labour, Environment and Anti-Corruption and we express our intent to remain a 'good corporate citizen' by embedding these principles in our strategy, culture, and day-to-day operations.

In our commitment to the UNGC principles, our ambition is to continue to have a positive impact on our surroundings, and to strive for greater reporting levels of transparency and accountability.

In line with the UN Global Compact Atradius produces an annual Communication On Progress (COP) report detailing our delivery against the ten UNGC principles into our strategies and operations, as well as our efforts to support societal priorities. The COP is a visible expression of our commitment to sustainability. This report is available on the UN website (www.unglobalcompact.org).

As part of the GRI, an internal and external survey has been performed in 2017 to provide input for an updated materiality matrix. A materiality matrix prioritises key CSR topics and KPIs will be developed for all topics in the matrix. Atradius has conducted an exercise to score the different topics in terms of their importance to Atradius internally and the importance to external stakeholders. The higher scoring topics include areas such as; customer centricity, ethics, employee well-being and human rights policies. KPIs will be designed to monitor our progress on these topics in a quantifiable manner. Please find below the materiality matrix that has been constructed in 2017.

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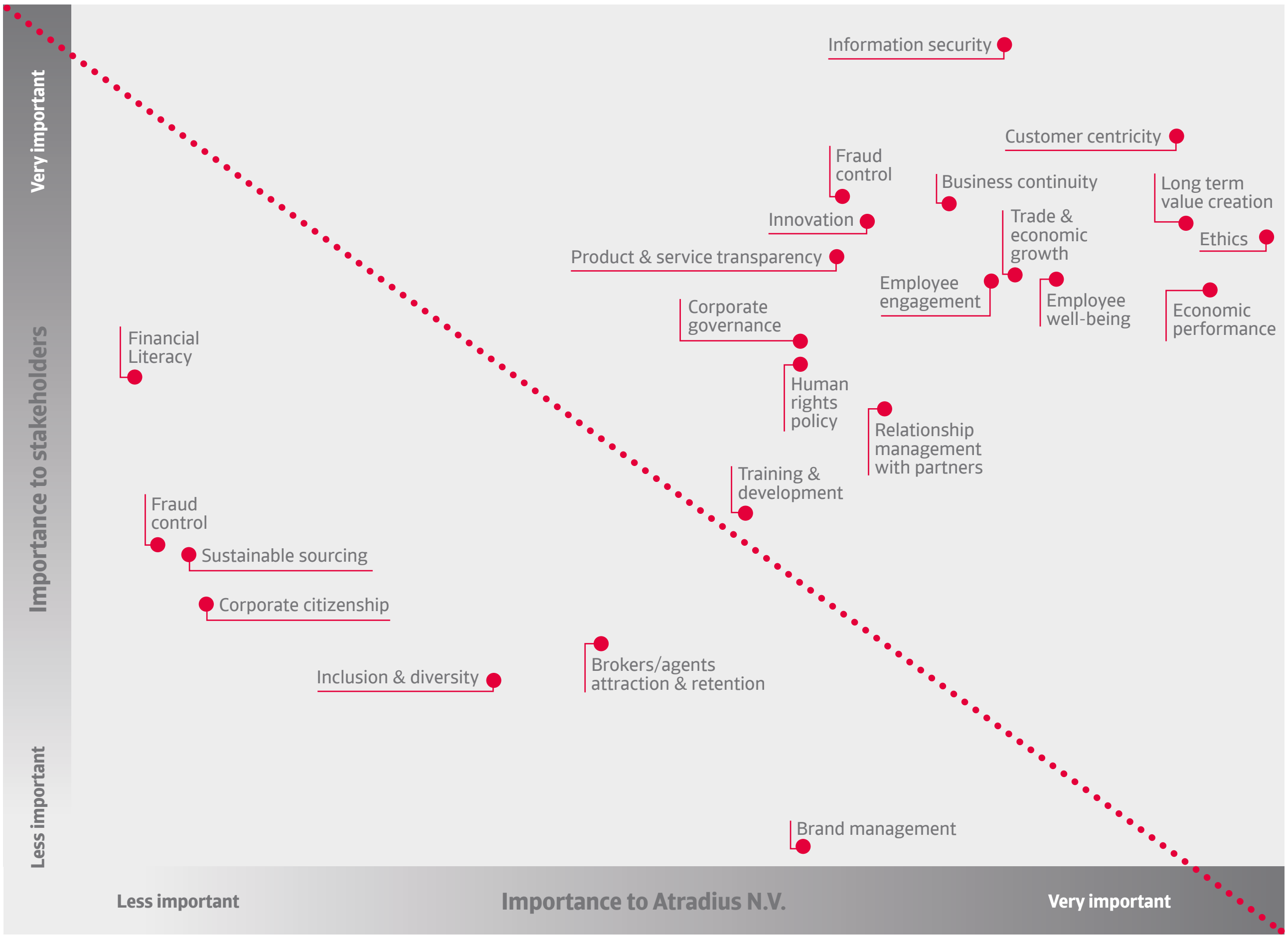
Our ambition is to continue to have a positive impact on our surroundings.



In addition to the materiality matrix a self-assessment for the Transparency Benchmark (TB) has been performed and independently scored by an external accountant. The Transparency Benchmark compares companies based in the Netherlands on achievements in CSR. The official ranking has been published by the Ministry of Economic Affairs and Atradius N.V. achieved a record high score of 143 points (the maximum score is 200 points), which is a significant improvement versus the previous listing.

Our customers

In addition to our day-to-day engagement in customer service, we also connect with customers via our numerous free of charge publications such as Country Reports, Payment Practice Barometers and Global Economic Outlook. We also seek feedback from our customers about the services we provide to identify improvement areas.

A recent customer survey indicated that 97% of surveyed customers would recommend Atradius to other organisations.

Improvements have been made to the on-line connections for our customers during 2017. We currently communicate more frequently and more directly with our customers via the portal which customers can access at any given moment. The portal provides our customers with valuable information on their buyers and exposure.

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Atradius coverage allows us to compete with our global competitors by offering attractive terms to our prospective customers.

Morten Fullerton, Director for International Sales, Rawbite

Our suppliers

The Group Procurement Framework states that every (potential) supplier will be screened to find out whether or not they apply the same standards of ethical practice as Atradius, including the abolition of child labour. With suppliers we interact on a day to day basis and have technical visits and meetings. During these interactions we also discuss minimising waste and strive for eco- friendly solutions. Atradius has an environmental policy stating our approach to environmental challenges in our business.

Our people

Our employees are represented through the various local works councils and the European Works Council. Furthermore there is a yearly dialogue (Roadshows) between the Management Board and the employees. During these Roadshows not only financial results, budgets and key areas of strategy are being discussed to bring a common focus and drive in the organisation. In addition to Roadshows Atradius also invests in staff with surveys, training and the evolve+ programme as mentioned the Human Recourses chapter of the management report.

Our communities

Atradius is fully aware of the responsibility it has towards the communities in which it operates, and as a company we encourage our people to involve themselves in initiatives that benefit those communities: whether financial, personal or social. An initiative called 'Atradius Cares' provides a way for local Atradius staff to share and gain recognition for local social projects. Some of the projects included are; events for disabled people, support for the American Red Cross disaster relief, the Amsterdam City Swim to fight ALS, Warszawa Business Run, Race for Breast Cancer and several initiatives to raise money for local charities.

Our environment

New KPIs have been developed in accordance with the revised materiality matrix. As a financial services provider, our environmental impact is small compared to many other industries. However, our customers and other stakeholders still expect us to minimise our impact, and as a responsible business whose operations ultimately rely on natural resources, we are constantly looking for opportunities to make efficient and sustainable use of natural resources.

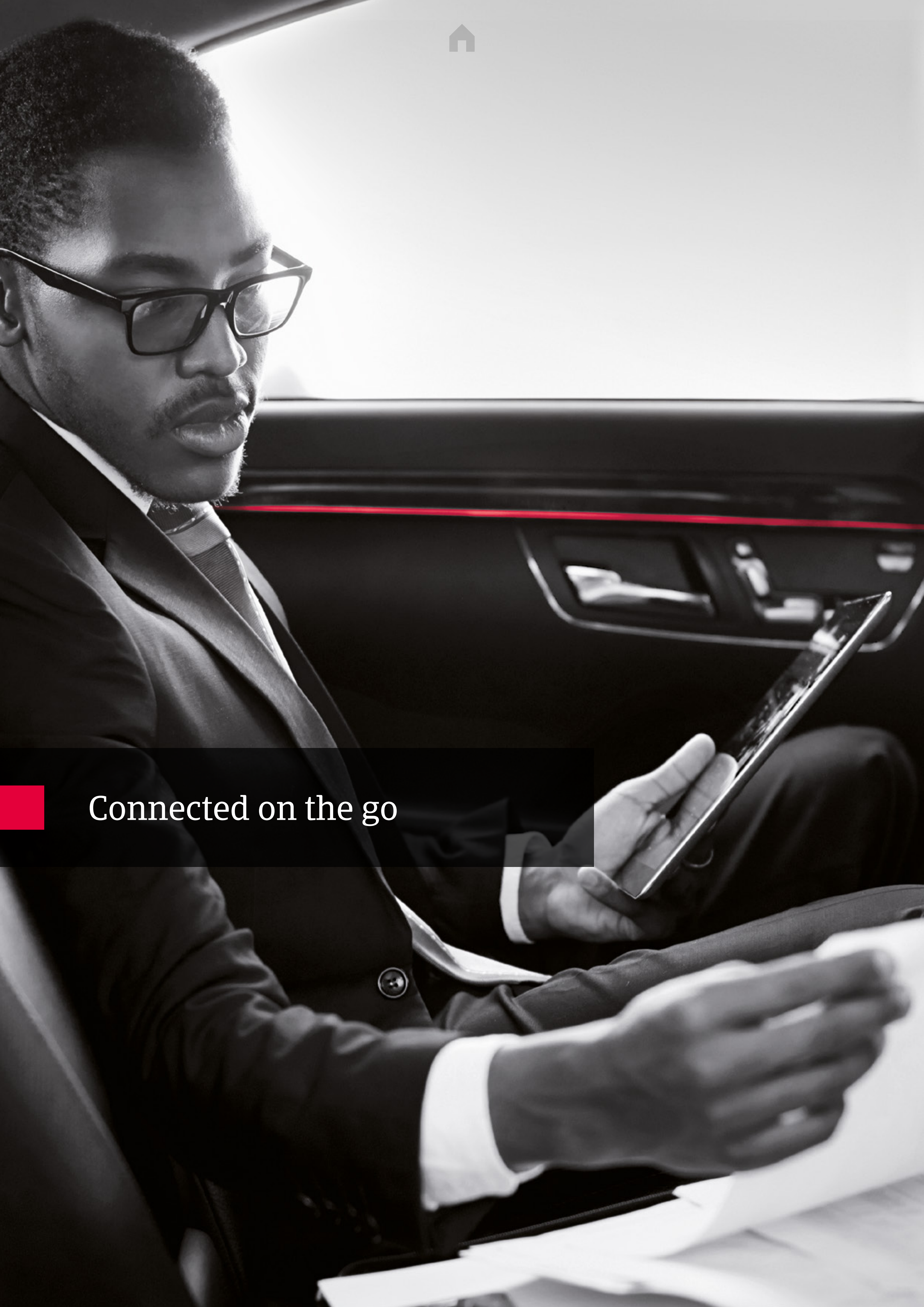
We have developed a system for measuring key performance indicators for each country to accurately gauge our consumption of energy and other resources. We also monitor how much of that is derived from renewable and recycled sources. Furthermore, our greenhouse gas emissions and our methods of disposal of waste materials are monitored.

The definitions and measurement methods to gather information on our key performance indicators remained the same as in previous years. An updated online data collection tool is being used to collect and aggregate the environmental KPI data. Our Country Managers in each country are responsible for the quality of the submitted data. Lastly, the collected data is reviewed and verified at central level. All of the above positively contributes to the quality of the obtained data. We plan to use these data in the development of objectives for further reductions of our environmental footprint.

> The relationship and service levels provided by Atradius are second to none. Atradius fully understands our business needs and requirements.
>
> Vishnu Gopie, General Manager, Credit & AR, LG Electronics LTD

Environmental KPIs [1]	2017	2016	2017/2016
KPI	**Total**	**Total**	**Change**
Number of reporting countries	32	32	-
Number of offices	99	99	-
Total office space (m^2)	101,429	106,142	decrease
Energy (gas & electricity) usage			
Electricity from non-renewable source (kWh)	7,730,922	7,868,831	decrease
Electricity from renewable source (kWh)	2,794,747	2,966,516	decrease
% of renewable electricity	26.6%	27.4%	decrease
Total electricity (kWh)	10,525,669	10,835,347	decrease
Gas (m^3)	361,173	411,521	decrease
Total energy	**13,709,761**	**14,466,843**	**decrease**
Travel			
Employee air travel (km)	15,780,012	13,738,292	increase
Employee rail travel (km)	3,042,574	2,615,557	increase
Company lease car travel (km)	10,614,257	10,670,533	decrease
Total travel (km)	**29,436,843**	**27,024,382**	**increase**
CO2 footprint (tonnes of CO2)			
Energy (CO2)	6,870	7,159	decrease
Travel (CO2)	7,871	7,151	increase
Total (CO2)	**14,741**	**14,310**	**increase**
Paper used			
Non-recycled paper (sheets A4)	15,206,023	16,341,548	decrease
Recycled paper (sheets A4)	4,225,298	5,173,324	decrease
% recycled paper	21.7%	24.0%	decrease
Total paper	**19,431,321**	**21,514,872**	**decrease**
Water usage (m^3)	**39,237**	**38,202**	**increase**
Waste -per type			
Hazardous waste (tonnes)	6.0	7.1	decrease
Non-hazardous waste (tonnes)	532.0	558.0	decrease
Total waste	**538.0**	**565.1**	**decrease**

[1] *This table does not include information from Graydon, Gestifatura, Informes and Iberinform Portugal.*



Connected on the go

Consolidated financial statements 2017

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All amounts in thousands of Euro, unless otherwise stated

Consolidated financial statements

Consolidated statement of financial position

Assets	Note	31.12.2017	31.12.2016
Intangible assets	6	**236,419**	**226,005**
Property, plant and equipment	7	**133,445**	**125,968**
Investment property	7	**9,688**	**9,908**
Investments in associated companies	9	**63,538**	**39,586**
Financial investments	10	**2,287,830**	**2,280,293**
Reinsurance contracts	18	**585,887**	**632,262**
Deferred income tax assets	20	**30,087**	**45,315**
Current income tax assets	20	**59,559**	**50,613**
Receivables	11	**225,079**	**201,287**
Accounts receivable on insurance and reinsurance business		164,983	153,405
Other accounts receivable		60,096	47,882
Other assets		**540,459**	**519,356**
Deferred acquisition costs	12	69,441	73,124
Miscellaneous assets and accruals	13	471,018	446,232
Cash and cash equivalents	14	**347,171**	**287,080**
Total		**4,519,162**	**4,417,673**
Equity			
Capital and reserves attributable to the owners of the Company		1,753,232	1,625,470
Non-controlling interests		16	55
Total		**1,753,248**	**1,625,525**
Liabilities			
Subordinated debt	16	**323,614**	**323,437**
Employee benefit liabilities	17	**79,554**	**109,451**
Insurance contracts	18	**1,530,339**	**1,561,155**
Provisions	19	**3,034**	**6,027**
Deferred income tax liabilities	20	**124,951**	**115,179**
Current income tax liabilities	20	**37,636**	**23,960**
Payables	21	**200,947**	**232,746**
Accounts payable on insurance and reinsurance business		129,822	183,407
Trade and other accounts payable		71,125	49,339
Other liabilities	22	**459,846**	**419,582**
Borrowings	14	**5,993**	**611**
Total		**2,765,914**	**2,792,148**
Total equity and liabilities		**4,519,162**	**4,417,673**

Consolidated income statement

	Note	2017	2016
Insurance premium revenue	23	1,588,095	1,557,588
Insurance premium ceded to reinsurers	23	(675,629)	(663,831)
Net premium earned		**912,467**	**893,757**
Service and other income	24	249,140	203,079
Share of income/ (losses) of associated companies	25	(7,396)	26,689
Net income from investments	25	20,586	18,279
Total income after reinsurance		**1,174,797**	**1,141,804**
Insurance claims and loss adjustment expenses	26	(714,482)	(698,392)
Insurance claims and loss adjustment expenses recovered from reinsurers	26	285,498	271,896
Net insurance claims		**(428,984)**	**(426,496)**
Net operating expenses	27	(473,929)	(431,325)
Total expenses after reinsurance		**(902,913)**	**(857,821)**
Operating result before finance costs		**271,884**	**283,983**
Finance income		2,696	3,325
Finance expenses	28	(19,271)	(12,744)
Result for the year before tax		**255,309**	**274,564**
Income tax expense	29	(69,073)	(62,792)
Result for the year		**186,236**	**211,772**
Attributable to:			
Owners of the Company		186,275	211,795
Non-controlling interests		(39)	(23)
Total result for the year		**186,236**	**211,772**

All amounts in thousands of Euro, unless otherwise stated

Consolidated statement of comprehensive income

	Note	2017	2016
Result for the year		186,236	211,772
Other comprehensive income:			
Items that will not be reclassified to the income statement:			
Effect of the asset ceiling on defined benefit pension plans	15.5	(3,286)	-
Actuarial gains/(losses) on defined benefit pension plans	15.5	45,643	(40,045)
Income tax relating to items that will not be reclassified		(9,370)	7,925
Items that may be subsequently reclassified to the income statement:			
Net fair value gains/(losses) on available-for-sale financial investments	15.3	12,854	20,324
Share of other comprehensive income of associated companies		-	-
Exchange gains/(losses) on translating foreign operations and associated companies	15.4	(25,303)	(1,869)
Income tax relating to items that may be reclassified		(2,303)	(1,699)
Other comprehensive income for the year, net of tax		**18,235**	**(15,364)**
Total comprehensive income for the year		**204,471**	**196,408**
Attributable to:			
The owners of the Company		204,510	196,431
Non-controlling interests		(39)	(23)
Total comprehensive income for the year		**204,471**	**196,408**

Consolidated statement of changes in equity

	Attributable to the owners of the Company								
	Share capital	Share premium reserve	Revaluation reserve	Currency translation reserve	Pension reserve	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2016	**79,122**	**639,228**	**37,176**	**(31,733)**	**(138,190)**	**914,646**	**1,500,249**	**-**	**1,500,249**
Acquisitions	-	-	-	-	-	-	-	78	78
Dividends	-	-	-	-	-	(71,210)	(71,210)	-	(71,210)
Total comprehensive income for the year	**-**	**-**	**17,581**	**(825)**	**(32,120)**	**211,795**	**196,431**	**(23)**	**196,408**
Result for the year	-	-	-	-	-	211,795	211,795	(23)	211,772
Other comprehensive income	-	-	17,581	(825)	(32,120)	-	(15,364)	-	(15,364)
Balance at 31 December 2016	**79,122**	**639,228**	**54,757**	**(32,558)**	**(170,310)**	**1,055,231**	**1,625,470**	**55**	**1,625,525**
Balance at 1 January 2017	**79,122**	**639,228**	**54,757**	**(32,558)**	**(170,310)**	**1,055,231**	**1,625,470**	**55**	**1,625,525**
Dividends	-	-	-	-	-	(76,748)	(76,748)	-	(76,748)
Total comprehensive income for the year	**-**	**-**	**8,303**	**(23,055)**	**32,987**	**186,275**	**204,510**	**(39)**	**204,471**
Result for the year	-	-	-	-	-	186,275	186,275	(39)	186,236
Other comprehensive income	-	-	8,303	(23,055)	32,987	-	18,235	-	18,235
Balance at 31 December 2017	**79,122**	**639,228**	**63,060**	**(55,612)**	**(137,323)**	**1,164,758**	**1,753,232**	**16**	**1,753,248**

All amounts in thousands of Euro, unless otherwise stated

Consolidated statement of cash flows

I. Cash flows from operating activities	2017	2016
Result for the year before tax	255,309	274,564
Adjustments for:		
Realised capital (gains)/losses on investments	(5,379)	(23,296)
Dividends received from financial investments	(9,463)	(9,762)
Share of income of associated companies	(3,678)	(4,975)
Depreciation, impairment and amortisation	67,608	59,712
Interest expense on subordinated debt	17,065	15,894
Net interest income	(37,582)	(38,154)
Other non-cash items	27,686	(1,452)
Changes in operational assets and liabilities:		
Insurance contracts	(30,816)	(87,636)
Reinsurance contracts	46,375	57,587
Deferred acquisition costs	3,683	795
Accounts receivable and payable on insurance and reinsurance business	(65,163)	43,540
Changes in other assets and liabilities	48,986	(74,973)
Pensions and other long-term employee benefit net contributions	(22,870)	(28,434)
Cash generated from operations	**291,761**	**183,410**
Income tax paid	(58,070)	(47,955)
Interest paid	(1,308)	(2,102)
Net cash (used in)/generated by operating activities	**232,383**	**133,353**
II. Cash flows from investing activities		
Investments and acquisitions (cash outflows):		
Business Combination		(21,300)
Investments in associated companies	(34,742)	-
Short-term investments	(159,856)	(88,408)
Financial investments available-for-sale	(586,891)	(966,407)
Property, plant and equipment and intangible assets	(50,393)	(46,035)
Divestments, redemptions and disposals (cash inflows):		
Short-term investments	157,368	158,005
Financial investments available-for-sale	543,470	823,271
Property, plant and equipment and intangible assets	2	1,616
Net cash acquired in a business combination		14,465
Dividends received from associated companies	462	-
Dividends received from financial investments	9,001	9,762
Interest received	42,237	45,070
Net cash (used in)/generated by investing activities	**(79,342)**	**(69,961)**
III. Cash flows from financing activities		
Dividend paid	(76,748)	(71,210)
Interest paid on subordinated debt	(16,875)	(13,125)
Subordinated debt - addition	-	75,000
Net cash (used in)/generated by financing activities	**(93,623)**	**(9,335)**
Changes in cash and cash equivalents (I + II + III)	59,418	54,057
Cash and cash equivalents at the beginning of the year	286,469	229,376
Effect of exchange rate changes on cash and cash equivalents	(4,709)	3,036
Cash and cash equivalents at the end of the year	**341,178**	**286,469**

The cash and cash equivalents are presented net of bank overdrafts (see Note 14).

Notes to the consolidated financial statements

1 General information

Atradius N.V. ('the Company'), with its office at David Ricardostraat 1, 1066 JS, Amsterdam, the Netherlands, and its subsidiaries (together referred to as 'Atradius') is a global credit insurer and aims to support its customers' growth by strengthening their credit and cash management through a wide range of credit insurance management products and services. These services include credit insurance, bonding, reinsurance, information services, collection services and instalment credit protection. Atradius offers products and services from strategically located offices on six continents and employed 3,756 people as at 31 December 2017 (2016: 3,758). The parent is Grupo Compañía Española de Crédito y Caución, S.L., which owns 64.23% (2016: the same) of the shares in Atradius N.V. The ultimate parent and the ultimate controlling party of Atradius is Grupo Catalana Occidente, S.A., which holds 73.84% of the shares in Grupo Compañía Española de Crédito y Caución, S.L. and 35.77% (2016: the same) of the shares in Atradius N.V. The financial statements of Atradius N.V. are consolidated within Grupo Catalana Occidente, S.A., which is a listed company in Spain.

The Atradius consolidated financial statements have been authorised for issue by the Management Board on 9 March 2018 and have been reviewed by the Supervisory Board. On 9 March 2018 the consolidated financial statements have been adopted at the Annual General Meeting of Atradius N.V.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The Atradius consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and also comply with Part 9 of Book 2 of the Dutch Civil Code. These have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial investments.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Atradius accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

The income statement of Atradius N.V. for 2017 is incorporated in the consolidated financial statements, which allow for a presentation of a condensed company income statement in the company financial statements in compliance with Book 2, Article 402 of the Dutch Civil Code.

All amounts in the notes are shown in thousands of Euro (EUR), rounded to the nearest thousand, unless otherwise stated.

2.2 New and revised standards

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. All standards and amendments adopted by Atradius require retrospective application.

2.2.1 Standards, amendments and interpretations effective in 2017

The following relevant standards, amendments and interpretations have been adopted in 2017, but have had no material effect on the consolidated financial statements unless otherwise mentioned:

- Amendments to IAS 7 Statement of Cash Flows. The amendments will require entities to provide disclosures that enable investors to evaluate changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes;
- Amendments to IAS 12 Income Taxes. The amendments, Recognition of Deferred Tax Assets for Unrealised Losses, clarify how to account for deferred tax assets related to debt instruments measured at fair value;

2.2.2 Standards, amendments and interpretations not yet adopted

The following relevant standards and amendments are effective for annual periods beginning after 31 December 2017 and have not been early adopted by Atradius:

- IFRS 9 Financial Instruments (effective 1 January 2018). This standard replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement, impairment of financial instruments and the new general hedge accounting requirements. In September 2016, the IASB issued amendments to IFRS 4 to address issues arising from the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard (IFRS 17). The amendments introduce two alternative options for entities that issue insurance contracts within the scope of IFRS 4:
    - an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets (the 'overlay approach');
    - an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4 (the 'deferral approach'). The temporary exemption enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2021 at the latest.

  The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied. Atradius performed an assessment of the amendments and concluded that its activities are predominantly connected with insurance as at 31 December 2015. Atradius intends to apply the temporary exemption in its reporting period starting on 1 January 2018 and expects to adopt IFRS 9 in combination with the adoption of IFRS 17 Insurance contracts in 2021;
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018) establishes a comprehensive framework for determining whether, how much and when revenue is recognised. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede the current revenue recognition standard and the related interpretations under IFRS. Since insurance contracts are scoped out of IFRS 15, only income from services and other income will be affected. Atradius will adopt the standard using the modified retrospective method. The standard is not expected to have a material impact on the consolidated financial statements;
- IFRS 16 was issued in January 2016 (effective 1 January 2019) and replaces IAS 17 Leases. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IFRS 17. Atradius has completed the initial assessment of the potential impact on its consolidated financial statements. So far, the most material impact identified is that Atradius will recognise new assets and liabilities for its operating leases, of which the majority are buildings, estimated at approximately EUR 98 million as at 31 December 2017 (undiscounted) with no material impact on profit or loss.

  In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for the right-of-use assets and interest expense on lease liabilities. Atradius plans to implement IFRS 16 using the modified retrospective approach.
- Annual improvements cycle 2014-2016 Cycle (effective 1 January 2018). The Cycle introduces limited amendments to the following standards: IAS 28 Investments in Associates and Joint ventures and IFRS 1 First time adoption of International Financial Reporting Standards. The amendments are not expected to have a material impact on the consolidated financial statements.

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

- IFRS 17 Insurance contracts (effective 1 January 2021). The standard replaces the existing guidance in IFRS 4 Insurance contracts. IFRS 17 aims to provide a more useful and consistent accounting model among entities issuing insurance contracts. The standard is expected to have a material impact on the consolidated financial statements;
- Amendments to IAS 40 Investment property: Transfer of investment property (effective 1 January 2018) clarifies that management's intention is insufficient on its own to justify a previously recognised property from being reclassified to or from the investment property category. The amendment is not expected to have a material impact on the consolidated financial statements;
- Annual improvements cycle 2015-2017 Cycle (effective 1 January 2019). The cycle introduces limited amendments to the following standards: IFRS 3 Business combinations, IFRS 11 Joint arrangements, IAS 12 Income taxes and IAS 23 Borrowing costs. The amendments are not expected to have a material impact on the consolidated financial statements;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective 1 January 2018). The interpretation is not expected to have a material impact on the consolidated financial statements;
- IFRIC 23 Uncertainty over Income Tax Treatments (effective 1 January 2019). The interpretation is not expected to have a material impact on the consolidated financial statements;
- Amendment to IAS 19 Employee benefits, on Plan amendment, curtailment or settlement (effective 1 January 2019) specifies how companies determine pension expenses when changes to a defined benefit pension plan occur. Atradius is currently assessing the impact of the amendment on the consolidated financial statements.

2.3 Changes in presentation

The information contained in this consolidated financial statements referred to 2016 are disclosed solely for comparative purposes with the current period presentation.

The consolidated statement of financial position of 2016, disclosed solely for comparative purposes, differs from the consolidated statement of financial position approved for the 2016 year-end due to a reclassification of EUR 26.2 million from the line Other liabilities to Miscellaneous assets and accruals. This amendment has not impact in equity or in the consolidated income statement of the 2016 year-end.

2.4 Consolidation

The following principles of consolidation and measurement are applied to the financial statements:

2.4.1 Subsidiaries

Subsidiaries are all entities over which Atradius has control. Atradius controls an entity when it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to Atradius. They are de-consolidated from the date on which control ceases.

Intragroup transactions, balances and unrealised gains on intragroup transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Subsidiaries' accounting policies are changed where necessary to ensure consistency with the policies adopted by Atradius except for the accounting for insurance contracts (see Note 2.18).

2.4.2 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of fair values of the assets (at the acquisition date) transferred to Atradius, liabilities incurred by Atradius to the former owners of the acquiree and the equity interests issued by Atradius in exchange for control of the acquiree. Acquisition-related costs are generally recognised in the income statement as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that the deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed. If the net amount of the identifiable assets acquired and the liabilities assumed exceed the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of Atradius' previously held equity interest in the acquiree (if any), then the excess is recognised immediately in profit or loss as a bargain purchase.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement method is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by Atradius in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at the fair value and included in the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments, are adjusted retrospectively, with a corresponding adjustment to goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. A contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. A contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IAS 39 Financial Instruments: Recognition and Measurement or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, Atradius' previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e., the date when Atradius obtains control) and the resulting gain or loss, if any, is recognised in the income statement. Amounts arising from interests in the acquiree before the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, Atradius reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

2.4.3 Associated companies

Associated companies are entities in which Atradius has significant influence, but not control or joint control, over the financial and operating policies, generally accompanying a shareholding of between 20% and 50% of the voting rights. Associated companies are accounted for using the equity method and are initially recognised at cost. Atradius' investment in associated companies includes goodwill (net of any accumulated impairment loss).

Atradius' share in its associated companies' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income.

Unrealised gains on transactions between Atradius and its associated companies are eliminated to the extent of Atradius' interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Associate's accounting policies are changed where necessary to ensure consistency with the policies adopted by Atradius.

Interests in companies in which Atradius does not exercise significant influence are accounted for at fair value, in accordance with the accounting principles for available-for-sale investments.

2.5 Segment reporting

IFRS 8 requires operating segments to be identified on the basis on which the Management Board regularly reviews components of Atradius in order to allocate resources to the segments and to assess their performance. Operating segments are reported in a manner consistent with the internal reporting provided to the Management Board.

2.6 Foreign currencies

2.6.1 Functional and presentation currency

Items included in the financial statements of each of Atradius' entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency').

2.6.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. A monetary item that forms part of a net investment in a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, part of the net investment in that foreign operation. In the consolidated financial statements the related exchange gains and losses on these monetary items are recognised in other comprehensive income.

Translation differences on non-monetary items, such as equities classified as available-for-sale financial investments, are included in the revaluation reserve through other comprehensive income.

2.6.3 Atradius companies

The results and financial position of all Atradius entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as the foreign entity's assets and liabilities and are translated at the closing rate.

The exchange rates of the most relevant functional currencies for Atradius are presented below:

All amounts in thousands of Euro, unless otherwise stated

Currency	End rate			Average rate		
	GBP	USD	AUD	GBP	USD	AUD
At 31 December 2017	1.127	0.834	0.652	1.146	0.891	0.680
At 31 December 2016	1.168	0.949	0.685	1.235	0.900	0.672

2.7 Goodwill and other intangible assets

2.7.1 Goodwill

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed. If the net amount of the identifiable assets acquired and the liabilities assumed exceed the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of Atradius' previously held equity interest in the acquiree (if any), then the excess is recognised immediately in profit or loss as a bargain purchase. Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see Note 2.4.2) less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to Atradius' relevant cash-generating units. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Goodwill on the acquisitions of associated companies is included in investments in associated companies.

2.7.2 Software

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and to bring to use the specific software. These assets are amortised on the basis of the expected useful life: which is between three and five years. Computer software is stated at cost less accumulated amortisation and any accumulated impairment losses.

Costs that are directly associated with the production of identifiable and unique software products controlled by Atradius, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development team's employee costs and an appropriate portion of relevant overhead. All other costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. Computer software development costs recognised as assets are amortised using the straight-line amortisation method over its estimated economic useful lives: in general, not exceeding a period of five years.

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embedded in the specific assets to which it relates. All other expenditure is expensed as incurred.

2.7.3 Other intangible assets

Other intangible assets are recognised at fair value at the acquisition date. Amortisation charges are included in net operating expenses and are calculated using the straight-line method over the expected life of the asset which is estimated to be between 5 and 15 years.

2.8 Property, plant and equipment

Land and buildings comprise offices occupied by Atradius ('property for own use'). Land and buildings are stated at the cost of acquisition or construction, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. For analysis of the residual value, the fair value is assessed based on active market prices, adjusted if necessary, for any difference in the nature, location or condition. All other property, plant and equipment are stated at historical cost less accumulated depreciation and subsequent impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Atradius and the cost of the item can be reliably measured. All other repairs and maintenance are recognised as an expense in the income statement during the financial period in which they are incurred.

Some of Atradius' properties comprise a part that is held as investment property to earn rentals or for capital appreciation and another part that is held for own use. If these parts could be sold separately or leased out separately under a financial lease, Atradius accounts for the parts separately as investment property and property for own use, respectively.

The depreciation period is based on the estimated economic useful life of the asset. Leasehold improvements are amortised over the shorter of the estimated useful life of the improvements and the respective lease terms. Land is not depreciated. All other assets are depreciated using the straight-line depreciation method over the estimated economic useful lives: buildings over 50 years, fixtures and fittings over 3-10 years and information systems hardware over 3-5 years.

2.9 Investment property

Property held for long-term rental yields that is not occupied by one of the companies of Atradius is classified as investment property.

Investment property comprises freehold land and buildings. It is stated at the cost of acquisition or construction, less any subsequent accumulated depreciation and subsequent impairment losses. Buildings are depreciated using the straight-line depreciation method over the estimated economic useful life of the property: 50 years.

2.10 Fair value measurements

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1: Quoted prices in active markets. This category includes financial instruments for which the 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 for which the 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 for which the 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.

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

The fair values of financial instruments in markets that are not active are determined using valuation techniques. Atradius uses a variety of methods and assumptions that are based on market conditions existing at the end of the reporting period.

The fair values of property for own use and investment property are determined by independent real estate valuators registered in the relevant countries and who have appropriate qualifications and experience in the valuation of properties.

See Note 4.3.1.1 for further details regarding the determination of the fair value of financial investments.

2.11 Recognition and derecognition of financial investments

All purchases and sales of financial investments carried at fair value that require delivery within the time frame established by regulation or market convention ('regular way' purchases and sales) are recognised at trade date, i.e. the date that Atradius commits to purchase or sell the asset. Loans and receivables are recognised and derecognised at settlement date, the date Atradius receives or delivers the asset.

Financial investments are derecognised when the rights to receive cash flows from the financial investments have expired or where Atradius has transferred substantially all the risks and rewards of ownership. If Atradius 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, Atradius continues to recognise the asset to the extent of its continuing involvement. The extent of continuing involvement is determined by the extent to which Atradius is exposed to changes in the value of the asset.

2.12 Classification of financial investments

Atradius classifies its financial investments into two categories: investments available-for-sale and loans and receivables. The classification depends on the purpose for which the investments were acquired. Atradius determines the classification of its investments at initial recognition and re-evaluates this at the end of each reporting period.

2.12.1 Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial investments that are either designated in this category or not classified in other categories.

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

2.12.2 Loans and receivables

Loans and receivables (including deposits) are non-derivative financial investments with fixed or determinable payments that are not quoted on an active market, other than those that Atradius intends to sell in the short term, or that it has designated as available-for-sale. Deposits withheld by ceding companies and receivables arising from insurance contracts are also classified in this category. Loans and receivables are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

2.13 Impairment of assets

2.13.1 Financial assets - general

At the end of each reporting period Atradius assesses, whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event has a negative impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Atradius first assesses whether objective evidence of impairment exists for financial assets that are individually significant. If Atradius determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and assesses them collectively for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

2.13.2 Financial investments - carried at amortised cost

Objective evidence that loans and receivables are impaired can include

- significant financial difficulty of the counterparty;
- default or delinquency by a counterparty;
- restructuring of a loan or advance by Atradius on terms that Atradius would not otherwise consider;
- indications that a counterparty will enter bankruptcy; or
- other observable data relating to a group of assets such as adverse changes in the payment status of counterparties; or
- economic conditions that correlate with defaults.

If there is objective evidence that an impairment loss has been incurred on loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under contract. As a practical expedient, Atradius may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

2.13.3 Financial investments - carried at fair value

Atradius assesses, at the end of each reporting period, whether there is objective evidence that an available-for-sale financial investment is impaired. Objective evidence that available-for-sale financial investments (including debt and equity securities) are impaired can include default or delinquency by an issuer, indications that an issuer will enter bankruptcy and/or the disappearance of an active market for a security. In addition, for an investment in an equity security, management assesses whether there has been a significant or prolonged decline in its fair value below its acquisition cost.

Where such evidence exists for available-for-sale financial investments, the cumulative net loss that has been previously recognised directly in other comprehensive income is recycled from other comprehensive income (the revaluation reserve) and recognised in the income statement. If, in a subsequent period, the fair value of debt securities classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement, but only to the amortised cost price. Subsequent increases above the amortised cost price are credited against the revaluation reserve as a component of other comprehensive income. Impairment losses recognised in the income statement on equity securities cannot be reversed in subsequent periods.

2.13.4 Impairment of other non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to amortisation or depreciation and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Investment properties are not allocated to cash-generating units, but are tested for impairment on an individual basis.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised in the income statement, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in previous years. The amount of the reversal is recognised in the income statement. However, impairment losses recognised for goodwill are not reversed in subsequent periods.

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.15 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks and other short-term highly liquid investments with original maturities of three months or less that are subject to an insignificant risk of changes in their fair value, and are used by Atradius in the management of its short-term commitments. Bank overdrafts that are repayable on demand form an integral part of Atradius' cash management and are included as a component of cash and cash equivalents for cash flow purposes. In the statement of financial position, bank overdrafts that do not meet the criteria for offsetting, are presented separately as liabilities under borrowings.

Deposits pledged for regulatory and other purposes as well as cash held for investments are not available for use in Atradius' day-to-day operations and are therefore not included within cash and cash equivalents. These assets are included within financial investments.

2.16 Capital and reserves

2.16.1 Share capital

Share capital is classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of equity instruments as consideration for the acquisition of a business are included in the cost of acquisition.

2.16.2 Share premium reserve

Share premium reserve is the amount received by the Company in excess of the nominal value of the shares it has issued.

2.16.3 Revaluation reserve

The revaluation reserve comprises the unrealised gains/losses of the securities available-for-sale after the deduction of income tax, except for impairments that are charged directly to the income statement.

2.16.4 Currency translation reserve

The net exchange difference, after the deduction of income tax that is recognised in the currency translation reserve in each period represents the following:

- in respect of revenue, expenses and capital transactions, the difference between translating these items at actual or average exchange rates and using the exchange rate at the end of the reporting period, which is the case for recognised assets and liabilities;
- in respect of the net assets at the beginning of the reporting period, the difference between translating these items at the rate used at the end of the previous reporting period and using the rate at the end of the current reporting period; and
- in respect of the net assets acquired during the reporting period, the difference between translating these items at the rate at acquisition date and using the rate at the end of the current reporting period.

2.16.5 Pension reserve

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

- actuarial gains and losses, after the deduction of income tax, that arise in calculating Atradius' pension obligations and fair value of the plan assets in respect of a defined benefit plan in the period in which they occur; and
- the non-recognition of assets ('asset ceiling') that can occur when the plan assets are higher than the projected benefit obligation and where Atradius cannot recover any surplus through refunds from the pensions vehicle due to solvency and/or control requirements.

2.16.6 Retained earnings

Retained earnings are the accumulated amount of profits or losses at the end of the reporting period which have not been distributed to shareholders.

2.16.7 Non-controlling interests

Non-controlling interests represent the proportion of shareholders' equity and of total comprehensive income attributable to minority shareholders.

Non-controlling interest are initially measured on the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities at the date of the acquisition. The calculation of the percentage attributable to the non-controlling interest includes any equity interest not held indirectly through subsidiaries.

Non-controlling interest is presented within equity separately from the equity attributable to the equity holders of the Company. Similarly, the statement of recognised income and expenses presents total income and expenses for the period showing separately the amounts attributed to the equity holders of the Company and non-controlling interests.

2.17 Subordinated debt

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

2.18 Insurance contracts

An Insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or its beneficiary if a specified uncertain future event (the insured event) affects the policyholder.

The insurance contracts issued by Atradius can be classified into two main categories:

- Credit insurance contracts: contracts that provide for specific payments to be made to reimburse the holder for the loss it incurs because a specified debtor fails to make a payment when due under the original or modified terms of the contract between the debtor and Atradius' insured customers; and
- Bonding contracts: contracts that provide compensation to the beneficiary of the contract if Atradius' bonding customer fails to perform a contractual obligation relative to the beneficiary.

The company applies IFRS 4.25, which allows existing insurance accounting practices to continue. The main item is that the local business in Spain and Portugal applies existing earnings and related provisioning practices. The differences in application lead to different allocations of unearned premium and provision for outstanding claims. Further reference is made to specific information included on ACyC in Note 4.2.6 and Note 18.

2.18.1 Deferred acquisition costs

Commission costs that vary with and are related to securing new contracts and renewing existing contracts are capitalised as deferred acquisition costs. All other costs are recognised as expenses when incurred. The deferred acquisition costs are subsequently amortised over the life of the policies as premium is earned.

2.18.2 Provision for unearned premium

The recognition of unearned premium per product is set out in Note 4.2.6.1.

2.18.3 Provision for outstanding claims

Claims and loss adjustment expenses are charged to the income statement as incurred based on the estimated liability for compensation owed to contract holders. They include direct and indirect claims settlement costs and arise from the risks Atradius has assumed up to the end of the reporting period. Atradius does not discount its liabilities (other than the recoveries on the Instalment Credit Protection (ICP) product) given the short-term nature of its liabilities. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to Atradius and statistical analyses for the claims incurred but not reported. When appropriate, deductions are made for salvage, subrogation and other expected recoveries from third parties. For reinsurance business the provisions are determined treaty-by-treaty, based on premium and loss information supplied by the ceding companies. Estimates of expected losses are developed using historical claims experience, actual versus estimated claims experience and other known trends and developments.

Additional information on the measurement of the provision for outstanding claims is provided in Note 4.2.6.

2.18.4 Liability adequacy test

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

2.18.5 Reinsurance contracts

Contracts entered into by Atradius with reinsurers, under which Atradius is compensated for losses on one or more contracts it has issued and that meet the classification requirements for insurance contracts, are classified as reinsurance contracts held. Contracts that do not meet the classification requirements are classified as financial assets. Insurance contracts entered into by Atradius under which the contract holder is another insurer (reinsurance business) are included in insurance contracts.

The benefits to which Atradius is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within loans and receivables), as well as longer term receivables (classified as reinsurance contracts) that are dependent on the expected claims and benefits arising under the related reinsurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premium payable for reinsurance contracts and are recognised as an expense when due.

Atradius assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, Atradius reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. Atradius gathers the objective evidence that a reinsurance asset is impaired by applying procedures similar to those adopted for financial assets held at amortised cost. The impairment loss is calculated under the same method used for these financial assets.

Atradius has profit commission arrangements with its reinsurance companies that are based on the loss ratio per underwriting year. Atradius accounts for these commissions based on detailed assessments of the expected ultimate loss ratios.

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

2.18.6 Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and insurance contract holders.

If there is objective evidence that the insurance receivable is impaired, Atradius reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. Atradius gathers the objective evidence that an insurance receivable is impaired by applying procedures similar to those adopted for loans and receivables. The impairment loss is also calculated under the same method used for these financial assets.

2.18.7 Salvage and subrogation reimbursements

Some insurance contracts permit Atradius to sell goods acquired in settling a claim (i.e., salvage). Atradius may also have the right to pursue third parties for payment of some or all costs (i.e., subrogation).

Estimates of salvage recoveries and subrogation reimbursements are included as an allowance in the measurement of the provision for claims. The allowance is the amount that can reasonably expected be to be recovered.

2.19 Provisions

Provisions for restructuring, onerous contracts and litigation are recognised when Atradius has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Restructuring provisions include employees' termination payments that are directly related to restructuring plans. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Where the effect of the time value of money is material, the provision is measured as the present value of the expenditure expected to be required to settle the obligation discounted using a pre-tax rate.

2.20 Deposits received from reinsurers

Deposits received from reinsurers represent amounts received from reinsurance companies in respect of ceded claims and premium provisions and are stated at amortised cost using the effective interest method. Interest expense is recognised on an effective yield basis, except for short-term deposits where the impact of interest would be immaterial.

2.21 Employee benefits

2.21.1 Post-employment benefits

Atradius has a number of post-employment benefit plans. The schemes are determined by periodic actuarial calculations and are generally funded through payments to state plans, insurance companies or trustee-administered funds. Atradius has both defined benefit plans and defined contribution plans.

Defined benefit plans

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

The amount recognised as a defined benefit liability is the net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly. The recognition of assets that arise by over-funding of the defined benefit plan is limited to the ability to use the surplus to generate future benefits (the asset ceiling). The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms of maturity that approximate to the terms of the related pension liability.

Remeasurement of the net defined benefit liability, which comprises actuarial gains and losses, the return on plan assets (excluding net interest that is calculated by applying the discount rate) and the effect of the asset ceiling (if any, excluding interest), is recognised immediately in other comprehensive income. Atradius determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the income statement.

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

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in the income statement. Atradius recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Administration expenses;
- Net interest expense or income;
- Remeasurement.

The first two components of defined benefit costs are presented in the income statement under net operating expenses. The net interest is presented under finance expenses. Curtailment gains and losses are accounted for as past service costs. Remeasurements are recognised in other comprehensive income.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which Atradius pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

For defined contribution plans, Atradius pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. Atradius has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The contributions to these plans are recognised as expenses in the income statement.

2.21.2 Other long-term employee benefits

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

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

2.21.3 Termination benefits

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

2.21.4 Profit sharing and bonus plans

Atradius recognises a liability and an expense for bonuses and profit sharing based on a formula that takes into consideration, amongst other things, individual targets and the profit attributable to the owners of the Company. Atradius recognises a liability where contractually obliged or where there is a past practice that has created a constructive obligation.

2.22 Taxation

Income tax in the consolidated income statement for the year comprises current and deferred tax. Income tax is recognised in the consolidated income statement except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income.

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be used. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and Atradius intends to settle its current tax assets and liabilities on a net basis. If the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting nor the taxable profit or loss, it is not accounted for.

2.23 Consolidated income statement

2.23.1 Income

Revenue comprises the fair value for services, net of value added tax, after eliminating revenue within Atradius. Revenue is recognised as follows:

Premium earned

Written premium includes both direct business and reinsurance business and is defined as all premium and policy-related fees invoiced to third parties and reinsurance premium, excluding tax.

Written premium includes an estimate of premium not yet invoiced for which Atradius has already accepted the contractual risk. Accruals for premium refunds and cancellations are charged against premium written. Premium earned includes an adjustment for the unearned share of premium.

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

Service and other income

Service income includes the income from information services, collections and activities carried out as an agent on behalf of the Dutch State. This income is recognised as the service is provided.

Share of income of associated companies

Associates are accounted for in the consolidated financial statements using the equity method. Under the equity method the investor's share of after-tax profits or losses of the associates is presented as a single line item in the income statement.

Net income from investments

Investment income comprises interest income on funds invested (including available-for-sale financial investments), dividend income, gains on the disposal of available-for-sale financial investments and rental income from investment property that are recognised in the income statement. Interest income is recognised as it accrues in the income statement, using the effective interest method. Dividend income is recognised in the income statement on the date that Atradius' right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Investment expenses comprise impairment losses recognised on financial investments and investment property.

Realised gains or losses on investment property recognised in the income statement represent the difference between the net disposal proceeds and the carrying amount of the property.

2.23.2 Expenses

Net insurance claims

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

Net operating expenses

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

Finance income and expenses

Finance income consists of interest received on loans, receivables and cash and cash equivalents.

Finance expenses includes interest, amortisation of discount on the subordinated debt, foreign exchange results and the net interest on the net defined benefit liability (asset) related to defined benefit plans (see also Note 2.21). Foreign currency gains and losses are reported on a net basis and consist of transaction and translation results.

Interest income and expenses are calculated using the effective interest rate method based on market rather than nominal rates, at the date that the instrument is recognised initially or modified.

2.24 Leases

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

2.24.1 Atradius as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.24.2 Atradius as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are realised. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are realised.

2.25 Consolidated statement of cash flows

The statement of cash flows is presented using the indirect method, whereby the result for the year before tax is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows.

Some of the terminology used in the statement of cash flows is explained as follows:

- Cash flows are inflows and outflows of cash and cash equivalents;

- Operating activities are the principal revenue-producing activities of Atradius and other activities that are not investing or financing activities;
- Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents; and
- Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of Atradius.

3 Critical accounting estimates and judgements in applying accounting policies

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

3.1 Measurement of fair value

Atradius 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. Atradius 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, Atradius engages an external independent valuation company 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 4.3.1.1 and Notes 7 and 16.

3.2 (Re-)insurance related estimates

The ultimate liability arising from claims made under insurance contracts

The estimate of the ultimate liability arising from claims including recoveries made, or to be made, under insurance contracts is Atradius' most critical accounting estimate. Although management has endeavoured to adequately take all facts into account, by their very nature estimates remain uncertain and the eventual outcome may differ significantly from the projected amount.

Pipeline premium

Pipeline premium is estimated as the part of insurance premium earned but not yet invoiced at the end of the reporting period. Although the calculation of the pipeline premium is derived from the core business systems and calculated at policy level, the calculation does involve the use of management estimates.

Sliding scale reinsurance commission

Reinsurance commission related to Atradius' quota share treaties is calculated and accounted for at a provisional rate but reviewed against the development of the ultimate loss ratio as soon as an underwriting year matures. The sliding scale commission (an additional income or expense on top of the provisional commission) is based on an estimate by management of the ultimate loss ratio for an underwriting year.

3.3 Impairment of available-for-sale equity financial investments

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

Had all the declines in fair values below cost been considered significant or prolonged Atradius would have an additional EUR 3.5 million loss before tax (2016: EUR 5.9 million loss), being the transfer of the total revaluation reserve for unrealised losses on equity financial investments to the income statement.

3.4 Estimated impairment of goodwill

In accordance with its accounting policy, Atradius annually tests whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates (see Note 6).

In order to test the value in use against the recognised goodwill, Atradius has stress-tested the main assumptions (discount rate and combined ratio of terminal value) which have been applied when determining the value in use for the related cash-generating units. Increasing both assumptions downward and upward by 1% respectively did not indicate any potential impairment of the goodwill under this scenario. The term 'potential' is used here since an indication of impairment does not always lead to an actual impairment charge to the income statement.

3.5 Pension and post-retirement benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The main assumptions used in determining the net cost (income) for pensions includes the discount rate and the inflation rate. Any change in these assumptions will impact the carrying amount of pension obligations.

Atradius determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, Atradius considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation. Other key assumptions for pension obligations are based in part on current market conditions.

Additional information, including a sensitivity analysis for the main (actuarial) assumptions, is disclosed in Note 17.

4 Risk and capital management

4.1 Risk management

As a global insurance provider, Atradius recognises the importance of risk management. Atradius maintains a strong governance and associated internal control system within the organisation. As a self-learning organisation and based on additional regulatory requirements. Atradius continues to strengthen its risk management capabilities by broadening risk management scope and enhancing existing risk management tools.

The relationship between risk and capital is fundamental for Atradius. Understanding how risk-taking consumes capital allows management to steer Atradius and take strategic decisions with the interdependence of risk and capital in mind. These decisions are increasingly informed by the outcomes of Atradius' economic capital model. This internally developed model, which has received supervisory approval for use in calculating regulatory capital requirements, contributes to a multitude of risk assessment activities, as well as risk profile measurement, and allows Atradius to better monitor and manage risk levels within the organisation through the allocation of risk-based capital. Moreover, risk management, risk profile measurement and implicitly the relationship between risk and capital play a central role in the European regulatory regime, Solvency II.

4.1.1 The risk landscape

The state of the global economy greatly influences the risks that Atradius faces. Economic deterioration may result in higher insolvencies causing more frequent and severe claims expenses. In addition, a deterioration may lower our revenues as they are strongly correlated to global trade. The return on our investment may also deteriorate and defaults on our holdings of debt instruments may occur. A severe deterioration of all the above mentioned may impact the credit rating of Atradius. A downgrade of our credit rating could have a potential negative impact on the number of customer policies held by Atradius. This might further lower revenues.

4.1.2 The risk management and internal control framework

The boards of the group companies have ultimate responsibility and accountability for risk management and internal control within their respective companies. Atradius N.V.'s Management Board owns, implements and oversees Atradius group-wide risk governance through the Risk Strategy Management Board (RSMB). The RSMB consists of all members of the Management Board, as well as the Directors of Group Risk Management, Strategy and Corporate Development and Finance. The RSMB's responsibilities include the development of the framework to manage risk and the on-going overview of the largest risks. The RSMB establishes the internal risk control system by determining risk control policies, risk boundaries, and by prescribing risk mitigation activities. In addition, the RSMB ensures that there are processes and systems to review the effectiveness of risk management and the internal control system.

The Supervisory Board is responsible for overseeing that the Management Board implements, amongst other things, a suitable risk management and internal control system. In this respect, the Management Board, alongside its risk management functions, periodically presents results, developments and plans to the Supervisory Board and relevant committees thereof. One of these committees, the Audit Committee, supervises, monitors and advises the Management Board on the effectiveness of internal risk management and control systems. The Audit Committee is assisted in this role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Atradius' risk management policies are established to identify and analyse the risks faced by Atradius, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Atradius' activities. Through its training and management standards and procedures, Atradius aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Central to Atradius' system of governance is the Atradius risk governance structure. The risk governance structure comprises a framework of committees (which support RSMB in specific risk areas), approval authorities, roles and responsibilities and risk boundaries which combine to define the process by which Atradius decides what risks it takes on and how it manages those risks.

By applying the Atradius risk governance structure, Atradius is able to:
- Communicate risk-related norms and values across the organisation;
- Provide clarity over the various responsibilities and accountabilities in the management of risk;
- Manage the Group's risk profile and development of the business over time;
- Ensure that Atradius adheres to an approved risk appetite;
- Ensure appropriate ownership of decisions; and
- Provide the Management Board with clear lines of sight into decision-making and risk-management processes.

4.1.3 Risk classification

Atradius classifies its main risk types as insurance, financial and operational. Insurance risks are the risks of financial loss as a direct result of providing insurance; these arise predominantly from the risk of non-payment by a buyer covered by a policy (credit insurance) or the risk of non-performance by a customer (bonding). Financial risks include market risk, credit risk and liquidity risk. Operational risks arise from inadequate or failed internal processes, people, systems, or applicable loss from external events.

4.2 Insurance risk

4.2.1 Insurance products, their characteristics, sensitivity to insurance risk, risk mitigation and controls

Atradius operates with two main direct insurance product lines: credit insurance and bonding. In addition, Atradius also writes credit and surety business as a reinsurer. Credit insurance can be divided into three subcategories: traditional credit insurance, instalment credit protection and special products. Each of these sub-categories has particular risk characteristics.

The starting point for the management of insurance risk is that all staff have well-defined authorities specifying the level of risk they can accept and that all risk acceptance must take place within the framework of the risk governance structure described in Note 4.1.2. The main elements of the risk governance structure currently in place are described below. Furthermore, Atradius' reinsurance structure imposes checks on the largest exposures. Exposures beyond a certain threshold are subject to special acceptance by our leading reinsurers.

Traditional credit insurance and special products

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

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

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

Staff in Commercial units have well-defined authorities specifying who can underwrite which policies. Authorities typically require the approval of two people and conditions become stricter as policy amounts become larger, with the largest policies needing sign-off by both the Director of a Commercial unit and the responsible Management Board member. The pricing of credit insurance policies, new and renewed, is also subject to governance and the methodologies used to establish a benchmark price require the approval of the Quantitative Model Committee, a committee responsible for approving quantitative models used within the group.

Staff in Risk Services have well-defined authorities specifying who can set what capacity on a buyer and who can approve what credit limits. As credit amounts grow, decisions require the approval of one or more cosignatories of increasing seniority. The largest credit amounts require the approval of the Atradius credit committee with the appropriate authority level.

The special products business offers a range of bespoke policies to insure against various credit and political risks; this product line includes policies that cover single transactions, single trade relationships and asset confiscation. A distinguishing feature of special products policies is that, unlike traditional credit insurance, credit limits typically cannot be readily withdrawn. The conditions of special products policies tend to place a greater onus on risk monitoring and due diligence on the insured.

All policies are bound within clearly defined authorities issued to the policy underwriters who report ultimately to the Chief Market Officer. All buyer risk is signed off by dedicated Risk Services teams which have a separate and distinct reporting line to the Chief Risk Officer. In addition, a dedicated risk management team with a functional reporting line to the Director. Group Risk Management ensures adherence to the risk governance model monitors the portfolio risk and ensures compliance with the terms of the reinsurance treaty.

Bonding

Atradius issues surety bonds for customers in a number of European countries including Italy, France, Spain, Portugal, Germany and the Nordic and Benelux countries. Surety bonds insure beneficiaries against the risk of our customer not meeting contractual, legal, or tax obligations. Beneficiaries include national, regional, local governments and tax authorities as well as companies.

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

When a bond is called by the beneficiary, Atradius mediates to resolve conflicts by working with both customer and beneficiary. If, as a result of non-performance a payment is made by Atradius to the beneficiary, a recovery action is taken against the customer who remains ultimately liable. If Atradius does incur an irrecoverable loss it is almost always because of the customer's financial distress, making the triggers for loss similar to those of traditional credit insurance.

The spread of customers over industry sectors varies by country as a result of differing legal and market environments. The type of bonds issued include bid bonds, performance bonds, maintenance bonds, advance payment bonds and various types of administrative bonds. These are issued with tenors ranging from a few weeks to years, but only rarely in excess of five years.

All bonding facilities and individual bonds are underwritten by technical underwriters who are part of the Commercial units. Technical underwriters assess the risk of non-performance as well bonding wordings and other technical aspects. Financial underwriters, who are not part of the Commercial units, focus on the credit risk-related aspects of customers; they must approve the acceptance of facilities and individual bonds over certain thresholds. There is an authority structure in which decisions are escalated depending on the amounts involved. The largest amounts require the approval of Atradius credit committee with the appropriate authority level.

Other products

Reinsurance

Atradius underwrites reinsurance programmes for the credit insurance and bonding business written by primary insurers. This business is conducted by Atradius Re, domiciled and regulated in Ireland.

Atradius Re provides reinsurance capacity for primary insurance companies from both the developed and developing credit insurance and bonding markets. It currently assumes business from over 50 countries worldwide, maintaining a balanced diversity within the portfolio from each continent. The underlying business consists of approximately 58% credit insurance and 42% bonding, based on premium volume.

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

All reinsurance business is regularly reviewed with respect to past underwriting years' performance, triangulation development, individual buyer exposure development, aggregate total potential exposure management and market and country exposure. Risk and policy limit setting is monitored to ensure credit quality and performance of the underlying insurance products to reinsurance terms agreed with third party clients.

Instalment Credit Protection (ICP)

The ICP product line covers the medium- and long-term risks that financial and corporate policyholders face in their multiple instalment agreements with private individuals and businesses, and is available in Belgium and Luxembourg.

Policy underwriting is performed within the Commercial units. Policies are generally issued for a fixed period with automatic renewal. The indemnification rate can rise to 100% and recoveries are for the benefit of Atradius.

Risk underwriting is performed by the risk underwriting teams. Credit decisions are made for each individual operation based on an automated decision model. The model, without human intervention, can refer the case to an underwriter for manual assessment. Authorities are granted to underwriters according to their seniority and expertise. Cases are escalated according to pre-determined thresholds to the local ICP credit committees, then to the ICP credit committee and finally to the Management Board member responsible for instalment credit protection.

4.2.2 Insurance risk management tools

Atradius monitors exposure across various dimensions such as counterparty, industry sector and geographic location. We maintain records of all credit insurance policies, credit limits and buyers in various connected systems. These systems enable Atradius to set system specific limits by buyer or buyer group. Management information derived from these systems enables Atradius to monitor aggregate exposure by country, customer, industry sector and other dimensions.

All buyers with significant exposure are reviewed at least annually. Atradius continually receives information on buyers through on-line connections with business information providers and from customers reporting negative payment experiences. Buyers are reviewed whenever pertinent new information is received. Atradius assigns an internal rating to buyers and the review process takes into account exposure on a buyer through direct business, including exposure for special products and bonding. The authority structure for approval of new exposure referred to in this note also applies to buyer reviews.

The main system includes an integrated risk and cost-based pricing system. Most new policies and non-tacit renewals are priced starting from a price suggested by the pricing system.

For reinsurance, Atradius Re uses a number of risk management tools to monitor the reinsurance portfolio for exposures and performance developments. The reinsurance system is used to record the risk profile, ultimate estimate and related accounting information for each reinsurance treaty. This allows the reporting of performance, total aggregate exposure and accounting reinsurance result. Performance development and exposures related to each reinsurance treaty are reviewed quarterly within certain limits and through exception reporting.

For ICP, consumer credit risk underwriting relies on the databases of the relevant national authorities. In Belgium, the National Bank of Belgium maintains two databases: a negative database, listing every credit non-payment incident, and a positive database, listing every credit granted to any individual. In addition, ICP maintains and uses its own internal consumer credit database.

Both Bonding and ICP have their own pricing systems and guidelines, which reflect the specifics of their businesses.

4.2.3 Reinsurance programme

Atradius transfers a significant portion of its insurance risk to external reinsurers, through a number of reinsurance arrangements that include quota share and excess of loss treaties covering either the entire portfolio of Atradius or specific risks. Traditionally the reinsurance treaties are usually renewed annually, however at the end of 2015 it was decided to renew on a two year basis (comprising of two separate underwriting years), this report therefore covers the second year of that two year period. During 2017, Atradius renewed its reinsurance arrangements for 2018. On renewal, Atradius assesses the optimal structure of the treaties for the forthcoming period, including the excess of loss treaties (the attachment points, spread of the layer and the number of reinstatements). A number of items are taken into consideration during this review, including the cost of the synthetic capital that reinsurance provides as measured by the economic capital model and also the impact on the Solvency II Capital charge under the standard formula of the various reinsurance proposals.

For the underwriting years 2016 and 2017 one quota share reinsurance treaty is in place covering the majority of Atradius' business. The retention under this treaty is 57.5%.

In addition, there is a separate quota share treaty which covers a limited number of policies, where the retention percentage is 25%. In addition, there is a single excess of loss programme, covering the own retention under these quota share treaties, consisting of a series of excess of loss treaties (per buyer group) and an aggregate stop loss treaty. These excess of loss treaties also provide protection for the assumed business of Atradius Re . The combined excess of loss programme for Atradius has mitigated the likelihood of it retaining two separate retentions if a common buyer were to fail, impacting both the assumed and direct business of Atradius. The top of the excess of loss layers is chosen so that, in the judgement of management, there remains only a very remote possibility that failure of any single buyer group will exceed the top end of the excess of loss coverage purchased.

The attachment point of the excess of loss treaties has been set such that the net retention for business ceded under the quota share treaties and excess of loss structure for any buyer group does not exceed EUR 25 million for Atradius. Atradius Rei has also purchased additional lower level protection.

With regard to the reinsurance panel, it is Atradius' policy to select only reinsurers that have a high quality standard of solvency/rating. The normal minimum requirement is an 'A-' level rating. The treaties also include a provision that if a reinsurer is downgraded during the period of the reinsurance below an A- rating then security can be requested and if not provided the reinsurance agreement with that reinsurer can be terminated.

4.2.4 Concentration risk

Atradius is exposed to concentration risk in a number of ways: primarily by buyer, buyer's country or buyer's industry. The following tables illustrate the exposure at the end of 2017 and 2016 in terms of the sum of credit limits registered by Atradius on individual buyers. This is referred to as total potential exposure or TPE.

TPE is an approximate upper boundary to real exposure, in the sense that a limit that Atradius has issued does not necessarily give rise to credit risk at a specific point in time. Atradius normally does not know the real outstanding exposure under its limits on any specific buyer. The 'usage' of limits is, on average, much smaller than the amount of the limit. At the portfolio level, real outstanding exposure tends to be in the range of 10% to 30% of TPE, on top of which customers still have their own retention. In addition to the TPE, customers are often allowed to bring exposure under the policy through discretionary limits and potential exposure resulting from a discretionary limit on any buyer is not held on Atradius' system. Each policy specifies the maximum discretionary limit allowed under the policy and, for most policies this is no more than EUR 20 thousand per buyer. This illustrates that TPE is a crude measure of exposure and that, in aggregate, real exposure will be far lower.

All amounts in thousands of Euro, unless otherwise stated

The TPE details below show TPE gross of reinsurance; due to the non-linear nature of the excess of loss cover in Atradius' reinsurance programme, which has a finite number of reinstatements for each layer, there is no natural way to show TPE net of reinsurance.

In the following tables, the TPE has been aggregated and shows the exposure for credit insurance (including special products and reinsurance). Germany, Spain and Portugal constitute more than 29% of the overall exposure.

Buyer country	TPE 2017 (EUR million)	%	TPE 2016 (EUR million)	%
Spain, Portugal	98,714	15.8%	93,437	15.9%
Germany	86,430	13.9%	82,783	14.1%
Central and Eastern Europe	59,253	9.5%	55,098	9.4%
USA	49,228	7.9%	48,956	8.3%
France	44,854	7.2%	43,323	7.4%
United Kingdom	43,537	7.0%	39,779	6.8%
Italy	42,242	6.8%	37,208	6.3%
The Netherlands	27,636	4.4%	25,268	4.3%
Nordic	26,390	4.2%	24,838	4.2%
Other	144,545	23.2%	136,414	23.3%
Total	**622,829**	**100%**	**587,104**	**100%**

The following table shows the distribution of TPE over buyer industry sector. In terms of Industry Sectors the main buyer sectors we provide cover on are Chemicals, Electronics, Consumer durables and Metals, which constitute more than 46% of the exposure in 2017. The remaining exposure is distributed across Food, Transport, Construction, Machines, Agriculture, Construction materials, Services and other sectors.

Industry sector	TPE 2017 (EUR million)	TPE 2016 (EUR million)
Chemicals	82,783	78,593
Electronics	74,476	70,510
Consumer durables	68,442	65,324
Metals	63,419	58,855
Food	58,608	55,640
Transport	56,930	53,434
Construction	46,896	43,133
Machines	37,137	34,734
Agriculture	33,318	30,907
Construction materials	27,058	25,387
Services	26,994	25,276
Other	46,768	45,311
Total	**622,829**	**587,104**

The following table shows TPE aggregated by group of buyers. This is the method of aggregation that is relevant for Atradius' excess of loss treaties. For instance, assuming real outstanding exposure of 20% of TPE, then only buyers with TPE in excess of around EUR 125 million could give rise to a hit to an excess of loss treaty (2016: the same).

Value band (EUR million)	TPE 2017 (EUR million)	TPE 2016 (EUR million)
0 - 20	339,174	331,385
20 - 100	107,227	99,785
100 - 250	66,824	59,545
250 - 500	46,080	42,968
500 - 1000	33,858	23,760
1000 - and more	29,666	29,661
Total	**622,829**	**587,104**

Exposure for bonding and for instalment credit protection has different characteristics and therefore has not been included in these tables. The bonding exposure is EUR 23.4 billion (2016: EUR 22.7 billion). Exposure for instalment credit protection amounts to EUR 2.5 billion (2016: EUR 2.3 billion).

4.2.5 Factors affecting the frequency and severity of claims

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

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

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

Atradius' business processes are designed to effectively manage the impact of the many risk factors that affect the frequency and severity of claims. The business processes continually evolve in response to how Atradius views these risk factors in the context of its overall business strategy.

4.2.6 Sources and assumptions

4.2.6.1 Sources of uncertainty in the estimation of future claims payments

The sources of uncertainty in the estimation of future claims payments include, but are not limited to, all the factors that affect the frequency and severity of claims in general, as described in Note 4.2.5.

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 provisions for claims 'incurred but not reported', the IBNR. The accounting policies and estimation methods for setting UPR and IBNR vary by product and in part also by entity within Atradius:

- for traditional credit insurance, premium is earned in full when the underlying shipment takes place. UPR exclusively relates to the unearned part of premium invoiced in advance and to risks that have not started. IBNR is Atradius' estimate for future claims payments that will result from risks taken on, but for which no claims notification has been received;
- for the local credit insurance business in Spain and Portugal, premium is earned pro rata over the period between invoice date and due date of invoices for the insured shipments. Thus part of UPR relates to risks that have started, in the sense that the underlying insured shipment has taken place. IBNR is the local business in Spain and Portugal's estimate for future claims payments that will result from risks taken on, for which no claims notification has been received and for which the underlying invoices are overdue at the end of the reporting period;
- for bonding, instalment credit protection and reinsurance, the UPR relates to risk taken on;
- for special products, UPR is set on the same basis as for traditional credit insurance. With the exception of single transactions, where the UPR relates to risk taken on.

As a consequence, the release of the provision for unearned premium should be taken into account for the local credit insurance business in Spain and Portugal, bonding, instalment credit protection and reinsurance when interpreting the claims development tables in Note 18 to evaluate the accuracy with which Atradius has historically estimated future claims payments.

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

In the case of traditional credit insurance, the main sources of uncertainty for estimates of future claims payments include:

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

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

4.2.6.2 Assumptions, change in assumptions and sensitivity

The risks associated with credit insurance and bonding are complex and are subject to a number of influences that are not particularly open to quantitative sensitivity analysis. However, this section describes the quantitative sensitivity analysis that is feasible.

The most important assumption used in the main method for reserving for traditional credit insurance to set the estimate for the ultimate number of claims for the most recent months of shipment is that the claims inflow in early 2018 will be around 20% above the level of end 2017. An indication of the sensitivity to projected ultimate number of claims would be the following: if the estimated ultimate number of claims for the most recent six months of risk were to change by 10%, the claims provisions would change by EUR 23 million, gross of reinsurance (2016: EUR 23 million). As in essence provisions for most recent months are set as estimated number times estimated claims size, this also describes the sensitivity to assumed claims size.

By its nature, an estimate of the expected inflow of large cases is not easy to quantify. The order of magnitude of this sensitivity would, in the judgement of management, be similar to the sensitivity in the estimated number of claims for the most recent months, although, as is inevitable with severity risk, it has a longer tail.

Claims provisions are presented net of recoveries from salvage and subrogation. Realised recoveries can deviate from expected recoveries. Expected recoveries amount to EUR 441.2 million (2016: EUR 478.8 million). The largest two components of the expected recoveries are the recoveries for standard credit insurance of EUR 194.2 million (2016: EUR 210.9 million), and for instalment credit protection of EUR 134.7 million (2016: EUR 128.8 million).

4.3 Financial risk

Atradius is exposed to financial risk mainly through its financial assets, financial liabilities, reinsurance contracts and insurance contracts. The core components of financial risk are market risk, credit risk and liquidity risk.

These risks arise mainly from interest rate sensitive positions, equity instruments, credit exposures, non-Euro currency exposures and cash flow patterns.

4.3.1 Market risk

Market risk is the risk that the fair value of assets and liabilities that are sensitive to movements in market prices, decrease or increase due to adverse movements in equity prices, interest rates or currency rates. Atradius exposes itself to these risks by holding assets and liabilities whose fair value are sensitive to movements in those prices. To measure these risks, Atradius uses several risk metrics. The most important ones being the mismatch between assets and liabilities whose fair value is denominated in foreign currency, Value-at-Risk, capital models from the credit assessment institutions and interest rate duration.

Atradius uses a Solvency II available capital approach to define the Strategic Asset Allocation and to assess the impact of investment decisions to ensure that sufficient Solvency II capital remains.

4.3.1.1 Fair value of financial assets and liabilities

The estimated fair values of Atradius' financial assets and liabilities, other than the subordinated debt, equal their carrying value. The fair values of subordinated debts are disclosed in Note 16.

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, Atradius establishes the accounting policies and processes governing valuation and is responsible for ensuring that these comply with all relevant accounting pronouncements. Within this governance structure, non-quoted investments or illiquid investments in which Atradius invests are valued by an external independent valuation company. That company uses its own proprietary valuation systems to value the securities supported by economic and market assumptions from financial information providers. The valuations are provided on a monthly basis and are reviewed and approved by Atradius.

Debt and equity securities available-for-sale

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

Loans and short-term investments

For loans and other short-term investments, carrying amounts represent a reasonable estimate of their fair values.

Other financial assets

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

Subordinated debt

The fair values of subordinated debts are based on binding quotes from independent brokers (see Note 16 for further details).

Other financial liabilities and deposits received from reinsurers

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

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

Financial instruments measured at fair value **Assets 2017**	**Quoted prices in active markets - Level 1**	**Valuation techniques incorporating information other than observable market data - Level 3**	**Total**
Available-for-sale:			
Equity securities	293,976	-	293,976
Debt securities:			
Government bonds	555,976	-	555,976
Corporate bonds	1,232,631	-	1,232,631
Structured debt	-	-	-
Total	**2,082,583**	**-**	**2,082,583**

Financial instruments measured at fair value **Assets 2016**	**Quoted prices in active markets - Level 1**	**Valuation techniques incorporating information other than observable market data - Level 3**	**Total**
Available-for-sale:			
Equity securities	290,904	-	290,904
Debt securities:			
Government bonds	558,988	-	558,988
Corporate bonds	1,218,200	-	1,218,200
Structured debt	-	3,953	3,953
Total	**2,068,092**	**3,953**	**2,072,045**

There have been no transfers between Level 1 or 3 in 2017 or 2016.

Structured debt

All structured debt contains embedded derivatives which are used for interest related strategies and are considered as closely related to the debt instrument. One of the main risks on the structured debt is the default risk of the guarantor of the issuer of the instrument.

All amounts in thousands of Euro, unless otherwise stated

Reconciliation of Level 3 fair values

The following table details the changes in the fair value of Level 3 financial investments (valuation techniques incorporating information other than observable market data):

Financial investments Level 3	Debt securities	
	2017	2016
Balance at 1 January	**3,953**	**3,908**
Total gains or losses:	**-**	**-**
In income statement (net income from investments)	-	-
In other comprehensive income	7	45
Sales	(3,960)	-
Balance at 31 December	**-**	**3,953**

In 2017, the remainder of the financial investments included in level 3 were sold. Therefore, as at 31 December 2017 there are no financial investments in level 3.

4.3.1.2 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. Atradius exposes itself to equity price risk by investing in equity instruments issued by corporations and equity instruments issued 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 Atradius' equity instruments due to adverse movements in equity prices in the short-term while the capital models measures the potential maximum loss in the long-term, (see Note 4.3.1.4 for more information). Atradius invests in a portfolio of diversified equity instruments to manage these risks.

Individual equities instruments

Atradius invests in individual equities via a segregated mandate in which the asset manager has discretion to select the equity portfolio in accordance with investment restrictions set in an investment management agreement. This diversified portfolio consists out of EUR denominated large capitalization equities. Per the end of December 2017, the market value of this equities portfolio is EUR 95.2 million (2016: EUR 85.8 million).

Investment funds

The investment funds in which Atradius invests are exposed to market risk, counterparty risk, liquidity risk and currency risk (i.e., general investment fund risks). The risk of an investment fund is mainly driven by the nature of the assets in which it invests. As investment funds are offered to multiple investors, the investment restrictions of a fund are stated in the fund's prospectus. Atradius only selects investment funds that have similar investment restrictions stated in their prospectus as stated in the Atradius Investment Policy.

Equity instruments issued by investment funds

The portfolio of equity instruments issued by investment funds are shown in the following table:

	2017	Weight in %	2016	Weight in %
Passive equities exchange traded funds	197,334	99.3%	203,980	99.5%
Active money market funds	1,448	0.7%	1,122	0.5%
Total	**198,782**	**100.0%**	**205,102**	**100.0%**

Passive equities exchange traded funds

The portfolio of passive equities exchange traded funds mainly consists of exchange traded funds which passively tracks the Dow Jones EuroStoxx 50 Index.

Active money market funds

The portfolio of active money market funds consists out of one money market fund denominated in Brazilian Real.

4.3.1.3 Interest rate risk

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. Atradius exposes itself to this risk by investing in debt instruments and equity instruments issued by investment funds that invest in debt instruments, issuing subordinated debt and by insurance contracts.

Profile

At the end of the reporting period the interest rate profile of Atradius' interest-bearing financial instruments was:

	Fixed rate instruments - carrying amount		Variable rate instruments - carrying amount	
	2017	2016	2017	2016
Financial assets (1) (3)	1,788,607	1,781,141	552,419	495,328
Financial liabilities (2) (4)	(323,614)	(323,437)	(50,875)	(46,146)
Total	**1,464,993**	**1,457,704**	**501,544**	**449,182**

1) Fixed rate financial assets include debt securities;
2) Fixed rate financial liabilities include the subordinated debt;
3) Variable rate financial assets include cash and cash equivalents, loans, short-term investments and cash held for investments;
4) Variable rate financial liabilities include borrowings and deposits received from reinsurers.

Duration

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

Atradius uses the duration to assess its interest rate risk exposure and monitors whether the duration remains between the minimum and maximum duration limit (between one to five years for government bonds and one to three years for corporate bonds) as set in the Atradius Investment Policy. As the duration can be described as the percentage change of a bond's value when the underlying discount rate is parallel shifted by 1%, the average maturity is the weighted average of the time until a bond has paid its final interest and principal redemption. The duration for 2017 is 2.5 years (2016: 2.9 years) and the average maturity for 2017 is 2.8 years (2016: 3.2 years).

All amounts in thousands of Euro, unless otherwise stated

4.3.1.4 Value-at-Risk

Atradius measures equity price and interest rates 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 time frame 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 the 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 to guarantee any future price movements but rather to be used as guidance for information purposes and comparison of 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 given confidence level of 99% for a period of 12 months. This implies that there is 1% probability of underestimating the potential maximum loss for the coming 12 months.

The following table shows the VaR of Atradius' equity securities and debt securities on portfolio level.

Value-at-Risk	EUR million	% of the market value	EUR million	% of the market value
	2017		2016	
Equity securities:				
Shares (including equity funds)	77.8	26.6%	165.3	57.0%
Debt securities:				
Government bonds (including government bond funds)	7.1	1.3%	6.8	1.2%
Corporate bonds (including corporate bond funds)	17.9	1.4%	23.3	1.9%
Structured debt			1.4	33.4%
Total portfolio	85.9	3.8%	174.8	7.7%

The classification of financial investments in the VaR table stated above are based on the actual financial risks that the individual securities present in the investment portfolio carry. For instance, within debt securities a separation between government bonds, and corporate bonds and structured debt is maintained to capture the actual exposure to corporate bonds that carry additional credit risk above the risks that government bonds bring along. The asset class structured debt has been fully disposed in 2017. When individual securities are classified to the asset class that fits their actual risk profile, the volatility of that asset class is calculated using the volatility to the financial markets of the underlying securities in that asset class. The volatility of each asset class as a whole serves as input for the VaR calculation of that asset class. In case of an investment fund, the volatility of the fund (driven by the characteristics of its underlying securities) serves as input for the calculation of the VaR on that specific investment fund and is subsequently included in the VaR calculation 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 7.7% at the end of 2016 to 3.8% at the end of 2017 and the VaR value decreased from EUR 174.8 million at the end of 2016 to EUR 85.9 million at the end of 2017.

4.3.1.5 Currency risk

Movements in exchange rates may affect the value of consolidated shareholders' equity, which is expressed in Euro. Foreign exchange rate differences taken to other comprehensive income arise on the translation of the net investment in foreign subsidiaries and associated companies. During 2017, the Euro strengthened against most of the non-Euro functional currencies (see Note 2.6.3) resulting in a foreign currency loss in other comprehensive income of EUR 23.1 million, net of tax (2016: a loss of EUR 0.8 million, net of tax).

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

Atradius' exposure to foreign currency exchange rate risk, arising from monetary financial assets and liabilities denominated in non-functional currencies as at 31 December 2017 and 31 December 2016, is presented in the following table:

	Financial assets	Financial liabilities	Net position	Financial assets	Financial liabilities	Net position
	2017			2016		
EUR	202,045	145,944	56,101	213,870	168,527	45,344
GBP	31,872	23,883	7,989	25,146	22,257	2,889
USD	291,314	271,401	19,913	202,303	311,150	(108,847)
AUD	7,520	7,913	(393)	14,321	11,637	2,684
Other	153,813	239,240	(85,427)	180,327	254,186	(73,859)
Total	**686,564**	**688,381**	**(1,817)**	**635,968**	**767,757**	**(131,789)**

Sensitivity analysis

As an indication of the currency exposure, a 10% strengthening of these foreign currencies against the Euro as at the end of the reporting period would have increased/(decreased) the result for the year by an amount equal to the net position as presented above, calculated against that 10%. This analysis assumes that all other variables, and in particular interest rates, remain constant and is performed on the same basis as for 2016. A 10% weakening of the aforementioned foreign currencies against the Euro as at the end of the reporting period would have had an equal but opposite effect.

The following table specifies Atradius' gross and net positions in major currencies (both monetary and non-monetary items):

	Assets	Liabilities	Net position	Assets	Liabilities	Net position
	2017			2016		
EUR	3,382,508	1,902,228	1,480,280	3,369,926	1,912,515	1,457,411
GBP	135,653	96,473	39,180	120,950	108,884	12,066
USD	394,331	299,070	95,261	336,608	323,814	12,794
AUD	77,034	40,823	36,211	78,349	38,938	39,411
Other	529,636	427,320	102,316	511,840	407,997	103,843
Total	**4,519,162**	**2,765,914**	**1,753,248**	**4,417,673**	**2,792,148**	**1,625,525**

4.3.2 Credit risk

Credit risk is the risk that customers or counterparties are unable to repay their debt towards Atradius in full when due. Atradius exposes itself to credit risk mainly by reinsurance contracts and holding financial assets.

Reinsurance is used to manage insurance risk. This does not, however, discharge the liability as primary insurer. If a reinsurer fails to pay a claim for any reason, Atradius remains liable for the payment to the policyholder. The Atradius 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, Atradius has the right to either terminate the reinsurance relationship during the course of the reinsurance year or else seek collateral if the relationship is to continue. Deposits received from reinsurers mitigate the credit risk and are therefore included in the table below.

Individual operating units maintain records of the payment history for significant contract holders with whom they conduct regular business. The exposure to individual counterparties is also managed by other mechanisms, such as the right of offset where counterparties are both debtors and creditors. Management information reported to Atradius includes details of provisions for impairment on loans and receivables and subsequent write-offs.

All amounts in thousands of Euro, unless otherwise stated

Credit exposure to business partners, such as insured customers and brokers, is closely monitored. Potential impairments on receivables are reviewed monthly and updated.

With regard to managing the credit risks of the financial investments, the investment policy of Atradius 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 debt security in which Atradius has invested falls below the minimum credit rating or is not rated, it should be reviewed by the Group Investment Committee to decide whether the debt security is still a suitable investment. The maximum concentration limit per issuer (per legal entity and at Atradius level) is 5% of the market value of the financial investments of the legal entity or Atradius. The concentration per issuer is evaluated by aggregating the exposure to a single issuer through both debt investments and equity securities. The Group Investment Committee monitors this limit and action is taken if a concentration limit is breached.

The counterparty ratings of receivables, short-term investments, claims, commissions and deposits arising from reinsurance, cash and cash equivalents and the rating of debt securities as at 31 December 2017 and as at 31 December 2016, are presented in the following tables:

At 31 December 2017 (EUR million)	**AAA**	**AA**	**A**	**BBB**	**Other and Non-rated**	**Total**
Receivables, claims, commissions and deposits arising from reinsurance:						
Receivables, claims and commissions arising from reinsurance	-	209	231	1	24	465
Deposits received from reinsurers	-	(22)	(21)	-	(2)	(45)
Debt securities:						-
Government bonds	187	280	61	8	20	556
Corporate bonds	9	96	1,011	116	1	1,233
Structured debt	-	-	-	-	-	-
Short-term investments:						-
Deposits withheld by ceding companies	-	7	6	4	10	27
Bank deposits under short-term investments	20	19	106	33	-	178
Cash and cash equivalents	67	31	135	110	4	347
Total	**283**	**620**	**1,529**	**272**	**57**	**2,761**

At 31 December 2016 (EUR million)	**AAA**	**AA**	**A**	**BBB**	**Other and Non-rated**	**Total**
Receivables, claims, commissions and deposits arising from reinsurance:						
Receivables, claims and commissions arising from reinsurance	-	235	225	1	25	486
Deposits received from reinsurers	-	(21)	(22)	-	(3)	(46)
Government bonds	185	292	56	12	15	560
Corporate bonds	7	148	969	91	3	1,218
Structured debt	-	-	1	3	-	4
Deposits withheld by ceding companies	-	8	13	1	7	29
Bank deposits under short-term investments	33	26	65	55	-	179
Cash and cash equivalents	-	40	142	93	12	287
Total	**225**	**728**	**1,449**	**256**	**59**	**2,717**

The counterparty credit ratings and the credit rating of the debt instruments are predominantly based on Standard & Poor's rating. In the absence of a Standard & Poor's credit rating, Atradius uses Moody's or Bloomberg Composite Ratings.

4.3.3 Liquidity risk

Atradius is exposed to liquidity risk if there is insufficient cash available to meet its financial obligations, when due, at a reasonable cost. For Atradius, liquidity risks may arise if large scale short-term fluctuations occur to cash flows, such as a decline in incoming cash or a rise in outgoing cash, or a combination of both.

Liquidity risk is managed at Atradius level, in close coordination with local operations. Atradius' policy is to monitor and measure ongoing cash flow patterns and control liquidity by maintaining sufficient cash and highly marketable securities to reduce liquidity risk to acceptably low levels. The investment policy states that Atradius should only invest in financial instruments that can be liquidated in less than three business days. Atradius is able to access credit facilities to prevent certain liquidity shortages which may arise due to short-term cash flow variances. Atradius maintain one uncommitted credit line in excess of EUR 1 million, in the form of an overdraft facility for a total amount of EUR 50 million (2016: EUR 53 million). The credit line provides liquidity to cover infrequent peaks in short-term liquidity requirements while also permitting Atradius to reduce its cash balances and to benefit from a more substantial and stable investment portfolio. Finally, Atradius has in place a simultaneous claims payment clause in the main reinsurance treaties. This clause allows Atradius to ask the reinsurers to anticipate the payment of a large claim upon Atradius' request instead of the usual payment terms agreed in the reinsurance treaties.

Liquidity and interest risk tables

The following tables indicate the estimated amount and timing of the main cash flows at the end of the reporting period of interest and non-interest bearing liabilities and assets. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period. Atradius has considered the impact of the cross-border cash pooling arrangement in this overview.

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

All amounts in thousands of Euro, unless otherwise stated

At 31 December 2017		Contractual cash flows (undiscounted)				
	Weighted average effective interest rate %	On demand	Less than 1 year	1 to 5 years	> 5 years	Carrying amount
Interest bearing liabilities						
Subordinated note	5.35%		13,125	52,500	507,822	248,614
Subordinated loan	5.00%		3,750	15,000	87,380	75,000
Bankoverdraft	0.00%	5,993				5,993
Deposits received from reinsurers	0.16%	-	44,882	-	-	44,882
Total		**5,993**	**61,757**	**67,500**	**595,202**	**374,489**
Non-interest bearing liabilities						
Insurance contracts			1,038,894	469,319	(1,031)	1,530,339
Payables		-	200,947	-	-	200,947
Total		**-**	**1,239,841**	**469,319**	**(1,031)**	**1,731,286**

At 31 December 2016		Contractual cash flows (undiscounted)				
	Weighted average effective interest rate %	On demand	Less than 1 year	1 to 5 years	> 5 years	Carrying amount
Interest bearing liabilities						
Subordinated note	5.35%		13,125	52,500	521,439	248,437
Subordinated loan	5.00%		3,750	15,000	92,740	75,000
Bankoverdraft	0.10%	611				611
Deposits received from reinsurers	0.27%	-	45,535	-	-	45,535
Total		**611**	**62,410**	**67,500**	**614,179**	**369,583**
Non-interest bearing liabilities						
Insurance contracts		-	1,061,761	475,129	1,378	1,561,155
Payables		-	232,746	-	-	232,746
Total		**-**	**1,294,507**	**475,129**	**1,378**	**1,793,901**

At 31 December 2017		Contractual cash flows (undiscounted)				
	Weighted average effective interest rate %	On demand	Less than 1 year	1 to 5 years	> 5 years	Carrying amount
Interest bearing assets						
Debt securities	0.22%	-	196,223	1,545,996	51,401	1,788,607
Investments: deposits and cash held for investments	0.00%	65,786	99,402	40,000		205,222
Cash: Cash and bank deposits	0.00%	340,195	6,976	-	-	347,171
Total		**405,981**	**302,601**	**1,585,996**	**51,401**	**2,341,000**
Non-interest bearing assets						
Other financial assets		-	294,002	-	-	293,926
Reinsurance contracts			403,849	182,439	(401)	585,887
Receivables		-	225,079	-	-	225,079
Total		**-**	**922,930**	**182,439**	**(401)**	**1,104,892**

At 31 December 2016		Contractual cash flows (undiscounted)				
	Weighted average effective interest rate %	On demand	Less than 1 year	1 to 5 years	> 5 years	Carrying amount
Interest bearing assets						
Debt securities	(0.03%)	-	254,658	1,482,492	61,387	1,781,141
Investments: deposits and cash held for investments	0.00%-1.33%	80,025	127,893	127	417	208,223
Cash: Cash and bank deposits	0.00%	285,729	129	-	-	286,469
Total		**365,754**	**382,680**	**1,482,619**	**61,804**	**2,275,833**
Non-interest bearing assets						
Other financial assets		-	290,929	-	-	290,929
Reinsurance contracts		-	436,407	195,288	567	632,262
Receivables		-	201,287	-	-	201,287
Total		**-**	**928,623**	**195,288**	**567**	**1,124,478**

4.4 Operational risk

4.4.1 Operational risk management

Operational risks are the risks arising from inadequate or failed internal processes, people, and systems, or applicable loss from external events. This definition is in line with industry practice as well as with the European Solvency II Directive. It is therefore present within all activities undertaken by Atradius, at all levels and across all locations.

The Operational Risk Management (ORM) unit is part of the Atradius Risk Management department and is responsible for developing methods for the identification, assessment and response to risks, and for monitoring and further enhancing the overall risk management and control framework. The ORM unit works closely with both Internal Audit and the Legal and Compliance unit. At the highest level, operational risk is overseen by the Operational Risk Committee, which has a reporting line through to the Chief Risk Officer.

The ORM unit uses a framework for management of operational risk, which is based on the Committee of Sponsoring Organisations' Enterprise Risk Management (COSO ERM) Integrated Framework. Identification and monitoring activities continue to be developed and enhanced, including the maintenance of risk registers, risks and control self-assessment procedures and business continuity plans. Additionally, risks and the related controls are discussed at all levels, locations and units across the business, including the Management Board and Supervisory Board. High-level information on crystallised risks has been captured for several years, with separate records of information technology risk events stretching back even further. To provide oversight and assurance in an auditable and efficient manner, the ORM unit employs a dedicated governance, risk and compliance software platform (the 'GRC portal') that integrates existing risk management activities across the business.

In respect of external fraud, the Fraud Control Group, composed of employees across various locations, monitors the activity of customers and buyers to detect indications of fraud. Atradius also provides fraud awareness training to employees to help identify fraudulent buyers. Internal fraud is addressed through manual and automated operational controls such as the segregation of duties, application of signing authorities and role-based system privileges and authorities.

More details on certain operational risk management activities are provided below.

4.4.1.1 Risk registers and risk / control self-assessments

While the ORM unit is responsible for facilitating operational risk management within Atradius, the lines of business and functional areas are responsible for managing their operational risks. Atradius Leadership Team members, assisted by 'risk champions', maintain risk registers for their respective units. The content of the registers provides input to local management meetings and is also reviewed by an Operational Risk Committee and during meetings of the Management Board. This ensures that operational risks are evaluated from all management perspectives.

While risk registers use a top-down approach to capturing risks, Atradius also uses a bottom-up approach of control self-assessments to identify and assess risks and any control weaknesses inherent in business processes.

On a quarterly basis, Atradius conducts specific assessments of processes and controls covering financial reporting risks; the resulting 'in control' sign-off process is overseen by a committee with representatives from Group Risk Management, Finance and Internal Audit.

4.4.1.2 Business continuity management

Atradius recognises the importance of being able to recover its critical business processes in the event of any major operational disruption. The business continuity management programme at Atradius is aligned with the International Standard ISO22301. The ORM unit co-ordinates the documentation, maintenance and continual testing of practical plans for recovering key business activities within acceptable timeframes.

4.4.1.3 Compliance

Compliance practices support our business, our reputation and our integrity. These elements are of importance to our customers, suppliers, staff and other stakeholders. Complying with relevant laws, rules and regulations and maintaining a high standard in terms of ethics and integrity, leads to lower operational risk and more stable business processes. The Atradius Code of Conduct outlines the basic corporate, legal and ethical compliance principles and guidelines that apply to all employees of Atradius and that govern Atradius' operations and its employees' business conduct and actions. Individual Compliance Codes address specific compliance areas in more detail and set out detailed compliance requirements that must be complied with across Atradius 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 ORM and Internal Audit units.

4.5 Capital management

4.5.1 Guiding principles

Capital management is guided by the following principles:

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

4.5.2 Atradius' objectives, policies and processes with regard to capital

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

Atradius has embedded processes and procedures to ensure compliance with externally imposed regulations and internally imposed requirements for capital adequacy. Such compliance is ensured by:

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

In order to ensure capital adequacy, a capital buffer above the regulatory solvency capital required is maintained, such that large loss events would not impair the ability of Atradius to carry on its normal course of business.

4.5.3 Regulatory capital requirements

In each country in which Atradius operates with insurance or reinsurance companies established according to local laws, and where prescribed for branches as well, the local insurance regulator specifies the minimum amount and type of capital that must be held by each of the subsidiaries or branches. The minimum required capital must be maintained at all times throughout the year. In addition, the local insurance regulators have the discretionary right to impose additional capital requirements in excess of the required minimum.

In 2017, the capital of Atradius has been managed according to the Atradius guidelines and in close cooperation with the units involved in managing the different factors related to capital. The Atradius entities were able to meet their financial obligations and to comply with local legal and regulatory requirements.

4.5.4 Solvency II

Solvency II is the regulatory framework for (re-)insurance undertakings and groups domiciled in the EU; it became effective on 1 January 2016. It replaced the former regulatory regime of 14 directives which were commonly known as 'Solvency I'.

Atradius Crédito y Caución, S.A. de Seguros y Reaseguros in Spain and Atradius Re in Ireland are the regulated entities that are subject to Solvency II. Under Solvency II guidelines Group supervision takes place at the ultimate parent Grupo Catalana Occidente S.A.

After approval by the College of Supervisors during 2017, the regulated entities within Atradius apply a Partial Internal Model for calculating their regulatory capital requirements. An internal model, which reflects our business better than the regulatory ‘standard formula’, is used to calculate capital requirements for Underwriting Risk. We still use the standard formula for Market, Counterparty Default and Operational Risk as the characteristics of these risk types do not warrant an internal model approach.

5 Segment information

Operating segments are identified on the basis of internal reports about components of Atradius that are regularly reviewed by the Management Board in order to allocate resources to the segment and to assess its performance. The insurance business is split into the segments Credit insurance which includes Instalment credit protection (ICP), Bonding and Reinsurance due to the different nature of the related products and the associated insurance liabilities. The segment Services includes Collection activities, Atradius Dutch State Business and other service related business. Group costs relate to corporate operations, after cost allocations to the other business segments.

Collection activities include recovery activities on behalf of insurance companies. Transactions between segments are on an arm's length basis in a manner similar to transactions with third parties. The accounting policies of the reportable segments are the same as described in Note 2.

Information regarding these segments is presented in the following tables:

All amounts in thousands of Euro, unless otherwise stated

Business segment 2017	Credit insurance	Bonding	Reinsurance	Total insurance business	Services	Inter-segment elimination	Group costs	Total
Insurance premium revenue	1,341,173	113,225	133,697	1,588,095	-	-	-	1,588,095
Service and other income	130,830	-	-	130,830	118,310	-	-	249,140
Inter-segment revenue	-	-	-	-	3,402	(3,402)	-	-
Total revenue	**1,472,003**	**113,225**	**133,697**	**1,718,925**	**121,712**	**(3,402)**	**-**	**1,837,235**
Insurance premium ceded to reinsurers	(599,825)	(50,394)	(25,410)	(675,629)	-	-	-	(675,629)
Total segment income after reinsurance	**872,178**	**62,831**	**108,287**	**1,043,296**	**121,712**	**(3,402)**	**-**	**1,161,606**
Insurance claims and loss adjustment expenses	(618,736)	(21,040)	(77,452)	(717,228)	-	2,746	-	(714,482)
Insurance claims and loss adjustment expenses recovered from reinsurers	257,764	7,468	20,266	285,498	-	-	-	285,498
Net insurance claims	**(360,972)**	**(13,572)**	**(57,186)**	**(431,730)**	**-**	**2,746**	**-**	**(428,984)**
Gross operating expenses	(509,929)	(41,396)	(54,840)	(606,165)	(118,122) *	656	(6,745)	(730,376)
Commission received for business ceded to reinsurers	233,162	18,733	4,552	256,447	-	-	-	256,447
Net operating expenses	**(276,767)**	**(22,663)**	**(50,288)**	**(349,718)**	**(118,122)**	**656**	**(6,745)**	**(473,929)**
Operating segment result	**234,439**	**26,596**	**813**	**261,848**	**3,590**	**-**	**(6,745)**	**258,693**
Share of income/ (losses) of associated companies								(7,396)
Net income from investments								20,586
Finance income								2,696
Finance expenses								(19,271)
Result for the year before tax								**255,309**
Income tax expense								(69,073)
Result for the year								**186,236**

**Gross Operating Expenses Service Segment: includes EUR 1.5 million from Trade name amortisation (not considered for management repoting purposes).*

Business segment 2017	Credit insurance	Bonding	Reinsurance	Total insurance business	Services	Inter-segment elimination	Total
Reinsurance contracts	390,885	148,045	46,957	585,887	-	-	585,887
Receivables	198,207	20,377	3,559	222,143	5,675	(2,739)	225,079
Unallocated assets	-	-	-	-	-	-	3,708,196
Total assets	**589,092**	**168,422**	**50,516**	**808,030**	**5,675**	**(2,739)**	**4,519,162**
Insurance contracts	879,679	278,074	372,586	1,530,339	-	-	1,530,339
Payables	161,940	37,960	564	200,464	15,051	(14,568)	200,947
Unallocated liabilities	-	-	-	-	-	-	1,034,628
Total liabilities	**1,041,619**	**316,034**	**373,150**	**1,730,803**	**15,051**	**(14,568)**	**2,765,914**
Total year end number of employees (full-time equivalent)	2,723	139	21	**2,883**	713	-	**3,596**

Business segment 2016	Credit insurance	Bonding	Reinsurance	Total insurance business	Services	Inter-segment elimination	Group costs	Total
Insurance premium revenue	1,316,365	109,199	132,024	1,557,588	-	-	-	1,557,588
Service and other income	127,396	-	-	127,396	75,683	-	-	203,079
Inter-segment revenue	-	-	-	-	3,419	(3,419)	-	-
Total revenue	**1,443,761**	**109,199**	**132,024**	**1,684,984**	**79,102**	**(3,419)**	**-**	**1,760,667**
Insurance premium ceded to reinsurers	(593,495)	(48,635)	(21,701)	(663,831)	-	-	-	(663,831)
Total segment income after reinsurance	**850,266**	**60,564**	**110,323**	**1,021,153**	**79,102**	**(3,419)**	**-**	**1,096,836**
Insurance claims and loss adjustment expenses	(600,704)	(7,901)	(92,542)	(701,147)	-	2,755	-	(698,392)
Insurance claims and loss adjustment expenses recovered from reinsurers	252,416	948	18,532	271,896	-	-	-	271,896
Net insurance claims	**(348,288)**	**(6,953)**	**(74,010)**	**(429,251)**	**-**	**2,755**	**-**	**(426,496)**
Gross operating expenses	(510,594)	(40,884)	(54,927)	(606,405)	(70,471)	664	(6,986)	(683,198)
Commission received for business ceded to reinsurers	227,737	18,102	6,034	251,873	-	-	-	251,873
Net operating expenses	**(282,857)**	**(22,782)**	**(48,893)**	**(354,532)**	**(70,471)**	**664**	**(6,986)**	**(431,325)**
Operating segment result	**219,121**	**30,829**	**(12,580)**	**237,370**	**8,631**	**-**	**(6,986)**	**239,015**
Share of income/ (losses) of associated companies								26,689
Net income from investments								18,279
Finance income								3,325
Finance expenses								(12,744)
Result for the year before tax								**274,564**
Income tax expense								(62,792)
Result for the year								**211,772**

Business segment 2016	Credit insurance	Bonding	Reinsurance	Total insurance business	Services	Inter-segment elimination	Total
Reinsurance contracts	426,959	158,514	46,789	632,262	-	-	632,262
Receivables	198,263	20,084	5,902	224,249	7,267	(4,058)	227,458
Unallocated assets	-	-	-	-	-	-	3,557,953
Total assets	**625,222**	**178,598**	**52,691**	**856,511**	**7,267**	**(4,058)**	**4,417,673**
Insurance contracts	882,289	281,977	396,889	1,561,155	-	-	1,561,155
Payables	172,219	84,946	887	258,052	12,530	(11,665)	258,917
Unallocated liabilities	-	-	-	-	-	-	972,076
Total liabilities	**1,054,508**	**366,923**	**397,776**	**1,819,207**	**12,530**	**(11,665)**	**2,792,148**
Total year end number of employees (full-time equivalent)	2,640	139	27	**2,806**	780	-	**3,586**

All amounts in thousands of Euro, unless otherwise stated

The segmental reporting follows the management point of view. In all the other insurance related notes the figures are reported based on the products of credit insurance and bonding which differs from the segmental view presented here. The underlying contracts of the Reinsurance segment are approximately 58% credit insurance contracts and approximately 42% bonding (2016: 58% and 42% respectively), based on premium volume.

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

	2017	2016
Spain and Portugal	372,348	394,254
France, Belgium, Italy and Luxembourg	340,480	326,056
Germany, Central and Eastern Europe	328,485	299,969
United Kingdom and Ireland	277,770	266,502
The Netherlands	168,758	147,527
Oceania and Asia	130,259	122,699
Americas	121,604	111,576
Nordic countries	97,531	92,084
Total	**1,837,235**	**1,760,667**

Total assets and capital expenditure allocated based on where the assets are located are presented in the following table:

	Assets		Non-current assets [1]		Additions to non-current assets [1]	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Spain and Portugal	1,420,458	867,790	123,738	118,363	12,712	8,276
France, Belgium, Italy and Luxembourg	321,651	354,682	25,025	22,831	5,076	4,833
Germany, Central and Eastern Europe	342,190	277,862	7,215	5,681	3,004	2,791
United Kingdom and Ireland	1,462,223	1,431,163	34,017	27,792	17,078	14,106
The Netherlands	433,406	928,258	33,449	30,951	11,900	14,522
Nordic countries	147,083	140,349	1,180	1,326	315	405
Americas	208,994	230,086	2,859	2,501	1,049	533
Oceania and Asia	183,157	187,483	1,512	1,860	360	569
Total	**4,519,162**	**4,417,673**	**228,995**	**211,305**	**51,494**	**46,035**

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

6 Intangible assets

2017	**Goodwill**	**Software**	**Other [1)]**	**Total**
At cost at 1 January	**151,312**	**193,424**	**32,238**	**376,974**
Additions	-	31,316	-	31,316
Disposals	-	(3,286)	(1,739)	(5,025)
Reclassification		(9)		(9)
Effect of movements in foreign exchange rates	(20)	(2,614)	(157)	(2,791)
At cost at 31 December	**151,292**	**218,831**	**30,342**	**400,465**
Accumulated amortisation and impairments at 1 January	**(736)**	**(130,802)**	**(19,431)**	**(150,969)**
Amortisation charge for the year	-	(16,074)	(2,584)	(18,658)
Disposals	-	1,881	1,532	3,413
Impairment	-	-	-	-
Reclassification		163		163
Effect of movements in foreign exchange rates	-	1,848	157	2,005
Accumulated amortisation and impairments at 31 December	**(736)**	**(142,984)**	**(20,326)**	**(164,046)**
Balance at 1 January	**150,576**	**62,622**	**12,805**	**226,005**
Balance at 31 December	**150,556**	**75,847**	**10,014**	**236,419**

2016	**Goodwill**	**Software**	**Other [1)]**	**Total**
At cost at 1 January	**118,378**	**169,708**	**24,661**	**312,747**
Business combinations	32,943	7,944	5,800	46,687
Additions	-	28,242	1,739	29,981
Disposals	-	(2,097)	-	(2,097)
Effect of movements in foreign exchange rates	(9)	(10,373)	38	(10,344)
At cost at 31 December	**151,312**	**193,424**	**32,238**	**376,974**
Accumulated amortisation and impairments at 1 January	**(735)**	**(121,789)**	**(16,723)**	**(139,247)**
Amortisation charge for the year	-	(12,740)	(2,672)	(15,412)
Disposals	-	2,083	-	2,083
Impairment	- -	(5,683)	-	(5,683)
Effect of movements in foreign exchange rates	(1)	7,327	(36)	7,290
Accumulated amortisation and impairments at 31 December	**(736)**	**(130,802)**	**(19,431)**	**(150,969)**
Balance at 1 January	**117,643**	**47,919 -**	**7,938**	**173,500**
Balance at 31 December	**150,576**	**62,622**	**12,805**	**226,005**

[1)] Other intangible assets relate to agent networks, non-patented technology, trade names and insurance portfolios

Goodwill

If applicable, impairment of goodwill is recognised as a separate item in the income statement. During 2017 there was no impairment charge (2016: no impairment charge).

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

All amounts in thousands of Euro, unless otherwise stated

Cash-Generating Units	2017	2016
ACyC [1]	98,797	98,797
Graydon Holding N.V.	30,931	30,931
Atradius Trade Credit Insurance Inc.	4,750	4,750
Atradius Collections B.V.	6,426	6,426
ACyC. (France)	2,767	2,767
ACyC (Nordic bonding) [2]	2,571	2,592
Other	4,314	4,313
Total	**150,556**	**150,576**

1) The CGU ACyC includes the local business in Spain and Portugal,.

2) The Nordic Bonding unit includes Atradius' bonding business in Denmark, Norway, Sweden and Finland.

The value in use of an individual CGU is determined using a dividend discount cash flow model (DDM). The dividend cash flows are estimated using a projection period and a normalised period. The projection period is 10 years, where the first 1-3 year projections are based on financial budgets and/or forecasts. The remaining years are estimated using ratios and growth rates that converge towards their normalised term value. The discount rate used varies depending on the Risk-Free Rate and the Country Risk Premium of the country where the CGU is located. For the main portion of the goodwill the discount rate used is: 8.69% (2016: 8.62% as fixed discount rate). The terminal value is calculated based on the free cash flows of the normalised period through a perpetuity which applies a long-term growth rate of 0.5% (2016: 0.5%) and the specific discount rate. Any profits, after fulfilling minimum capital requirements, are assumed to be distributable dividends. Minimum capital requirements are calculated based on the Solvency II Partial Internal Model and minimum shareholders equity required (non-distributable).

Software

Atradius assessed all capitalised software to determine if the criteria for capitalisation are being met. During 2017 Atradius has capitalised EUR 25.2 million mainly due to Atradius Business Transformation project (ABT) (2016: EUR 18.3 million).
Atradius performed an impairment test on an annually basis. In 2017, there is no impairment recognition (2016: EUR 5.7 million).

7 Property, plant and equipment & investment property

2017	Land & buildings	Fixtures & fittings	IT hardware	Total property, plant & equipment	Investment property
At cost at 1 January	**108,388**	**57,229**	**49,177**	**214,794**	**14,518**
Additions	-	7,902	7,204	15,106	3,971
Disposals	-	(3,325)	(3,886)	(7,211)	-
Reclassification	3,860	4	(12)	3,852	(3,860)
Effect of movements in foreign exchange rates	(136)	(880)	(1,002)	(2,018)	(48)
At cost at 31 December	**112,112**	**60,930**	**51,481**	**224,523**	**14,581**
Accumulated depreciation and impairments at 1 January	**(10,427)**	**(40,026)**	**(38,373)**	**(88,826)**	**(4,610)**
Depreciation charge for the year	(1,022)	(4,031)	(5,393)	(10,446)	(134)
Disposals	-	3,279	3,852	7,131	-
Impairment loss	-	-	-	-	(269)
Reclassification	(114)	(118)	(38)	(270)	115
Effect of movements in foreign exchange rates	23	588	722	1,333	5
Accumulated depreciation and impairments at 31 December	**(11,540)**	**(40,308)**	**(39,230)**	**(91,078)**	**(4,893)**
Balance at 1 January	**97,961**	**17,203**	**10,804**	**125,968**	**9,908**
Balance at 31 December	**100,572**	**20,622**	**12,251**	**133,445**	**9,688**

2016	Land & buildings	Fixtures & fittings	IT hardware	Total property, plant & equipment	Investment property
At cost at 1 January	**108,582**	**51,891**	**48,087**	**208,560**	**14,615**
Business combinations	-	207	402	609	
Additions	14	9,204	5,481	14,699	-
Disposals	-	(2,411)	(1,735)	(4,146)	-
Effect of movements in foreign exchange rates	(208)	(1,662)	(3,058)	(4,928)	(97)
At cost at 31 December	**108,388**	**57,229**	**49,177**	**214,794**	**14,518**
Accumulated depreciation and impairments at 1 January	**(9,422)**	**(40,109)**	**(37,776)**	**(87,307)**	**(4,517)**
Depreciation charge for the year	(1,033)	(3,628)	(4,572)	(9,233)	(113)
Disposals	-	2,197	1,702	3,899	-
Impairment loss	-	-	-	-	11
Reclassification	-	121	39	160	-
Effect of movements in foreign exchange rates	28	1,393	2,234	3,655	9
Accumulated depreciation and impairments at 31 December	**(10,427)**	**(40,026)**	**(38,373)**	**(88,826)**	**(4,610)**
Balance at 1 January	**99,160**	**11,782**	**10,311**	**121,253**	**10,098**
Balance at 31 December	**97,961**	**17,203**	**10,804**	**125,968**	**9,908**

All amounts in thousands of Euro, unless otherwise stated

The depreciation charge on property for own use is reported as part of net operating expenses. The depreciation charge on investment property is reported as part of net income from investments.

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

	Property own use		Investment property	
	2017	2016	2017	2016
Spain and Portugal	86,395	83,205	8,830	8,267
Italy	20,620	20,620	675	745
Mexico	3,567	3,848	1,189	1,283
The Netherlands	-	-	460	460
Other	904	971	-	-
Total	**111,486**	**108,644**	**11,154**	**10,755**

Fair value measurement

Land and buildings are independently appraised by real estate valuators, which are registered in the relevant countries and have appropriate qualifications and experience in the valuation of properties. Atradius usually revalues land and buildings every two years.

All property is valued using valuation techniques. All significant inputs used in the measurement are market observable and the fair value is therefore classified in Level 2 in the fair value hierarchy (as in 2016). Valuation techniques used are: Market (comparison) approach, Income approach (discounted cash flow method) and Cost approach. The valuations for Spanish property are in accordance with the rules applicable to insurance companies in connection with the valuation of assets to cover technical provisions. Significant valuation inputs used to determine the fair value measurements based on techniques used are construction features, location (and/or conditions) and transport utilities.

The estimated fair value of the properties is directly dependant on the changes of the inputs used. There has been no change in the valuation techniques used compared to prior year.

The investment property can be classified as follows: 89% office (2016: 88%) and 11% retail (2016: 12%).

Direct operating expenses incurred (including repairs and maintenance) arising from investment property are EUR 97 thousand (2016: EUR 72 thousand). During the year an amount of EUR 551 thousand (2016: EUR 572 thousand) has been recognised as rental income from investment property for lease contracts. These contracts have remaining terms of between 1 and 10 years. Expected rental income arising from these contracts for next year is EUR 487 thousand of which EUR 487 thousand are for non-cancellable contracts.

8 Subsidiaries

The following table sets forth, as at 31 December 2017 and 2016, the name and country of incorporation of the main subsidiaries of Atradius N.V.

All companies are, directly or indirectly, wholly owned unless otherwise indicated. The companies are listed in alphabetical order.

	Country of incorporation	% interest held	Type of business
Atradius Collections B.V.	The Netherlands	100.00%	Collections
Atradius Crédito y Caución S.A. de Seguros y Reaseguros	Spain	100.00%	Credit insurance
Atradius Finance B.V.	The Netherlands	100.00%	Finance
Atradius Information Services B.V.	The Netherlands	100.00%	Information services
Atradius Insurance Holding N.V.	The Netherlands	100.00%	Holding
Atradius Participations Holding B.V.	The Netherlands	100.00%	Holding
Atradius Reinsurance DAC	Ireland	100.00%	Reinsurance
Atradius Rus Credit Insurance LLC	Russia	100.00%	Credit insurance
Atradius Seguros de Crédito, S.A.	Mexico	100.00%	Credit insurance
Atradius Trade Credit Insurance, Inc.	USA	100.00%	Credit insurance
Atradius Crédito y Caución Seguradora SA	Brazil	100.00%	Credit insurance
Graydon Holding N.V.	The Netherlands	100.00%	Information services

All amounts in thousands of Euro, unless otherwise stated

9 Investments in associated companies

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

	2017	2016
Balance at 1 January	**39,586**	**35,396**
Additions	34,742	-
Share of income of associated companies	3,678	6,808
Disposals	-	(3,449)
Impairments of associated companies	(11,701)	-
Revaluations	54	-
Effect of movements in foreign exchange rates	(2,821)	831
Balance at 31 December	**63,538**	**39,586**

On 12 April 2017 Atradius obtained significant influence over Credit Guarantee Insurance Corporation of Africa Limited ('Credit Guarantee') by acquiring an investment of 25% at the cost of EUR 34.7 million. The goodwill generated at the acquisition date was EUR 19.9 million.

During 2017 the value of the investment in Credit Guarantee was revalued and as a result an impairment loss of EUR 13 million were recognised of which EUR 1.3 million relates to effect of movement in foreign exchange rates.

None of the associated companies is listed. All information from the associated companies, unless otherwise stated, is based on balance sheet dates between 30 September 2017 and 31 December 2017.

	Country of incorporation	% interest held	Type of business
Credit Guarantee Insurance Corporation of Africa Limited	South Africa	25.00%	Credit insurance
CLAL Credit Insurance Ltd., Tel Aviv	Israel	20.00%	Credit insurance
Compañía de Seguros de Crédito Continental S.A., Santiago de Chile	Chile	50.00% [1)]	Credit insurance
The Lebanese Credit Insurer s.a.l., Beirut	Lebanon	48.90%	Credit insurance

1) Minus one share

The following tables show summarised financial information of Atradius' interest in associated companies and the financial information of the associated companies:

2017	Credit Guarantee Insurance Corporation of Africa Limited	CLAL Credit Insurance Ltd.	Compañía de Seguros de Crédito Continental S.A.	The Lebanese Credit Insurer s.a.l.	Other	Total
Atradius 's interest						
Goodwill	6,927	380	1,611	-	-	**8,918**
Net assets	15,318	10,361	27,480	1,461	-	**54,620**
Carrying amount	**22,245**	**10,741**	**29,091**	**1,461**	-	**63,538**
Share of income of associated companies	964	958	1,919	(163)	-	**3,678**
Result sale	-	-	-	-	-	**-**
Other income/(expense)	-	-	-	-	-	**-**
Dividends received	-	-	-	-	627	**627**
Associated companies						
Assets	127,879	81,144	120,160	10,674	-	**339,857**
Liabilities	66,608	29,334	65,199	7,686	-	**168,827**
Revenue	46,842	13,574	10,745	2,662	-	**73,823**
Net assets	61,271	51,810	54,961	2,988	-	**171,030**
Result for the year	3,856	4,795	3,838	(334)	-	**12,155**
2016						
Atradius 's interest						
Goodwill	-	380	1,611	-	-	**1,991**
Net assets	-	9,573	26,176	1,846	-	**37,595**
Carrying amount	**-**	**9,953**	**27,787**	**1,846**	**-**	**39,586**
Share of income of associated companies	-	81	7,141	80	-	**7,302**
Other income	-	-	-	-	(494)	**(494)**
Dividends received	-	-	-	-	-	**-**
Associated companies						
Assets	-	77,886	106,502	14,723	-	**199,111**
Liabilities	-	30,020	54,150	10,951	-	**95,121**
Revenue	-	13,160	9,605	3,676	-	**26,441**
Net assets	-	47,867	52,352	3,772	-	**103,991**
Result for the year	-	405	14,282	163	-	**14,850**

All amounts in thousands of Euro, unless otherwise stated

10 Financial investments

Financial investments classified by measurement category and nature	Available-for-sale		Loans and receivables 1)		Total	
	2017	2016	2017	2016	2017	2016
Equity securities	293,976	290,904	-	-	293,976	290,904
Debt securities	1,788,607	1,781,141	-	-	1,788,607	1,781,141
Loans	-	-	26	25	26	25
Short-term investments	-	-	166,338	181,503	166,338	181,503
Cash held for investments	-	-	38,884	26,720	38,884	26,720
Total	**2,082,582**	**2,072,045**	**205,248**	**208,248**	**2,287,830**	**2,280,293**

1) Including a bank deposit of EUR 30 million with a maturity of 90 days tacitly renewable

Movements in available-for-sale financial investments	Equity securities		Debt securities		Total	
	2017	2016	2017	2016	2017	2016
Balance at 1 January	**290,904**	**398,056**	**1,781,141**	**1,536,876**	**2,072,045**	**1,934,932**
Additions	26,870	45,567	560,021	920,840	586,891	966,407
Disposals	(42,649)	(152,729)	(500,821)	(670,542)	(543,470)	(823,271)
Amortisation charge for the year	-	-	(25,061)	(26,906)	(25,061)	(26,906)
Revaluations through other comprehensive income and income statement	19,586	(84)	(2,860)	19,090	16,726	19,006
Effect of movements in foreign exchange rates	(735)	94	(23,813)	1,783	(24,548)	1,877
Balance at 31 December	**293,976**	**290,904**	**1,788,607**	**1,781,141**	**2,082,583**	**2,072,045**

11 Receivables

	2017	2016
Accounts receivable on insurance and reinsurance business	**164,983**	**153,405**
Amounts owed by policyholders and direct insurance operations	116,941	129,983
Receivables arising out of reinsurance	48,042	23,422
Other accounts receivable	**60,096**	**47,882**
Total	**225,079**	**201,287**

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

There is no concentration of credit risk in respect of receivables as Atradius has a large number of internationally dispersed debtors (see Note 4.3.2).

An amount of EUR 75.7 million (2016: EUR 78.8 million) relates to past due receivables on insurance and reinsurance business for which no impairment loss has been recognised, 91.6% (2016: 88.9%) relates to receivables ageing less than three months.

All receivables are considered for impairment testing. As of 31 December 2017, receivables of EUR 22.1 million (2016: EUR 30.2 million) were considered to be partially impaired. The amount of the impairment taken related to these receivables was EUR 14.7 million (2016: EUR 17.6 million). This balance takes into account that a portion of the impaired receivables will be recovered. Atradius does not hold any collateral over these balances.

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

	2017	2016
Balance at 1 January	**17,576**	**22,964**
Impairment of receivables	4,678	3,846
Receivables written off during the year as uncollectable	(7,128)	(8,592)
Unused amounts reversed	(433)	(642)
Balance at 31 December	**14,693**	**17,576**

The movement in the provision for impaired receivables for the insurance business is included in the premium line. Amounts charged to the allowance account are generally written off when there is no expectation of recovery.

12 Deferred acquisition costs

	2017	2016
Balance at 1 January	**73,124**	**73,919**
Change in deferred acquisition costs	233	(2,749)
Effect of movements in foreign exchange rates	(3,916)	1,954
Balance at 31 December	**69,441**	**73,124**
Current	47,865	50,472
Non-current	21,576	22,652

13 Miscellaneous assets and accruals

	2017	2016
Pipeline and ceded return premium	375,086	370,136
Prepayments and accrued interest	41,519	39,550
Net pension plan asset	20,814	2,584
Reimbursement rights	12,894	12,556
Other	20,705	21,406
Total	**471,018**	**446,232**

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

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

The reimbursement rights relate to the Spanish pension plans. Since the related policies do not qualify as an insurance policy under IAS 19, the fair value cannot be netted with the related pension liability (see Note 17).

The net pension plan asset concerns the surplus of the pension plan in the UK; as per 31 December 2017 is EUR 20.8 million (2016: EUR 2.6 million) (see Note 17).

All amounts in thousands of Euro, unless otherwise stated

14 Cash and cash equivalents

	2017	2016
Cash at bank and on hand	340,195	286,951
Short-term bank deposits	6,976	129
Cash and cash equivalents	**347,171**	**287,080**

Cash and cash equivalents	347,171	287,080
Bank overdrafts	(5,993)	(611)
Cash and cash equivalents in the statement of cash flows	**341,178**	**286,469**

Atradius manages the cash by using a cross-border cash pooling agreement. This provides for a notional pool structure with interest compensation per currency. The cash pool arrangement allows for offsetting of cash balances of branches within a legal entity. However, it does not allow offsetting between different legal entities. Therefore, in the statement of financial position, the related bank overdrafts that do not qualify for offsetting are presented separately as liabilities under borrowings.

15 Capital and reserves

15.1 Share capital

The authorised share capital of Atradius N.V. amounts to EUR 250,000,000 and is divided into 250,000,000 ordinary shares with a nominal value of EUR 1 each (2016: the same) of which 79,122,142 ordinary shares were issued and fully paid (2016: the same). The fully paid ordinary shares carry one vote per share and carry the right to dividends.

15.2 Share premium reserve

	2017	2016
Balance at 1 January	**639,228**	**639,228**
Balance at 31 December	**639,228**	**639,228**

15.3 Revaluation reserve

	2017	2016
Balance at 1 January	**54,757**	**37,176**
Change in revaluation reserve - gross	18,069	21,382
Change in revaluation reserve - tax	(5,235)	(3,032)
Net (gains)/losses transferred to net profit on disposal - gross	(5,215)	(1,058)
Net (gains)/losses transferred to net profit on disposal - tax	684	289
Balance at 31 December	**63,060**	**54,757**

15.4 Currency translation reserve

	2017	2016
Balance at 1 January	**(32,558)**	**(31,733)**
Change in currency translation reserve - gross	(25,303)	(1,869)
Change in currency translation reserve - tax	2,248	1,044
Balance at 31 December	**(55,612)**	**(32,558)**

Atradius' significant foreign currencies and sensitivity to fluctuations are set out in Note 4.3.

15.5 Pension reserve

	2017	2016
Balance at 1 January	**(170,310)**	**(138,190)**
Recognised actuarial gains/(losses)	**35,452**	**(32,120)**
Change in pension reserve - gross	45,643	(40,045)
Change in pension reserve - tax	(10,192)	7,925
Effect of the asset ceiling	**(2,465)**	**-**
Change in pension reserve - gross	(3,286)	-
Change in pension reserve - tax	822	-
Balance at 31 December	**(137,323)**	**(170,310)**

15.6 Retained earnings

	2017	2016
Balance at 1 January	**1,055,231**	**914,646**
Dividends	(76,748)	(71,210)
Result for the year	186,275	211,795
Balance at 31 December	**1,164,758**	**1,055,231**

15.7 Dividend distribution

Atradius' dividend distribution is based on the Company financial statements. The Company and its subsidiaries are subject to legal restrictions regarding the amount of dividends they can pay to their shareholders. The Dutch Civil Code contains the restriction that dividends can only be paid up to an amount equal to the excess of the Company's shareholders' equity and reserves required by law. Additionally, certain subsidiaries are subject to restrictions on the amount of funds they may distribute in the form of dividends or otherwise and also in respect of minimum capital requirements that are imposed by industry regulators in the countries in which the subsidiaries operate.

The Company distributes dividends out of the retained earnings balance. If this balance is insufficient, the Company will distribute dividends out of the share premium reserve (see Note 4.2 in the Company financial statements).

All amounts in thousands of Euro, unless otherwise stated

16 Subordinated debt

	2017	2016
Balance at 1 January	**323,437**	**248,289**
Accretion of interest	177	148
Redemption	-	-
Addition	-	75,000
Balance at 31 December	**323,614**	**323,437**

On 23 September 2014, Atradius Finance B.V. issued guaranteed subordinated notes with a nominal value of EUR 100,000 each for an aggregate amount of EUR 250 million (the 'notes'). Atradius Finance B.V. may redeem the notes, in whole but not in part, on 23 September 2024 and thereafter on each interest payment date. Unless previously redeemed, the notes will be redeemed at maturity on 23 September 2044. The notes bear interest at a fixed rate of 5.250% per annum payable annually in the first 10 years, which will thereafter be reset to a floating 3 month-EURIBOR plus a margin of 5.031% per annum payable quarterly for the remaining 20 years. The notes do qualify as regulatory capital under the Solvency II grandfathering rules. The notes are issued by Atradius Finance B.V. and guaranteed by the Company. The notes are listed on the Luxembourg Stock Exchange.

On 20 April 2016 the shareholders of Atradius N.V. provided a subordinated loan to Atradius Re with a principal amount of EUR 75 million. The subordinated loan bears interest at a fixed rate of 5.0% per annum, payable annually in arrears on 20 April each year until and including the maturity date: 20 April 2026. Atradius Re may redeem the loan on the first call date, 20 April 2021, or thereafter on each interest payment date. The subordinated loan qualifies as Tier 2 basic own funds item as set out in article 73 of the European Commission's Solvency II Delegated Regulation (2015/35).

The fair value estimate of the notes issued by Atradius Finance is EUR 295 million (2016: EUR 234 million). The fair value estimate of the subordinated loan issued by Atradius Re is EUR 80 million (2016: EUR 77 million). Both the fair value of the subordinated notes and the subordinated loan are classified as Level 2 under the fair value hierarchy and as Tier 2 basic own funds for Solvency II.

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

17 Employee benefit assets and liabilities

	2017	2016
Retirement benefits	73,880	104,352
Other long-term employee benefits	5,673	5,099
Total	**79,553**	**109,451**

17.1 Retirement benefits

The employee benefit assets and liabilities relate mainly to pension assets and liabilities for defined benefit plans. The main defined benefit plans are in the United Kingdom, Germany and the Netherlands and these represent 89% (2016: 93%) of the defined benefit obligation. The other plans relate to Spain and Portugal, Italy, Switzerland, Sweden, Belgium, Norway, France and Mexico. The recognition of assets and liabilities is determined separately for each plan.

Within Atradius there are also defined contribution plans. The contributions to these plans are recognised as expenses in the income statement. The total contributions amounted to EUR 10.5 million in 2017 (2016: EUR 10.4 million).

Pension assets and liabilities

The following table presents the change in the value of the net defined benefit liability:

	Defined benefit obligation		Fair value of plan assets		Asset ceiling		Net defined benefit (asset) liability	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Balance at 1 January	**828,531**	**758,194**	**724,178**	**669,182**	**-**	**-**	**104,353**	**89,012**
Additions	**37,325**	**-**	**37,529**	**-**			**(204)**	**-**
Included in the income statement:								
Current service cost	14,724	12,362		-			14,724	12,362
Past service cost	(2,462)	(8,287)		-			(2,462)	(8,287)
Interest cost / income	17,003	19,475	15,627	18,700	-	-	1,376	775
Administration costs	532	450	-	-			532	450
Cost of Termination Benefits	2,797	7,059	-	-			2,797	7,059
Effect of movements in foreign exchange rates	1,122	10,535	1,249	7,920	-	-	(127)	2,615
Total included in the income statement	**33,716**	**41,594**	**16,876**	**26,620**	**-**	**-**	**16,840**	**14,974**
Included in OCI:								
Remeasurement loss (gain):								
Actuarial loss (gain) arising from:								
- demographic assumptions	(100)	1,384	-	-			(100)	1,384
- financial assumptions	(6,605)	108,191	-	-			(6,605)	108,191
- experience adjustments	(6,506)	(8,749)	-	-			(6,506)	(8,749)
Return on plan assets excluding interest income	-	-	32,861	55,893			(32,861)	(55,893)
Change in Irrecoverable Surplus other than Interest					(3,286)	-	3,286	
Effect of movements in foreign exchange rates	(12,947)	(54,210)	(12,988)	(53,020)	-	-	41	(1,190)
Total included in OCI	**(26,158)**	**46,616**	**19,873**	**2,873**	**(3,286)**	**-**	**(42,745)**	**43,743**
Other:								
Contributions paid by the employer	(3,416)	(3,154)	19,178	24,994			(22,594)	(28,148)
Plan participants contributions	2,121	2,119	2,121	2,119			-	-
Benefits paid	(26,251)	(16,698)	(26,251)	(16,698)			-	-
Additional benefits	(30)	(140)	(30)	(140)			-	-
Reclassification of surplus plan assets	-	-	(18,230)	15,228			18,230	(15,228)
Total other	**(27,576)**	**(17,873)**	**(23,212)**	**25,503**	**-**	**-**	**(4,364)**	**(43,376)**
Balance at 31 December	**845,838**	**828,531**	**775,244**	**724,178**	**(3,286)**	**-**	**73,880**	**104,353**

Plan assets

Atradius has pension related assets which under IAS 19 do not meet the criteria to qualify as plan assets. In Germany, for one of the plans, assets of EUR 16.7 million (2016: EUR 16.7 million) are classified as financial investments since in the event of bankruptcy, these assets are not fully secured for the members of the pension plan. In the UK, EUR 29.9 million of financial investments (2016: EUR 29.7 million) is on an escrow account to support the UK pension fund. In the event of insolvency, the Trustee of the pension fund has the right to those investments, provided certain conditions are met.

The surplus of the UK pension plans as per 31 December 2017 is EUR 20.8 million (2016: EUR 2.6 million). is disclosed as net plan pension assets as part of Note 13.

In Spain and Portugal, the defined benefit plans are partially insured with Seguros Catalana Occidente S.A.. These insurance policies do not qualify as insurance policies under IAS 19, therefore the fair value is treated as reimbursement rights, which are recorded as part of other assets for an amount of EUR 12.3 million (2016: EUR 12.2 million). At the end of 2017, the defined benefit obligation related to the reimbursement rights amounts to EUR 24.6 million (2016: EUR 24.7 million). This same defined benefit obligation has in addition plan assets of EUR 15.1 million (2016: EUR 14.8 million).

Characteristics of the main defined benefit plans

Characteristic	United Kingdom	Germany	The Netherlands
Entitlement	Pension entitlements are based on a percentage of final salary (closed to new employees).	Pension entitlements are based on a percentage of the average salary of the last 10 years.	Pension entitlements are based on a percentage of the average salary (maximum of EUR 0.1 million - closed to new employees).
Number of participants	152 active members (2016: 173 active members). 523 inactive members (2016: 494 inactive members).	504 active members (2016: 508 active members). 433 inactive members (2016: 418 inactive members).	317 active members (2016: 333 active members). 1,367 inactive members (2016: 1,319 inactive members).
Defined benefit obligation	EUR 282 million (2016: EUR 285 million).	EUR 121 million (2016: EUR 118 million).	EUR 331 million (2016: EUR 348 million).
Plan assets	EUR 303 million (2016: EUR 287 million).	EUR 76 million (2016: EUR 75 million). Assets of EUR 16.7 million (2016: EUR 17 million) are recognised as part of the financial investments.	EUR 334 million (2016: EUR 321.7 million).
Remeasurement gain (loss) through OCI	EUR 14.2 million - gain (2016: EUR 20.3 million - loss).	EUR 1 million – loss (2016: EUR 2 million - loss).	EUR 27.2 million - gain (2016: EUR 14.2 million - loss).
Funding arrangement	The basis of the funding agreement lies in the Trust Deed and Rules. The pension fund performs triennial actuarial valuations to determine employer contributions.	A Contractual Trust Agreement is established as a financing vehicle to cover part of the pension liabilities. There is no specific funding arrangement although the assets must exceed the initially funded amount of EUR 39.2 million.	The employer pays a yearly base premium as a percentage of the total sum of eligible salaries of all active participants which cannot be below the cost-effective premium for that year.
Employee contributions	In 2017 contributions amounted to 7.1% (2016: 5.5%) of the eligible salary.	None; all contributions are made by the employer.	Employees contribute in 2017 7.0% (2016: 7.0%) of their eligible salary.
ALM-strategy	Every three years an ALM-study is performed to review the investment policy. The investment policy is to hold government and corporate bonds in respect of pensioners to broadly match their liabilities and to hold assets expecting to deliver a return in respect of the non-pensioners.	The investment objectives and policies are developed based on an ALM-study. The investment policy limits the interest rate risk by restricting the investment in bonds to fixed rate bonds. Equity price risk is controlled by investing according to the Dow Jones Euro Stoxx 50 Index.	At least once every three years an ALM-study is performed in which the impact of the strategic investment policies are analysed. The interest rate risk is partially hedged within the investment portfolio by the use of debt instruments in combination with liability driven investment funds.

All amounts in thousands of Euro, unless otherwise stated

Fair value of plan assets

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

Plan assets	2017	2016
Cash and cash equivalents	23,401	2,432
Equity instruments	279,094	289,179
Debt instruments	209,100	184,302
Investment funds	188,220	210,707
Insurance contracts	61,072	23,891
Real estate	14,357	13,667
Total	**775,244**	**724,178**

All equity and debt securities have quoted prices in active markets. The plan assets do not include any of Atradius' own financial instruments, nor any property occupied or other assets used by Atradius.

The expected rates of return on individual categories of plan assets are determined by reference to relevant indices published by the stock exchange of the particular country. The overall expected rate of return is calculated by weighting the individual rates for each asset class in accordance with the anticipated balance in the plan's investment portfolio. The actual return on plan assets (including reimbursement rights) was EUR 48.5 million (2016: EUR 78.2 million).

Actuarial assumptions

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

Principal actuarial assumptions	United Kingdom		Germany		The Netherlands	
	2017	2016	2017	2016	2017	2016
Discount rate	2.50%	2.50%	1.75%	1.75%	2.00%	1.75%
Price inflation rate	3.50%	3.25%	1.50%	1.50%	1.75%	1.75%
Expected increase of future salaries	2.40%	2.40%	2.05%	2.05%	1.75%	1.75%
Expected increase of future benefit levels	3.00%	3.00%	1.25%	1.25%	0.875%	0.875%
Mortality table	CMI 2015 (1.5% LTR)	CMI 2015 (1.5% LTR)	Heubeck Richttafeln 2005 G	Heubeck Richttafeln 2005 G	Prognosetafel AG2016 + adjusted experience	Prognosetafel AG2016 + adjusted experience
Duration in years	21	20	16	17	21	22

An approximation of the sensitivity of the relevant actuarial assumptions, holding other assumptions constant, would impact the total defined benefit obligation of the main pension plans by the amounts shown below:

Defined benefit obligation	2017		2016	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(128,986)	170,004	(135,294)	178,635
Price inflation rate (1% movement)	105,044	(89,593)	92,574	(89,035)
Future salary growth (1% movement)	18,034	(15,718)	18,702	(17,627)
Future pension growth (1% movement)	134,719	(102,249)	140,618	(110,748)
Future mortality (+1 year)	27,738	n/a	28,544	n/a

17.2 Defined benefit costs

A total defined benefit cost of EUR 16.0 million (2016: EUR 12.2 million) is recognised in the income statement under net operating expenses (see Note 27). EUR 15.7 million (2016: EUR 11.7 million) relates to pension plans and EUR 0.3 million (2016: EUR 0.5 million) to other long-term employee benefits.

18 Insurance contracts

Credit insurance	Gross	Reinsurance asset	Net	Gross	Reinsurance asset	Net
		2017			2016	
Claims reported and loss adjustment expenses	222,699	(119,645)	103,054	283,867	(143,924)	139,943
Claims incurred but not reported	554,708	(223,259)	331,449	511,587	(232,790)	278,797
Claims provisions	**777,407**	**(342,904)**	**434,503**	**795,454**	**(376,714)**	**418,740**
Provision for unearned premium	287,072	(94,938)	192,134	285,841	(97,034)	188,807
Total	**1,064,479**	**(437,842)**	**626,637**	**1,081,295**	**(473,748)**	**607,547**
Bonding						
Claims reported and loss adjustment expenses	186,784	(67,005)	119,779	201,723	(78,821)	122,902
Claims incurred but not reported	63,968	(7,090)	56,878	64,356	(7,263)	57,093
Claims provisions	**250,752**	**(74,095)**	**176,657**	**266,079**	**(86,084)**	**179,995**
Provision for unearned premium	215,108	(73,950)	141,158	213,781	(72,430)	141,351
Total	**465,860**	**(148,045)**	**317,815**	**479,860**	**(158,514)**	**321,346**
Total insurance contracts	**1,530,339**	**(585,887)**	**944,452**	**1,561,155**	**(632,262)**	**928,893**
Current	1,038,894	(403,849)	635,045	1,061,761	(436,407)	625,354
Non-current	491,445	(182,038)	309,407	499,394	(195,855)	303,539

The liabilities for gross claims reported, loss adjustment expenses and claims incurred but not reported are net of expected recoveries from salvage and subrogation.

18.1 Claims development tables

The claims development tables provide an overview of how Atradius' recognised claims costs for underwriting years 2007-2016 have changed at successive financial year-ends. This overview also provides a breakdown of the claims provisions (claims reported and loss adjustment expenses and claims incurred but not reported) that are held against each underwriting year as at 31 December 2017. Underwriting year here means the year in which the risks were accepted; for reinsurance business it is the treaty year.

All amounts in thousands of Euro, unless otherwise stated

Credit Insurance – Gross

Claims development per underwriting year – (EUR million)

Year when risk was taken	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Estimate of gross claims incurred:											
at the end of the year when risk was taken	1,438.9	749.0	515.2	739.7	809.6	682.1	753.0	829.6	755.7	770.4	
one year later	1,992.9	644.8	500.3	694.4	764.0	586.0	734.6	780.7	669.6	-	
two years later	2,116.2	620.6	451.2	670.4	704.9	554.6	734.9	744.5	-	-	
three years later	2,122.5	592.0	437.4	663.5	696.3	543.8	732.4	-	-	-	
four years later	2,136.2	578.7	438.9	649.7	684.3	540.9	-	-	-	-	
five years later	2,126.1	577.0	432.1	642.9	685.4	-	-	-	-	-	
six years later	2,120.0	569.5	425.7	636.7	-	-	-	-	-	-	
seven years later	2,103.4	561.0	419.1	-	-	-	-	-	-	-	
eight years later	2,084.5	557.3	-	-	-	-	-	-	-	-	
nine years later	2,075.4	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims	2,075.4	557.3	419.1	636.7	685.4	540.9	732.4	744.5	669.6	770.4	7,831.7
Cumulative payments to date	2,070.9	559.9	423.5	637.2	672.8	536.1	692.9	722.9	560.9	192.8	7,069.9
Claims provision at 31 December 2016 in respect of 2008 - 2017	4.5	(2.6)	(4.4)	(0.5)	12.6	4.8	39.5	21.6	108.7	577.6	761.8
In respect of prior years (before 2008)											15.6
Total											**777.4**

The table contains recognised claims costs only. It excludes the impact of losses from risks that have been accepted for which the premium has yet to be earned. The consequence of this is that the claims expense for a particular underwriting year can increase in future financial years as both the premium and losses are recognised in the income statement. This is relevant for the credit insurance business written by the local business in Spain and Portugal, the reinsurance business and instalment credit protection. The premium earned for underwriting years 2014-2016 in the current financial year for these blocks of business was EUR 130.8 million.

After one year, underwriting year 2015 is currently higher than previous years, due to one large case for which EUR 90 million was included in the claim costs for 2015. The loss recognised for this case did not materially change in 2016 and 2017.

The claims development tables are presented on a gross basis. The effect of risk mitigation is in line with our quota share treaties as included in Note 4.2, detailing further disclosures on insurance risk. The overall impact of risk mitigation on claims provisions (for all underwriting years combined) is approximately 44%. Risk mitigation for gross claims incurred as shown in this table varies between 42% and 47%. These differ from the quota share treaties due to the private instalment credit protection which are not ceded and the inward reinsurance business which is covered by Excess of loss treaties.

Bonding - Gross

Claims development per underwriting year – (EUR million)

Year when risk was taken	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Total
Estimate of gross claims incurred:											
at the end of the year when risk was taken	13.2	10.7	10.2	19.3	19.0	21.7	19.0	21.0	16.8	13.6	
one year later	33.2	22.1	25.7	48.8	48.6	32.6	34.6	26.8	22.8	-	
two years later	38.8	30.7	36.4	60.8	53.7	39.1	43.6	31.5	-	-	
three years later	45.6	34.8	43.4	62.8	58.4	42.0	45.8	-	-	-	
four years later	49.3	36.3	43.4	57.4	58.7	41.0	-	-	-	-	
five years later	50.6	38.4	42.4	60.7	58.5	-	-	-	-	-	
six years later	52.1	38.1	42.1	64.2	-	-	-	-	-	-	
seven years later	53.8	37.6	42.3	-	-	-	-	-	-	-	
eight years later	56.9	34.9	-	-	-	-	-	-	-	-	
nine years later	56.3	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims	56.3	34.9	42.3	64.2	58.5	41.0	45.8	31.5	22.8	13.6	410.9
Cumulative payments to date	43.2	27.2	30.8	51.6	37.6	18.9	15.6	6.9	8.1	1.1	241.0
Claims provision at 31 December 2016 in respect of 2008 - 2017	13.1	7.7	11.5	12.6	20.9	22.1	30.2	24.6	14.7	12.5	169.9
In respect of prior years (before 2008)											80.9
Total											**250.8**

The claims costs do not include an estimate for future claim payments on cases where Atradius does not yet have adverse information. This explains the increase in claims costs over time. For bonding, Atradius typically earns premium in proportion to the length of time involved, over the tenor of the bond, meaning that while an increase in the claims incurred can be seen, premium will also be recognised and this cannot be seen in the table above. The premium earned for underwriting years 2014-2016 in the current financial year was EUR 80.2 million.

The claims development tables are presented on a gross basis. The effect of risk mitigation is in line with our quota share treaties as included in Note 4.2, detailing further disclosures on insurance risk. The overall impact of risk mitigation on claims provisions (for all underwriting years combined) is approximately 29.5%. Risk mitigation for gross claims incurred as shown in this table varies between 17% and 32%.

All amounts in thousands of Euro, unless otherwise stated

18.2 Insurance liabilities and reinsurance assets

18.2.1 Changes in insurance liabilities and reinsurance assets

Credit insurance	Gross	Reinsurance asset	Net	Gross	Reinsurance asset	Net
		2017			2016	
Balance at 1 January	**795,454**	**(376,714)**	**418,740**	**908,070**	**(423,685)**	**484,385**
Claims paid in the year	(621,369)	297,288	(324,081)	(731,227)	319,018	(412,209)
Increase/(decrease) in liabilities arising from claims	637,287	(277,292)	359,995	615,580	(272,482)	343,098
Foreign exchange rate and other movements	(33,965)	13,814	(20,151)	3,031	435	3,466
Balance at 31 December	**777,407**	**(342,904)**	**434,503**	**795,454**	**(376,714)**	**418,740**
Claims reported and loss adjustment expenses	222,699	(119,645)	103,054	283,867	(143,924)	139,943
Claims incurred but not reported	554,708	(223,259)	331,449	511,587	(232,790)	278,797
Total	**777,407**	**(342,904)**	**434,503**	**795,454**	**(376,714)**	**418,740**
Bonding						
Balance at 1 January	**266,079**	**(86,084)**	**179,995**	**252,697**	**(99,661)**	**153,036**
Claims paid in the year	(49,389)	19,336	(30,053)	(33,660)	13,554	(20,106)
Increase/(decrease) in liabilities arising from claims	38,566	(8,206)	30,360	45,713	586	46,299
Foreign exchange rate and other movements	(4,504)	859	(3,645)	1,329	(563)	766
Balance at 31 December	**250,752**	**(74,095)**	**176,657**	**266,079**	**(86,084)**	**179,995**
Claims reported and loss adjustment expenses	186,784	(67,005)	119,779	201,723	(78,821)	122,902
Claims incurred but not reported	63,968	(7,090)	56,878	64,356	(7,263)	57,093
Total	**250,752**	**(74,095)**	**176,657**	**266,079**	**(86,084)**	**179,995**
Claims provisions	**1,028,159**	**(416,999)**	**611,160**	**1,061,533**	**(462,798)**	**598,735**

18.2.2 Provision for unearned premium

Credit insurance	Gross	Reinsurance asset	Net	Gross	Reinsurance asset	Net
		2017			2016	
Balance at 1 January	**285,841**	**(97,034)**	**188,807**	**292,852**	**(99,961)**	**192,891**
Movement in the period	15,513	(3,255)	12,258	(4,502)	3,473	(1,029)
Foreign exchange rate and other movements	(14,282)	5,351	(8,931)	(2,509)	(546)	(3,055)
Balance at 31 December	**287,072**	**(94,938)**	**192,134**	**285,841**	**(97,034)**	**188,807**
Bonding						
Balance at 1 January	**213,781**	**(72,430)**	**141,351**	**195,172**	**(66,542)**	**128,630**
Movement in the period	7,892	(2,617)	5,275	11,885	(4,479)	7,406
Foreign exchange rate and other movements	(6,565)	1,097	(5,468)	6,724	(1,409)	5,315
Balance at 31 December	**215,108**	**(73,950)**	**141,158**	**213,781**	**(72,430)**	**141,351**
Provision for unearned premium	**502,180**	**(168,888)**	**333,292**	**499,622**	**(169,464)**	**330,158**

19 Provisions

2017	Restructuring	Litigation	Total
Balance at 1 January	**4,320**	**1,707**	**6,027**
Additional provisions	523	324	847
Unused amounts reversed	(372)	(54)	(426)
Utilised	(3,334)	(74)	(3,408)
Effect of movements in foreign exchange rates	(6)	-	(6)
Balance at 31 December	**1,131**	**1,903**	**3,034**
Current	1,131	-	1,131
Non-current	-	1,903	1,903

2016	Restructuring	Litigation	Total
Balance at 1 January	**4,927**	**1,661**	**6,588**
Business combinations	250	78	328
Additional provisions	3,275	159	3,434
Unused amounts reversed	(2,031)	(63)	(2,094)
Utilised	(2,065)	(128)	(2,193)
Effect of movements in foreign exchange rates	(36)	-	(36)
Balance at 31 December	**4,320**	**1,707**	**6,027**
Current	4,320	-	4,320
Non-current	-	1,707	1,707

All amounts in thousands of Euro, unless otherwise stated

Restructuring

In 2015 a provision was established due to an intragroup reorganisation that has brought together Atradius Credit Insurance N.V. and Compañía Española de Seguros y Reaseguros de Crédito y Caución S.A.u., into one legal entity, Atradius Crédito y Caución S.A. de Seguros y Reaseguros. During 2017, the provision has been fully released.

Litigation

The litigation provision is related to disputes with third parties that are not related to the insurance business of Atradius. Insurance business related litigation provisions are included in the provisions for outstanding claims. The provision relates to the estimated cost including the costs of legal proceedings of any non-insurance claims against Atradius. These provisions have not been discounted to reflect present value since the effect of discounting is not material.

20 Deferred and current income tax

Current income tax

	2017	2016
Current income tax assets	59,559	50,613
Current income tax liabilities	37,636	23,960
Net	**21,923**	**26,653**

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

Deferred income tax

	2017	2016
Deferred income tax assets before set-off	124,023	142,773
Set-off of deferred tax positions	(93,936)	(97,458)
Net deferred tax assets as presented in the statement of financial position	**30,087**	**45,315**
Deferred income tax liabilities before set-off	218,887	212,637
Set-off of deferred tax positions	(93,936)	(97,458)
Net deferred tax liabilities as presented in the statement of financial position	**124,951**	**115,179**

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

	2017	2016
Balance at 1 January	**(69,864)**	**(59,189)**
Business combination	-	1,220
Credit (charge) to other comprehensive income for the year	(13,922)	4,680
Charge to the income statement for the year	(12,558)	(17,018)
Effect of movements in foreign exchange rates	1,480	443
Balance at 31 December	**(94,864)**	**(69,864)**

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

2017	Balance at 1 January	Recognised in other comprehensive income for the year	Recognised in the income statement for the year	Effect of movements in foreign exchange	Business combination	Balance at 31 December
Tax losses carried forward	12,543		(205)	(166)	-	12,171
Technical balances	9,916		3,230	(26)	-	13,120
Pensions	28,933	(9,370)	2,900	(43)	-	22,420
Fiscal goodwill	10,011		(2,617)	(109)	-	7,285
Financial investments	(11,100)	(4,552)	2,703	175	-	(12,773)
Equalisation provisions	(109,587)		(4,960)	981	-	(113,566)
Property, plant and equipment	(14,047)		487	14	-	(13,545)
Other	3,467		(14,096)	654	-	(9,975)
Total	**(69,864)**	**(13,922)**	**(12,558)**	**1,480**	-	**(94,864)**

2016	Balance at 1 January	Recognised in other comprehensive income for the year	Recognised in the income statement for the year	Effect of movements in foreign exchange	Business combination	Balance at 31 December
Tax losses carried forward	14,455	-	(2,982)	(150)	1,220	12,543
Technical balances	14,733	-	(5,094)	277	-	9,916
Pensions	19,502	7,925	(311)	1,817	-	28,933
Fiscal goodwill	12,774	-	(2,746)	(17)	-	10,011
Financial investments	(7,829)	(3,245)	(22)	(4)	-	(11,100)
Equalisation provisions	(100,648)	-	(8,939)	-	-	(109,587)
Property, plant and equipment	(13,555)	-	(386)	(106)	-	(14,047)
Other	1,379	-	3,462	(1,374)	-	3,467
Total	**(59,189)**	**4,680**	**(17,018)**	**443**	**1,220**	**(69,864)**

Deferred income tax assets are recognised for tax losses carried forward, unused tax credits, and deductible temporary differences, to the extent that it is probable that taxable profits will be available against which the unused tax losses carried forward, unused tax credits, and deductible temporary differences can be utilised. In 2017, EUR 1.4 million deferred tax assets on the losses carried forward and deductible temporary difference were written down or not recognised (2016: EUR 1.3 million). This is offset by the reversals of the impairments, prior year adjustments and foreign exchange, resulting in a net reversal of these deferred tax assets.

Atradius has unrecognised tax losses carried forward balances amounting to EUR 54.8 million (2016: EUR 58.6 million). The expiration of these unrecognised tax losses carried forward is included in the following table:

Expiration unrecognised tax losses carried forward	2017	2016
1 - 3 years	434	102
4 - 9 years	8,573	11,379
Indefinite	45,802	47,128
Total	**54,809**	**58,609**

The increase of unrecognized tax losses is mainly due to the impairment of deferred tax assets on the losses carried forward mentioned above.

All amounts in thousands of Euro, unless otherwise stated

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

	Deferred tax	Current tax	Deferred tax	Current tax
	2017		2016	
Revaluation reserve in shareholders equity related to:				
Available-for-sale financial investments	(4,551)	-	(3,245)	501
Pension reserve in shareholders equity related to:				
Recognised actuarial gains/(losses)	(9,370)	-	7,925	-
Currency translation reserve in shareholders equity related to:				
Currency translation reserve	-	2,248	-	1,044
Total	**(13,921)**	**2,248**	**4,680**	**1,545**

21 Payables

	2017	2016
Accounts payable on insurance and reinsurance business	**129,822**	**183,407**
Payables arising out of reinsurance operations	78,223	106,441
Amounts due to policyholders	36,759	62,930
Amounts due to intermediaries and current account Dutch State	14,840	14,036
Trade and other accounts payable	**71,125**	**49,339**
Accounts payable	31,716	34,133
Other accounts payable	39,409	15,206
Total	**200,947**	**232,746**

The payables are substantially all current.

22 Other liabilities

	2017	2016
Ceded pipeline premium and return premium	193,678	182,908
Deposits received from reinsurers	44,882	45,535
Unearned reinsurance commission	56,431	57,191
Payroll and bonus accruals	44,944	42,152
Reinsurance accruals	30,039	9,598
Other accruals	73,853	65,884
IPT and stamp duties payable	4,914	5,239
Other taxes	11,105	11,075
Total	**459,846**	**419,582**

Other liabilities are substantially all current.

23 Net premium earned

Credit insurance	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
		2017			2016	
Written premium	1,431,588	(625,505)	806,083	1,383,867	(607,949)	775,918
Change in provision for unearned premium	(15,513)	3,255	(12,258)	4,502	(3,473)	1,029
Other movements	2,612	(1,142)	1,470	3,939	(2,080)	1,859
Total	**1,418,687**	**(623,392)**	**795,295**	**1,392,308**	**(613,502)**	**778,806**
Bonding						
Written premium	177,363	(54,881)	122,482	177,240	(54,843)	122,397
Change in provision for unearned premium	(7,892)	2,617	(5,275)	(11,885)	4,479	(7,406)
Other movements	(63)	27	(36)	(75)	35	(40)
Total	**169,408**	**(52,237)**	**117,171**	**165,280**	**(50,329)**	**114,951**
Total premium earned	**1,588,095**	**(675,629)**	**912,466**	**1,557,588**	**(663,831)**	**893,757**

24 Service and other income

	2017	2016
Collections and recovery services	44,710	41,543
Information services and fees	130,830	127,396
Other service income	73,600	34,140
Total	**249,140**	**203,079**

Information services income and fees are part of the insurance segment. Collections and recovery services and other service income are part of the service segment.

All amounts in thousands of Euro, unless otherwise stated

25 Net income from investments

Net investment income by type of investment	**2017**	**2016**
Income		
Debt securities available-for-sale	12,221	13,866
Loans	5	8
Equity securities available-for-sale	14,473	15,572
Other investments	1,045	995
Total income from financial investments	**27,744**	**30,441**
Investment property	416	424
Total investment income	**28,160**	**30,865**
Expenses		
Debt securities available-for-sale	(1,037)	(1,615)
Equity securities available-for-sale	(2,403)	(7,484)
Handling expenses	(3,731)	(3,385)
Total expenses from financial investments	**(7,171)**	**(12,484)**
Investment property	(403)	(102)
Total investment expenses	**(7,574)**	**(12,586)**
Net income from investments	**20,586**	**18,279**
Share of income/ (losses) of associated companies	(7,396)	26,689
Net income from investments including associated companies	**13,190**	**44,968**

Net investment income by nature of income/(expense)	2017	2016
Income		
Interest	11,428	12,899
Dividends	9,001	9,762
Realised gains	7,315	7,810
Rental income from investment property	416	394
Total	**28,160**	**30,865**
Expenses		
Handling expenses	(3,731)	(3,385)
Realised losses	(2,100)	(6,722)
Impairment loss	(1,609)	(2,377)
Depreciation of investment property	(134)	(102)
Total	**(7,574)**	**(12,586)**
Net income from investments	**20,586**	**18,279**
Share of income of associated companies	3,678	6,808
Impairments of associated companies	(11,701)	-
Realised gains	165	22,208
Other	462	(2,327)
Total	**(7,396)**	**26,689**
Net income from investments including associated companies	**13,190**	**44,968**

In interest income and expenses reported above, the component related to financial investments available-for-sale is net EUR 10.3 million (2016: EUR 11.9 million); this is derived from government and corporate bonds.

Net gains/(losses) by category	Impairments	Realised gains/(losses)	Impairments	Realised gains/(losses)
	2017		2016	
Investment property	(269)	-	-	30
Financial assets classified as available-for-sale	(1,340)	5,215	(2,377)	1,058
Total	**(1,609)**	**5,215**	**(2,377)**	**1,088**

All amounts in thousands of Euro, unless otherwise stated

26 Insurance claims

Credit insurance	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
		2017			2016	
Claims paid in the year	621,369	(297,288)	324,081	731,227	(319,018)	412,209
Change in claims provisions	15,917	19,994	35,911	(115,647)	46,536	(69,111)
Claims handling expenses	36,468	-	36,468	35,326	-	35,326
Total	**673,754**	**(277,294)**	**396,460**	**650,906**	**(272,482)**	**378,424**
Bonding						
Claims paid in the year	49,389	(19,336)	30,053	33,660	(13,554)	20,106
Change in claims provisions	(10,824)	11,132	308	12,053	14,140	26,193
Claims handling expenses	2,163	-	2,163	1,773	-	1,773
Total	**40,728**	**(8,204)**	**32,524**	**47,486**	**586**	**48,072**
Total insurance claims	**714,482**	**(285,498)**	**428,984**	**698,392**	**(271,896)**	**426,496**

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

27 Net operating expenses

	2017	2016
Total administrative expenses	522,738	478,441
Acquisition costs	207,871	202,008
Change in deferred acquisition costs	(233)	2,749
Gross operating expenses	**730,376**	**683,198**
Commissions received for business ceded to reinsurers	(256,447)	(251,873)
Total net operating expenses	**473,929**	**431,325**

Administrative expenses by type of business	2017	2016
Insurance and information expenses	436,372	451,504
Recoveries and collections expenses	45,143	43,439
Other service expenses	73,024	13,296
Group costs	6,745	6,986
Total gross administrative expenses	**561,284**	**515,225**
Claims handling expenses allocated to insurance claims	(38,546)	(36,784)
Total administrative expenses	**522,738**	**478,441**

As part of the gross administrative expenses, depreciation, amortisation and impairment charges for intangible assets and property, plant and equipment amount to EUR 29.5 million (2016: EUR 30.2 million).

Employee benefit expenses	2017	2016
Salaries and wages (including social security costs)	315,971	292,076
Restructuring costs and termination benefits	151	1,244
Pension costs - defined contribution plans	10,500	10,406
Pension costs - defined benefit plans	16,057	12,201
Total employee benefit expenses	**342,679**	**315,927**

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

28 Finance expenses

	2017	2016
Interest and fees on the subordinated debt	17,065	15,894
Net interest on the net defined benefit liability	1,243	681
Other interest expense	1,483	4,211
Foreign exchange (income)/expense	(520)	(8,042)
Total	**19,271**	**12,744**

The subordinated debt costs include the periodic interest expenses of EUR 16.9 million (2016: EUR 15.7 million) and the accretion of interest on the debt in the amount of EUR 0.2 million (2016: EUR 0.2 million).

All amounts in thousands of Euro, unless otherwise stated

29 Income tax

	2017	2016
Current tax	56,514	45,774
Deferred tax	12,558	17,018
Income tax expense/(income) for the year	**69,073**	**62,792**

The reconciliation from the expected tax rate to the actual tax rate is provided in the following table:

	2017	2016
Result before tax	**255,308**	**274,564**
Tax calculated at domestic tax rates applicable to results in the respective countries	62,370	74,291
Tax exempt (income)/loss	1,398	(7,494)
Write down/(reversal) of deferred tax assets	(849)	(206)
Reassessment of prior year local tax positions	1,313	(416)
Impact of change in tax rate	1,326	(1,464)
Other	3,516	(1,919)
Income tax expense/(income) for the year	**69,073**	**62,792**

The weighted average applicable tax rate was 24.4% (2016: 27.1%).

Deferred tax assets relating to losses carried forward in certain entities have been impaired or reversed. This is included in ‘write down (reversal) of deferred tax assets’.

The impact of the change in tax rate in 2017 mainly reflects the effect of changes in income tax rate in Turkey, UK and the US.

The category ’Other’ includes non-deductible expenses, regional taxes such as IRAP in Italy.

30 Dividends per share

The dividends paid in 2017 and 2016 were EUR 76.7 million (EUR 0.97 per share) and EUR 71.2 million (EUR 0.90 per share) respectively.

31 Assets not freely disposable

The financial assets not freely disposable in 2017 are EUR 235.5 million (2016: EUR 307.5 million). Assets that are not freely disposable consist of financial investments, properties and cash that have been held mainly for local regulatory purposes and can be used to cover technical provisions. The amount of pledged assets not covering technical provisions is EUR 82 million (2016: EUR 84.6 million).

32 Capital commitments and contingencies

Capital commitments of EUR 18.3 million (2016: EUR 21.1 million) are related to contracted obligations for future payments for outsourcing, networking, imaging and licences.

The Group has contingent liabilities in respect of matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities. The Group has given guarantees to third parties amounting to EUR 1 million (2016: EUR 2.0 million).

33 Operating leases

Non-cancellable operating lease commitments are included in the following table:

	2017	2016
Less than one year	23,077	21,031
Between one and five years	56,846	59,365
More than five years	18,233	21,491
Total	**98,156**	**101,887**

Atradius leases office equipment and office space under a number of operating lease agreements. The lease contracts have remaining terms of between 1 and 20 years. The leasing of office space represents around 86.5% (2016: 92%) of the total future payments regarding operating leases.

During the year an amount of EUR 26.0 million (2016: EUR 22.5 million) has been recognised as expense.

34 Personnel

The number of employees working for Atradius is included in the following table:

	2017	2016 1)
Total average number of employees (full-time equivalent)	3,591	3,584
Total year end number of employees (full-time equivalent)	3,596	3,586
Total year end number of employees (headcount)	3,756	3,758

1) The comparative figures have been adjusted to include Informes Mexico S.A. de CV..

35 Related party transactions

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

	Associated companies	Parent (1)	Associated companies	Parent (1)
	2017		2016	
Sales to related parties	14,368	1,205	7,801	1,110
Purchases from related parties	5,416	4,829	1,283	9,528
Amounts owed by related parties	15	28,956	844	28,796
Amounts owed to related parties	793	437	860	531

(1) *Subsidiaries of Grupo Catalana Occidente, S.A.*

Sales to related parties consist of the net effect of Reinsurance business (premiums, claims, recoveries and commission) and for information services provided to Atradius. Purchases from related parties consist of the net effect of (retro-) ceded insurance (premiums, claims, recoveries and commission). The amounts owed by related Atradius companies consist of the fair value of insurance policies as calculated under the requirements of IAS 19.

Terms and conditions of transactions with related parties

No guarantees have been provided or received for any related party receivables for 2017 or 2016. For the years ending 31 December 2017 and 2016, Atradius has not raised any provision or expenses for doubtful debtors relating to amounts owed by related parties.

All amounts in thousands of Euro, unless otherwise stated

Subordinated debt

Plus Ultra, Seguros Generales y Vida, S.A. de Seguros y Reaseguros, Seguros Catalana Occidente S.A. de Seguros y Reaseguros and Bilbao Compañía Anónima de Seguros y Reaseguros; subsidiaries of the ultimate parent of the Group purchased EUR 54.3 million (21.7%) of the guaranteed subordinated notes issued by Atradius Finance B.V.. In 2017 the interest expense relating to this portion was EUR 2.9 million (2016: EUR 2.4 million).

In 2016 the shareholders of Atradius N.V. provided a subordinated loan to Atradius Re with a principle amount of EUR 75 million. In 2017 the interest expense relating to this subordinate loan was EUR 3.5 million.

The related party share for the subordinated debt is as follows:

Lenders	Nominal value	Interest expense	Nominal value	Interest expense
	2017		2016	
Plus Ultra, Seguros Generales y Vida, S.A. de Seguros y Reaseguros	40,000	2,098	40,000	2,104
Seguros Catalana Occidente S.A. de Seguros y Reaseguros	34,636	1,865	34,291	1,028
Bilbao Compañía Anónima de Seguros y Reaseguros	42,717	2,158	42,000	1,428
Nortehispana, de Seguros y Reaseguros S.A.	6,000	300	6,000	210
Total	**123,353**	**6,421**	**122,291**	**4,770**

All relationships with related parties are at arm's-length.

Compensation of key current and former management personnel of Atradius

The following table provides details on the remuneration for members of the Management Board, Supervisory Board and other identified staff. Other identified staff are the members of the RSMB, not part of the Management Board, and other staff members that hold key management positions.

Remuneration	**2017**	**2016**
Management Board		
Short-term employee benefits (1)	1,754	2,814
Long-term employee benefits	1,258	464
Post-employment benefits	309	352
Total compensation paid to Management Board members	**3,321**	**3,630**
Number of members	**5**	**5**
Supervisory Board		
Short-term employee benefits (1)	595	510
Total compensation paid to Supervisory Board members	**595**	**510**
Number of members	**10**	**9**

1) *Short-term employee benefits include salaries, housing, social security, medical expenses, lease cars and other.*

From the total compensation for Management Board members, EUR 3.0 million (2016: EUR 3.2 million) has been paid at the end of the reporting period. The remaining balance payable is subject to meeting the variable pay conditions. The Management Board and Supervisory Board members also participate in the Boards of some of the subsidiaries. Apart from this they do not have other relationships with the Company or its subsidiaries.

36 Events after the reporting period

There are no events to report.

Company financial statements 2017

Contents

Company financial statements

Company statement of financial position (before profit appropriation)

Assets	Note	31.12.2017	31.12.2016
Fixed assets		**1,751,480**	**1,627,757**
Property, plant and equipment		10	24
Investments in group companies	3	1,751,470	1,627,733
Current assets		**38,859**	**3,380**
Receivables from group companies		16,619	511
Deferred income tax assets		1,560	1,560
Current income tax assets		5,795	-
Cash and cash equivalents		14,885	1,309
Total		**1,790,339**	**1,631,137**
Equity			
Capital and reserves attributable to the owners of the Company	4		
Share capital		79,122	79,122
Share premium reserve		862,883	862,883
Legal reserve		(66,408)	(96,864)
Retained earnings		691,360	568,534
Result for the year (unappropriated)		186,275	211,795
Total		**1,753,232**	**1,625,470**
Liabilities			
Current liabilities		**37,107**	**5,667**
Payables to group companies		32,059	5
Other liabilities	5	5,048	4,083
Current income tax liabilities		-	1,579
Total		**37,107**	**5,667**
Total equity and liabilities		**1,790,339**	**1,631,137**

Company income statement

	2017	2016
Income after tax from group companies	188,750	219,899
Other results after tax	(2,475)	(8,104)
Result for the year	**186,275**	**211,795**

All amounts in thousands of Euro, unless otherwise stated

Company statement of changes in equity

	Share capital	Share premium reserve	Legal reserve	Retained earnings	Result for the year	Total
Balance at 1 January 2016	**79,122**	**862,883**	**(84,426)**	**464,449**	**178,221**	**1,500,249**
Change in revaluation reserve and pension reserve group companies	-	-	(14,539)	-	-	**(14,539)**
Change in currency translation reserve	-	-	(825)	-	-	**(825)**
Net income recognised directly in equity	**-**	**-**	**(15,364)**	**-**	**-**	**(15,364)**
Appropriation of prior year result	-	-	-	178,221	(178,221)	-
Result for the year	-	-	-	-	211,795	**211,795**
Change in reserve intangible assets	-	-	2,926	(2,926)	-	-
Dividends	-	-	-	(71,210)	-	**(71,210)**
Balance at 31 December 2016	**79,122**	**862,883**	**(96,864)**	**568,534**	**211,795**	**1,625,470**
Balance at 1 January 2017	**79,122**	**862,883**	**(96,864)**	**568,534**	**211,795**	**1,625,470**
Change in revaluation reserve and pension reserve group companies	-	-	41,290	-	-	**41,290**
Change in currency translation reserve	-	-	(23,055)	-	-	**(23,055)**
Net income recognised directly in equity	**-**	**-**	**18,235**	**-**	**-**	**18,235**
Appropriation of prior year result	-	-	-	211,795	(211,795)	-
Result for the year	-	-	-	-	186,275	**186,275**
Change in reserve intangible assets	-	-	12,221	(12,221)	-	-
Dividends	-	-	-	(76,748)	-	**(76,748)**
Balance at 31 December 2017	**79,122**	**862,883**	**(66,408)**	**691,360**	**186,275**	**1,753,232**

Notes to the Company financial statements

1 General information

Atradius N.V. (referred to as the 'Company') is based in Amsterdam (The Netherlands) and registered at the Dutch Chamber of Commerce under number 34196963,

The Company financial statements are part of the 2017 consolidated financial statements, which are also included in the annual report. The Company income statement is presented in abbreviated form in accordance with Article 402 of Book 2 of the Dutch Civil Code.

The Company has applied the provisions of Article 379, Subsection 5 of Book 2 of the Dutch Civil Code. The list referred to in this article has been included in the appendix and is filed at the offices of the Commercial Register in Amsterdam.

The Company has issued a statement of liability in accordance with Article 403, Book 2 of the Dutch Civil Code for the following Atradius companies: Atradius Collections B.V., Atradius Collections Holding B.V., Atradius Credit Management Services B.V. and Atradius Information Services B.V.

The Company financial statements have been authorised for issue by the Management Board on 9 March 2018.

2 Summary of significant accounting policies

2.1 Basis of presentation

The Company annual financial statements have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code. In the preparation of the Company annual financial statements, the provisions of Article 362, Subsection 8 of Book 2 of the Dutch Civil Code have been applied. The valuation principles for assets and liabilities and the method of determining the result are identical to those applied in the consolidated financial statements. Reference is made to the notes thereto.

All amounts in the notes are shown in thousands of Euro (EUR), rounded to the nearest thousand, unless otherwise stated.

2.2 Investments in group companies

Atradius companies are valued using the equity method in accordance with the accounting principles applied in the consolidated financial statements.

2.3 Legal reserve

The legal reserve has to be created under Dutch legislation for the reserves established by subsidiaries that cannot be distributed and relates to:

- Revaluation reserve;
- Pension reserve;
- Currency translation reserve;
- Reserve intangible assets.

All amounts in thousands of Euro, unless otherwise stated

3 Investments in group companies

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

	2017	2016
Balance at 1 January	**1,627,733**	**1,497,408**
Investments in group companies	34,000	-
Share of profit/(loss)	188,750	219,899
Dividends received	(117,248)	(74,210)
Change in revaluation reserve and pension reserve	41,290	(14,539)
Foreign exchange reserve movements	(23,055)	(825)
Balance at 31 December	**1,751,470**	**1,627,733**

4 Capital and reserves

4.1 Share capital

The authorised share capital of Atradius N.V. amounts to EUR 250,000,000 and is divided into 250,000,000 ordinary shares with a nominal value of EUR 1 each (2016: the same) of which 79,122,142 ordinary shares were issued and fully paid (2016: the same). The fully paid ordinary shares carry one vote per share and carry the right to dividends.

4.2 Share premium reserve

	2017	2016
Balance at 1 January	**862,883**	**862,883**
Balance at 31 December	**862,883**	**862,883**

4.3 Legal reserve

	2017	2016
Balance at 1 January	**(96,864)**	**(84,426)**
Change in revaluation reserve and pension reserve group companies	41,290	(14,539)
Change in currency translation reserve	(23,055)	(825)
Change in reserve intangible assets	12,221	2,926
Balance at 31 December	**(66,408)**	**(96,864)**

The total amount of equity in the company financial statements equals shareholders' equity in the consolidated financial statements. Certain components within equity are different in the company financial statements due to legal reserves, established by subsidiaries of Atradius N.V., which in accordance with Book 2, Part 9 of the Dutch Civil Code, Article 389, Subsection 6, cannot be distributed. In particular:

- changes in revaluation of group companies, which consists of unrealised revaluations within consolidated group companies presented in the revaluation reserve in the consolidated financial statements, and actuarial gains and losses and effect of asset ceilings within consolidated group companies presented in the pension reserve in the consolidated financial statements, are presented together in the legal reserve in the company financial statements;

- foreign currency translations on consolidated group companies, presented in the currency translation reserve in the consolidated financial statements, are presented in the legal reserve in the company financial statements.

In addition to the legal and regulatory restrictions on distributing dividends from subsidiaries to Atradius N.V., there are various other considerations and limitations that are taken into account in determining the appropriate levels of equity in the Group's subsidiaries. These considerations and limitations include, but are not restricted to, local regulatory regulations and rating agency requirements, that can change over time. It is not possible to disclose a reliable quantification of these limitations. Reference is made to paragraph 4.5 Capital Management in the consolidated annual report.

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

	2017	2016
Revaluation reserve and pension reserve group companies	(74,266)	(115,556)
Currency translation reserve	(37,404)	(14,349)
Reserve intangible assets	45,262	33,041
Total	**(66,408)**	**(96,864)**

4.4 Retained earnings

	2017	2016
Balance at 1 January	**568,534**	**464,449**
Appropriation of prior year result	211,795	178,221
Transfer between legal reserve and retained earnings	(12,221)	(2,926)
Dividends	(76,748)	(71,210)
Balance at 31 December	**691,360**	**568,534**

5 Other liabilities

	2017	2016
Other taxes	157	401
Long-term employee benefits	1,451	652
Other liabilities	3,440	3,030
Total	**5,048**	**4,083**

6 Contingencies

The Company has contingent liabilities in respect of guarantees arising in the ordinary course of business. It was not anticipated that any material liabilities will arise from the contingent liabilities. The Company gave guarantees to third parties in the ordinary course of business amounting to EUR 0.5 million (2016: EUR 0.5 million).

Atradius N.V. is head of the Dutch fiscal unity for corporate income tax, consisting of Atradius N.V., Atradius Insurance Holding N.V., Atradius Finance B.V., Atradius Crédito y Caución S.A. de Seguros y Reaseguros, Dutch branch, Atradius Participations Holding B.V., Atradius Information Services B.V., Atradius Collections Holding B.V., Atradius Collections B.V., and Graydon Holding N.V. (including its Dutch subsidiaries). All companies included in the fiscal unity are jointly and severally liable for the corporate income tax payable in the Netherlands by the fiscal unity.

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

All amounts in thousands of Euro, unless otherwise stated

The Company acts as the guarantor for the guaranteed subordinated loan, EUR 250 million, (2016: EUR 250 million) issued by Atradius Finance B.V. (see Note 16 of the consolidated financial statements).

7 Personnel

The number of employees working for the Company:

	2017	2016
Total average number of employees (headcount)	6	6
Total year end number of employees (headcount)	6	6

8 Auditor fees

The following expenses were made for audit and non-audit services rendered by Atradius' external auditor:

2017 Including VAT	**Deloitte Accountants B.V.**	**Other Deloitte Network organisations**	**Total Deloitte Network**
Audit financial statements	646	1,831	2,477
Other audit services	147	415	562
Fiscal advisory services	-	-	-
Non-audit services	-	-	-
Total	**793**	**2,246**	**3,039**

2016 Including VAT	**Deloitte Accountants B.V.**	**Other Deloitte Network organisations**	**Total Deloitte Network**
Audit financial statements	842	1,791	2,633
Other audit services	326	468	794
Fiscal advisory services	-	-	-
Non-audit services	-	-	-
Total	**1,168**	**2,259**	**3,427**

These amounts relate to the actual expenses incurred for the audit of the related financial year, and other services, on an accrual basis.

9 Remuneration of Management Board and Supervisory Board

For information on remuneration of the members of the Management Board and the Supervisory Board: see Note 36 of the consolidated financial statements.

10 Proposed profit appropriation

Proposed appropriation of result

The Management Board proposes to the General Meeting to allocate the result for the year to the retained earnings and to make a distribution of EUR 83.9 million out of the retained earnings.

11 Events after the reporting period

There are no events to report

Other information

Statutory appropriation of result

In accordance with article 24 of the Articles of Association the result for the year is at the disposal of the General Meeting

Annual Report Atradius N.V.

Amsterdam, 9 March 2018

The Supervisory Board

Ignacio Álvarez, Chairman
Francisco Arregui, Vice-Chairman
Bernd H. Meyer
Dick Sluimers
Xavier Freixes
Hugo Serra
Désirée van Gorp
John Hourican
Carlos Halpern
José Maria Sunyer

The Management Board

Isidoro Unda, Chairman
Andreas Tesch
Christian van Lint
Claus Gramlich-Eicher
Marc Henstridge

Independent auditor’s report

To the shareholders and the Supervisory Board of Atradius N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS THE YEAR ENDED 31 DECEMBER 2017 INCLUDED IN THE ANNUAL ACCOUNTS

Our opinion

We have audited the accompanying financial statements the year ended 31 December 2017 of Atradius N.V. based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of Atradius N.V. as at 31 December 2017, and of its result and its cash flows for the year ended 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

- The accompanying company financial statements give a true and fair view of the financial position of Atradius N.V. as at 31 December 2017, and of its result for the year ended 31 December 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at 31 December 2017.

2. The following statements for 2017: the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows.

3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The company statement of financial position as at 31 December 2017.

2. The company income statement for the year ended 31 December 2017.

3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the “Our responsibilities for the audit of the financial statements” section of our report.

We are independent of Atradius N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL ACCOUNTS

In addition to the financial statements and our auditor’s report thereon, the annual accounts contain other information that consists of:

- The consolidated management report

- Other Information as required by Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements. As such it is not our responsibility to report on the true and fair view of the Solvency II information included in the consolidated management report.

Management is responsible for the preparation of the other information, including the consolidated management report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of management and the Supervisory Board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt

on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Amsterdam, 9 March 2018

Deloitte Accountants B.V.

Signed on the original: R.J.M Maarschalk

Glossary

Atradius Atrium
Online credit management portal giving customers and brokers access to all the information they need to manage their policies and apply for credit limits in one place, in real time.

Bonding (product)
The activity of providing guarantees that protect the beneficiary if the supplier fails to meet the agreed performance level. Bonding is also known as surety.

Buyer
A customer of our insured customer (i.e. the holder of the credit insurance policy). Buyers carry a credit risk such as protracted default, insolvency and bankruptcy. This could lead to a financial loss for our customer / policyholder. Buyer underwriting is related to the assessment of this credit risk.

Buyer underwriting
The activity related to the risk acceptance of credit risk of buyers. Buyer underwriting determines the credit limits that are attached to the credit insurance policy and determines the amount for which shipments are insured. Buyers are assessed on financial and non-financial criteria, including financial status, profitability, liquidity, size, region, trade sector and payment experience.

Claim
An application by an insured customer for indemnification of a loss under the policy.

Claims ratio
A performance indicator that is defined as total claims including claims handling expenses divided by total insurance revenue.

Combined ratio
The combined ratio is calculated using the general insurance standard; the sum of the claims and the insurance expenses divided by total insurance revenue.

Credit insurance (product)
Commercial and/or political risk insurance whereby the customer is protected against non-payment of trade receivables due to insolvency or default.

Credit limit
The maximum exposure specifically approved or otherwise authorised by the insurer in respect of a buyer.

Debt collection
Activity to collect monies owed by a company. Atradius offers this service to both insured customers and third parties.

Economic capital
The amount of risk capital, assessed on a realistic basis, required by a company to cover its risks assumed under insurance contracts.

Eurozone
Refers to the European Union member states that have adopted the Euro as their currency.

Expense ratio
A performance indicator that is defined as total insurance expenses divided by total insurance revenue.

Exposure
Total amount underwritten by the insurer as cover on a buyer, a country, under a policy or under all policies.

Financial year
A period used for calculating annual financial statements but which does not require that the period reported on constitutes a calendar year.

Global
Atradius' product and service offering to multinational customers, which provides tailored credit management solutions for customers worldwide in several languages and currencies.

Atradius Insights
An advanced online business intelligence tool to support our customers with a detailed analysis of their debtor portfolio and help them in managing their buyer portfolios and credit risks.

Insolvency
Legally recognised inability of a debtor to meet its commitments and pay its debts.

Instalment credit protection
Atradius' offering to financial and corporate policyholders in Belgium and Luxembourg, that protects against short and medium-term risks involved in multiple instalment agreements with private individuals and businesses (business-to-consumer).

Insurance revenue
The total of gross earned premium and information income (i.e. credit checking fees).

Medium-term business
Business (capital goods and major projects) transacted on credit terms of between two and five years.

Policyholder
Our insured customer; the party that purchases an insurance policy for protection against the risk of non-payment by (foreign or domestic) buyers and assumes responsibilities and obligations under that policy.

Policy underwriting
The activity related to establishing the terms and conditions of the insurance policy designed to mitigate unacceptable risks. These terms and conditions include premium rate, maximum credit periods, the insurer's maximum liability, the customer's own retention and other risk sharing and mitigation aspects.

Political risk
The risk that a government buyer or a country prevents the fulfilment of a transaction, or fails to meet its payment obligations, or the risk that is beyond the scope of an individual buyer or falls outside the individual buyer's responsibility.

Premium
Amount paid by an insured customer to the insurer in return for risk coverage.

Reinsurance
A risk-sharing operation, whereby the insurer obtains cover from a third party (the reinsurer) for part of the credit risks that it has guaranteed, in exchange for the payment of a premium.

Reinsurance business
The activity whereby Atradius acts as a reinsurance company for credit insurance and bonding business of primary insurers. This activity is performed by a dedicated team of underwriters at Atradius Reinsurance DAC.

SME
Small and medium-sized enterprises.

Solvency II
An EU Directive that codifies the EU insurance regulation. It introduces a new regulatory framework and has come into effect on January 2016. The Solvency II Directive aims to create a harmonised, risk-orientated solvency regime resulting in capital requirements for (re) insurance companies that are more reflective of the risks they run. Its objectives are to deepen the integration of the EU insurance market, to improve the protection of policyholders and beneficiaries, to improve the international competitiveness of EU insurers and to instil better regulation of the EU insurance markets.

Underwriter
Person charged with risk acceptance, control of that risk and the setting of cover conditions on buyer/credit limits, including any country-specific terms of cover.

Underwriting year
The year in which a risk is accepted for a shipment from a customer/policyholder to its buyer. The underwriting year performance provides management with important insight into the buyer (risk) underwriting performance. In addition, it gives information about the most recent underwriting year performance without any impact from previous underwriting years.

UN Global Compact
A United Nations strategic policy initiative for Businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

Overview of subsidiaries, associated companies and minority shareholdings

The following table sets forth, as at 31 December 2017, the name and jurisdiction of establishment of the subsidiaries, branches, associated companies and minority shareholdings of Atradius N.V. All companies are, directly or indirectly, wholly owned unless otherwise indicated. The companies are listed in alphabetical order.

Name	Country	Ownership
African Trade Insurance Agency	Kenya	1 share
Al Mulla Atradius Insurance Consultancy & Brokerage (L.L.C.)	UAE	49%
Atradius Collections B.V.	Netherlands	
Belgium branch	Belgium	
Canada branch	Canada	
Czech Republic branch	Czech Republic	
Denmark branch	Denmark	
France branch	France	
Germany branch	Germany	
Hungary branch	Hungary	
Ireland branch	Ireland	
Italy branch	Italy	
Poland branch	Poland	
Turkey branch	Turkey	
Atradius Collections Holding B.V.	Netherlands	
Atradius Collections Limited	Canada	
Atradius Collections Limited	Hong Kong	
Atradius Collections Limited	United Kingdom	
Atradius Collections Pte. Limited	Singapore	
Atradius Collections Pty. Limited	Australia	
Atradius Collections Serviços de Cobranças de Dívidas Ltda	Brazil	
Atradius Collections, S.A. de C.V.	Mexico	
Atradius Collections S.L.	Spain	
Atradius Collections, Inc.	USA	
Atradius Corporate Management Consulting (Shanghai) Co., Ltd.	China	
Atradius Credit Insurance Agency, Inc.	USA	
Atradius Credit Management Services B.V.	Netherlands	
Atradius Credit Management Services (RUS) LLC	Russia	
Atradius Crédito y Caución S.A. de Seguros y Reaseguros	Spain	
Australia branch	Australia	
Austria branch	Austria	
Bulgaria branch	Bulgaria	
Belgium branch	Belgium	
Canada branch	Canada	
Czech Republic branch	Czech Republic	
Denmark branch	Denmark	
Finland branch	Finland	
France branch	France	
Germany branch	Germany	
Greece branch	Greece	
Hong Kong branch	Hong Kong	
Hungary branch	Hungary	
Ireland branch	Ireland	
Italy branch	Italy	
Japan branch	Japan	
Luxembourg branch	Luxembourg	
Netherlands branch	Netherlands	
New Zealand branch	New Zealand	
Norway branch	Norway	
Poland branch	Poland	
Portugal branch	Portugal	
Romania branch	Romania	
Singapore branch	Singapore	
Slovakia branch	Slovakia	
Sweden branch	Sweden	
Switzerland branch	Switzerland	
Turkey branch	Turkey	
United Kingdom branch	United Kingdom	
Atradius Crédito y Caución Seguradora S.A.	Brazil	
Atradius Dutch State Business N.V.	Netherlands	
Atradius Enterprise Management Consulting (Shanghai) Co., Ltd.	China	
Atradius Finance B.V.	Netherlands	
Atradius Information Services B.V.	Netherlands	
Belgium branch	Belgium	
Denmark branch	Denmark	
France branch	France	
Germany branch	Germany	
Ireland branch	Ireland	
Italy branch	Italy	
Japan branch	Japan	
Norway branch	Norway	
Spain branch	Spain	
Sweden branch	Sweden	
Switzerland branch	Switzerland	
Thailand branch	Thailand	
United Kingdom branch	United Kingdom	
Atradius India Credit Management Services Private Ltd.	India	
Atradius Insurance Holding N.V.	Netherlands	
Atradius Investments Limited	Ireland	
Atradius Italia Intermediazioni S.R.L.	Italy	
Atradius Participations Holding B.V.	Netherlands	
Atradius Pension Trustees Ltd.	United Kingdom	
Atradius Reinsurance DAC	Ireland	
Atradius Rus Credit Insurance LLC	Russia	
Atradius Seguros de Crédito, S.A.	Mexico	
Atradius Trade Credit Insurance, Inc.	USA	
Atradius Trade Insurance Brokerage Yuhan Hoesa	South Korea	
CLAL Credit Insurance Ltd.	Israel	20.00%
Compagnie Tunisienne pour l'Assurance du Commerce Exterieur S.A.	Tunisia	4%
Compania de Seguros de Crédito Continental S.A.	Chile	50%[1]
Credit Guarantee Insurance Corporation of Africa Ltd	South Africa	25%
Crédito y Caución do Brasil Gestao de Riscos de Crédito e Serviços LTDA	Brazil	
DAP Holding N.V.	Netherlands	2%
Galilean Properties Proprietary Ltd	South Africa	25%
Gestifatura S.A.	Portugal	80%[2]
Giant-net B.V.	Netherlands	
Graydon Holding N.V.	Netherlands	
Graydon Incasso B.V.	Netherlands	
Graydon Nederland B.V	Netherlands	
Graydon Belgium N.V.	Belgium	
Graydon UK Ltd.	United Kingdom	
Hotel Maatschappij de Wittenburg B.V.	Netherlands	3%
Iberinform Internacional S.A.u.	Spain	
Iberinmobiliaria, S.A.u.	Spain	
Iberinform Portugal S.A.	Portugal	80%[2]
Informes Mexico, S.A. de C.V.	Mexico	
Invercyca, S.A.u.	Spain	
NCM (UK) Holdings Ltd. [3]	United Kingdom	
NCM Credit Insurance Ltd. [3]	United Kingdom	
NCM Teri Ltd. [3]	United Kingdom	
NCM UK Agency Ltd. [3]	United Kingdom	
Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden N.V.	Netherlands	1%
OpenCompanies B.V.	Netherlands	
PT Atradius Information Services Indonesia	Indonesia	
Starzyński i Wspólnicy Kancelaria Prawna spółka komandytowa	Poland	100.0%
Technical Credit Insurance Consultants S.A.	Belgium	
The Lebanese Credit Insurer s.a.l.	Lebanon	48.90%
Verenigde Assurantiebedrijven Nederland N.V.	Netherlands	0.65%

[1] Minus one share; [2] minus 3 shares; [3] are in liquidation or are to be liquidated

Disclaimer

The information in the chapter 'The global economic environment in 2017' is for general guidance on matters of interest only. While we have made every attempt to ensure that the information contained in this report reflects careful analysis and investigations on our side before publication of this Annual Report, we are neither responsible for any errors or omissions nor for the results obtained from the use of this information.

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Your contact

Christine Gerryn – Director Group Communication & Commercial Development
Phone: +31 20 553 2047
Email: christine.gerryn@atradius.com