



2021

**Annual Report
Atradius CyC**

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01

Management Report

Economic Environment

Global economic recovery remains volatile

The global economy entered its recovery phase in 2021, after a difficult 2020 dominated by the coronapandemic. Economies reopened, as vaccination campaigns were rolled out and policymakers learned to adapt to the virus. However, the pandemic is not over. More transmissible coronavirus variants triggered several new waves of infections, forcing many governments to take new restrictions. At the same time, the global economy is challenged by supply bottlenecks and higher energy prices, and currently also by geopolitical tensions between Russia and Western countries. World GDP still expanded at a reasonably robust rate of 5.8% in 2021, more than offsetting the 3.5% decline of 2020.

Advanced Markets

Advanced economies showed a relatively strong recovery, thanks to the vaccination campaigns. What also helped the recovery was strong fiscal and monetary support. Many governments chose to continue pandemic related fiscal support well into 2021, while central banks kept policy rates at record lows and continued their asset purchasing programmes. Across advanced markets, GDP expanded by 5.0% in 2021, following on a 4.6% decline in 2020.

The United States began the vaccination rollout relatively early in the pandemic, allowing the economy to largely reopen in the first half of 2021. This, along with a large fiscal stimulus amounting to 12% of GDP, provided for a strong recovery in 2021. Supply chain issues strained economic activity somewhat in the latter half of 2021, although GDP growth was still a robust 5.6% year-on-year.

The Eurozone witnessed a resurgence of infections towards the end of 2021. Nevertheless, economic activity expanded at a rate of 5.1%, with private consumption as the main growth driver. Like in the US, inflation was elevated in the second half of the year, with higher energy prices as the main cause. Central banks in the Eurozone and the US remained very accommodative in 2021. Policy rates were left unchanged at their zero lower bound, despite a strong rise in inflation. Both the ECB and the Federal Reserve continued their asset purchasing programmes, but scaled them down a bit in Q4 of 2021 due to the better-than-expected economic recovery. Financial conditions remained broadly supportive.

Emerging Markets

Emerging markets have relatively low vaccination rates, and many emerging countries will only get broad access to vaccines in 2022. Moreover, as a group they already withdrew fiscal support in 2021, while in a number of major markets central banks hiked the policy rate in response to higher inflation. Despite these growth constraints, GDP of emerging markets still expanded by 6.8% 2021, more than offsetting the 1.6% decline of 2020.

The public health situation has improved in many emerging markets in 2021, though infections remain high in a number of large markets, such as Russia. Emerging Asia remained the fastest growing region among the EME regions. China's GDP returned to its pre-Covid-19 levels already last year, and expanded by 8.1% in 2021.

Latin America's GDP increased by 6.6% in 2021. Political uncertainty and structural issues weighted negatively on economic growth. In Brazil, GDP growth expanded by 4.6%, meaning a return to its pre-Covid-level. Growth in Brazil did slow down a bit in H2 of 2021 due to international supply-chain disruptions, rising political uncertainty ahead of the 2022 elections and a tightening of policy rates. In Mexico, economic activity rose by 5.2%, but is still below pre-Covid levels. The country benefitted from the strong US economic recovery, leading to higher demand for Mexican exports and tourism expenditure in the country.

In Eastern Europe, GDP rose by 4.4% in 2021. Russia's economy recovered to above pre-pandemic levels, as containment measures were very mild. Moreover, oil and gas prices were supportive for public finances. In Turkey, GDP growth was very strong in 2021, but premature policy rate cuts by the central bank triggered a sell-off of the Turkish lira at the end of 2021.

Global insolvencies: still very low

Contrary to our expectations at the start of the year, insolvencies remained very low in 2021 on a global level. In North America and Asia-Pacific, we estimate that insolvencies have decreased, whereas there was a mild increase in Europe. Two types of policies are responsible for the still low level of insolvencies. First, many countries amended their insolvency regimes to protect companies from going bankrupt. This includes temporary suspensions of insolvency applications in bankruptcy courts. Second, governments provided fiscal support to companies whose revenues came under pressure as a result of the crisis.

In the Eurozone, Portugal, the Netherlands and Ireland stand out as countries with a strong decline in insolvencies, thanks to the generous fiscal support packages. For Belgium and Germany, we saw a somewhat smaller, but still sizeable decrease of insolvencies. In contrast, in Spain and Italy, bankruptcies increased as the economic recovery was relatively weak and fiscal support somewhat less generous.

United States business insolvencies showed a mild decline in 2021 despite robust GDP growth. The United States did not adjust its bankruptcy court proceedings and insolvencies have a high responsiveness to GDP growth. But declining fiscal impulse and supply chain bottlenecks prevented a more significant decline in corporate failures there. The United Kingdom witnessed an increase in insolvencies in 2021, as the economy only partially recovered from a deep recession in 2020, due to the Covid pandemic and Brexit-related uncertainty.

Financial strength

In 2021 we maintained strong ratings from A.M. Best (A Excellent) and Moody's (A2 outlook stable). The ratings agencies have assessed Atradius as having a strong operating performance, favourable business profile and appropriate enterprise risk management; good internal capital generation over the cycle and conservative capital management. They have also viewed favourably our strong underwriting expertise and exposure management to allow us to maintain a strong performance record.

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

We maintain a strong capital position, building further our capitalisation thanks to high retained earnings in 2021. Shareholders' funds at the end of 2021 amounted to EUR 1,397.3 million, an increase of 22.2% from EUR 1,143.7 million at year-end 2020.

Our 2021 performance at a glance

- Insurance premium revenue increased by 9.4%.
- The result for the year increased to EUR 128.2 million from EUR 84.9 million at year-end 2020.
- Our prudent investment portfolio contributed EUR 14.4 million, in a difficult environment with low or negative interest rates.
- ACyC achieved a 27.1% claims ratio in a challenging and future uncertain risk environment.
- The expense ratio at 35.8%, impacted by several core projects.
- The combined ratio ended at 62.9%.
- Our shareholder's equity increased by 22.2% to 1,397.3 million.

Financial performance review

Credit insurance is our core product, comprising traditional credit insurance for both domestic and export trade and the structured credit and political risk business of our Special Products team. The credit insurance business has continued its good performance in 2021 with an operating segment result of EUR 162.5 million. We offer a wide variety of bonding products designed for different roles and tailored to customer needs in Belgium, France, Germany, Italy, Luxembourg, the Netherlands, the Nordic region, Spain and Portugal. The bonding business has shown a positive operating segment result of EUR 11.7 million in 2021.

Insurance revenue

The insurance revenue performed well in this challenging economic scenario with an increase of 8.9%. Bonding business's revenue showed stability with EUR 124.8 million in 2021 while Credit Insurance business has increased to EUR 1.483,9 million.

Claims development

Gross claims costs ended at EUR 448.2 million. The claims ratio ended at 27.1% over insurance revenue.

Operating expenses

Gross operating expenses in 2021 amounted to EUR 588 million. Direct brokerage costs increased by 8.7%. The expense development resulted in gross insurance expense ratio of 35.8%.

Reinsurance Result

Part of our premium and claims expenses are ceded to reinsurers who participated in ACyC's results with EUR -447.8 million. In view of the Covid-19 pandemic crisis affecting the world economy, as a support to the national economy, 10 main countries where the Group operates have supported the business of credit insurance in the form of specific government reinsurance schemes with high cession rates, impacting negatively in the reinsurance result of the Company by EUR 253.1 million.

Net investment result

The net investment result ended at EUR 14.4 million.

Risk and capital management

Risk management

We refer to the description of the main risk and uncertainties and how these are managed to Note 4 Risk and capital management of the consolidated financial statements.

Capital management

ACyC seeks to maintain a strong capital position. 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.

Shareholder funds and capitalisation

Shareholder funds at the end of 2021: EUR 1,397.4 million increased by 22.2% from EUR 1,143.7 million at year end 2020.

Solvency II

Solvency II is the regulatory framework for insurance and reinsurance 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”.

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.

ACyC is subject to Solvency II and currently applies partial internal capital model for calculating their regulatory capital requirements. Under Solvency II guidelines Group supervision takes place at the ultimate parent Grupo Catalana Occidente S.A.

The solvency position of ACyC is strong, being able to meet their financial obligations efficiently and to comply with local legal and regulatory requirements.

Under Solvency II, ACyC is comfortably capitalised. We apply our internal capital model after regulatory approval.

Our People

ACyC offers products and services from located offices on six continents and employed 2,565 people as of December 31, 2021 (2020: 2,571).

This year our employees continued to show their flexibility and adaptability. It was a year where we worked from home, where we re-opened offices and sometimes had to close them again due to the changing landscape of Covid-19. At Atradius, we have a dedicated Learning and Development team called the Atradius Academy, which has greatly expanded our (virtual) learning and development offer and reach. By actively promoting our offer, we have significantly increased the number of learning hours per employee. Due to the pandemic, we have developed our offer to include themes such as conducting virtual customer meetings and efficient collaboration.

The Growth Program

The wellbeing of our employees remains of paramount importance for Atradius. This year we started the Growth Program, as we saw in our employees Pulse surveys that people were experiencing difficult times during the pandemic. We encouraged the dialogue in the teams around energy management and stimulated open and honest conversations. We also offered some practical tips and theory around the topic of wellbeing. We are currently designing the program for 2022.

Giving a good virtual commercial presentation

We recognised that we needed to improve the way that we conduct our customer facing meetings virtually. We can now use MS Teams to communicate with our customers in place of emails, phone calls and face-to-face meetings. Meeting virtually has brought many advantages for our customers and for us. We can meet more often and also ensure that the right people from different countries and expertise areas are in the virtual room. We developed the skills of our customer facing employees to enable them to maintain our professionalism and offer excellent customer service in a virtual environment.

Efficient collaboration

We emphasized the broader and more effective use of Office 365. Office 365 has a lot of great tools and possibilities and people have shown a great interest in getting to know the possibilities. We continue to develop the skills of our employees in the tools for the benefit of our customers, Atradius and each employee.

Compliance courses

All new employees must undertake our suite of compliance courses. To ensure important compliance topics stay in everyone’s mind, we offer mandatory refresher courses every year. This year, we focused on refreshing the knowledge of our Code of Conduct and the need for a safe and secure workplace.

Hybrid Working Model

The Hybrid Working Model is based on research, and the feedback from our employees. It provides a framework, while also offering flexibility for local adaptations linked to local legislation, Collective Labour Agreements and current local practices.

We implement the Hybrid Working Model only when local situations permit. Health and safety is the top priority for Atradius. We do everything to make sure our people are safe, and our offices are safe places in which to work. We follow the local governments' advice, and will scale down immediately if required locally.

As a starting point we have asked our employees to be in the office for 60% of the time and be flexible for the remaining 40%. This allows our people to catch up with each other, create and collaborate in person. It also enables us to give our new employees an optimal onboarding experience by meeting and learning from others face to face. In this way, we can protect the strong Atradius culture of which we are proud.

This is a journey and we will evaluate it regularly. We will continue to conduct surveys to measure employee engagement and our business results in 2022.

Atradius Business transformation - Shaping Tomorrow Together

To support the Atradius Business Transformation, in 2019 we started the ongoing initiative Shaping Tomorrow Together; a call to action for our employees. The initiative emphasises the importance of demonstrating a growth mind-set. It also helps people to embrace new technologies and supports personal and team development.

The Shaping Tomorrow Together initiative will continue to be an important initiative for Atradius in 2022.

Evolving our Culture

To help the company during these challenging times we strengthened our culture via Evolve+, our multi-year cultural program. In 2021 there was a strong emphasis on raising the awareness of the ongoing digitalisation and innovation at Atradius. Another initiative was the Atradius Games. This was a company-wide habit building, team challenge in which over 1,200 people actively participated.

Remuneration

Remuneration policy

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

Design principles of the remuneration policy

The design principles underlying the remuneration policy applicable to our staff consist of, amongst others:

- Fixed and variable remuneration shall be used to align individual performance with both short and long-term corporate strategy and objectives;
- Remuneration shall reward according to performance at company/entity and individual level as appropriate.
- Individual objectives shall include a combination of financial and non-financial targets as appropriate to the role, taking into account ethical behaviour and corporate responsibility; and
- Performance criteria for employees will be objective, measurable and linked to individual, department and company performance as appropriate.

Environmental, Social and Governance Sustainability (ESG)

In the changing world environmental, social and governance topics are becoming increasingly important. Atradius is embracing these changes and aims to work together with our stakeholders to put ESG at the core of our business.

As a worldwide operating company, we are aware of our responsibility to do business in a way that is ethically and environmentally sound. Environmental, Social and Governance topics are more important than ever, as the urgency of taking care of our planet for future generations and ourselves has further grown. We take up our responsibility as a global organisation. We work together with our stakeholders, with a goal of maximizing the sustainable social value and minimizing the negative impacts on social and environmental matters arising from our activities.

Continued commitment

Environmental, Social and Governance Sustainability is embedded in our culture and a key driver in our day-to-day operations. As a credit insurer, we strongly support the management of our customers' risks, enabling them to increase their trade profitably, prosper in their respective industry segments, and thus create and maintain employment and reduce poverty. It is our objective to do this jointly with our customers in a transparent and ethical manner, allowing both parties to grow sustainably. We place particular emphasis on the identification of risks and opportunities related to ESG parameters and criteria and embed them in our underwriting strategy. We are persistently improving and promoting the development of sustainable products and services that contribute to protection of the environment. We expect the same approach by our suppliers, which is hard-coded in our procurement policy. Within the Atradius culture, a key building block is the encouragement of efficient and responsible use of resources, as well as behaviour supporting its responsible use.

A company consists of individual people and our employees are committed to putting ESG at the heart of their activities. Initiated by individual employees all over the world, Atradius engages in local initiatives for the benefit of communities in the different countries where we are located. From an employer perspective, Atradius provides a workplace environment that is based on an atmosphere of trust and mutual commitment, upholding people and guaranteeing the right to equality of opportunities and treatment for all people.

Our ambitions for the future

The ESG Sustainability Policy of Atradius is closely aligned with the ESG Sustainability Plan of Grupo Catalana Occidente (GCO). In 2021, we continued to build on the foundations with the intention of further improving the full group's business. Key areas to be mentioned are our efforts in dealing with climate change and sustainability, human rights and diversity, as well as digitization, innovation and employee experience. All relevant units in Atradius and GCO are brought together to contribute to our ESG ambitions as a whole organisation, providing a scope and ambition that has been generated in the form of a three-year Master Plan (2020-2023).

The progress we have made, especially around our ESG programs, practices and policies, has been recognised by Sustainalytics, a Global leader in ESG research with almost 30 years of experience around sustainability, which has in December 2021 significantly improved Grupo Catalana Occidente's ESG rating. GCO is now 12th out of 300 insurance companies evaluated. This recognition as a group is a further push for our obligation to manage the ethical, environmental and social risks of our business and contribute to global efforts for making the world a better place to live, work and trade.

Other information

Operations with own shares

The Company has not carried out operations with own shares or shares of the Parent Company during fiscal years 2021 and 2020, nor has its own shares at the end of the fiscal year.

Average payment term

The average payment term to the Company's suppliers for operations in Spain does not exceed the legal maximum applicable in fiscal year 2021 which, according to Law 3/2004, of December 29, through which measures are taken to combat the late payment in commercial operations is established within 30 days, unless a different payment term is agreed with the supplier, which in no case will exceed the maximum legal term of 60 days.

During 2021 the average payment term has been 18.60 days (15.68 days in 2020). For more detail, see Note 20 of the financial statements.

Subsequent events

The Company describes the significant events that have occurred after December 31, 2021 in Note 34 of the financial statements.

Non-financial information

The Company is exempt from including the non-financial information indicated in Law 11/2018, of December 28, because it is included in the Consolidated Management Report of Grupo Catalana Occidente, S.A., of which the Company is part of the consolidation scope. The Consolidated Annual Accounts of Grupo Catalana Occidente, S.A., together with its Consolidated Management Report, will be deposited in the Mercantile Registry of Madrid.

Research and development

Digital Transformation is high on Atradius' agenda. With the major digital programs that we are undertaking for Credit Insurance, Bonding and IFRS17 around the corner, we see that change is the only constant factor.

Under the pillar of Growth and Customer Service, the major digital transformation programs we are undertaking for the Credit Insurance and Bonding business continue to dominate the agenda. Progress has continued, but at a slower pace than originally planned due to the challenges of orchestrating such large programs while largely working on-line and from home. Both of these programs build on Atradius' core strategic advantage of having a single and aligned IT platform for our business, which supports our core service proposition for global customers. In 2021, we have continued the expansion of our API offering and extended the Atradius Flow service to Germany and the Netherlands. With Atradius Flow, our customers will be able to access credit insurance processes directly in their ERP systems, in this case, in one of the market leading applications Microsoft Dynamics. We have also continued to upgrade Atrium, our on-line customer tool, with numerous enhancements to ensure our customers and brokers have the best user experience.

We have further expanded our capabilities, not only in connecting with our customers through APIs, but also in participating in new trading opportunities through platforms, such as our very own B2BSafe marketplace in Spain.

Also for our other business lines, we are exploring new means of improving the customer experience. Examples include the development of a new online comparison platform for insured consumer credits by ICP, and our online collections portal Agora.

Outlook for 2022

In 2022, growth of the world economy is expected to moderate to 4.1%, as the gains from reopening economies have largely been exploited and supply bottlenecks weigh on growth. Despite the continuing recovery, unemployment remains elevated and bankruptcies are expected to increase as the pandemic related fiscal policy support provided in 2020 and 2021 is largely reversed. Moreover, an important new risk to global growth has emerged now that Russia has launched a full-scale military invasion on Ukraine. In response, Western countries have imposed harsh sanctions on Russia and Belarus, which are likely to push these economies in recession in 2022. This escalation will also have an effect on global economic growth, although the exact effect is difficult to estimate at the moment.

Emerging markets as a group are forecast to grow by 4.6% in 2022. Vaccinations will become more widely available this year, which could help output growth and improve consumer confidence. Many emerging markets are likely to turn to a less supportive monetary and fiscal policy in 2022. While growth is moderating, Emerging Asia remains the fastest growing region in 2022 (5.2%). In China, growth moderates to 5.0% in 2022, with constraints coming from the ailing property sector and occasional tight restrictions to fight Covid outbreaks. In Eastern Europe, growth is expected to moderate sharply in Turkey, as the country continues to struggle with high inflation coming from commodity prices, supply chain disruptions and geopolitical uncertainty.

Growth in the advanced economies is projected to slide to 3.8%. GDP growth in the United States is expected to moderate in 2022 due to a lower fiscal impulse and a stalling labour market recovery. Eurozone GDP growth is forecast to moderate somewhat in 2022 due to supply chain disruptions and lockdowns resulting from a resurgence of Covid cases. While fiscal support will weaken in 2022 compared to 2021, the fiscal position continues to be expansionary in most countries.

Our economic outlook for 2021 predicted a recovery to relatively high levels based on increasing vaccination rates and relaxation of lockdown measures. What we did not foresee, was the severity of the impact of new Covid-19 variants and waning vaccine immunity, resulting in a stop-starting mode to economic recovery – compounded by supply chain challenges and energy price rises. The predicted rise in insolvencies for 2021 was held back by ongoing fiscal measures and insolvency law amendments in a range of countries, resulting in a largely benign claims environment. However, we expect a rise in insolvencies in virtually all markets in 2022, as measures that helped to suppress insolvency growth in 2020 and 2021 are gradually unwound. There remains a wide dispersion of insolvency projections between countries. In Singapore, Australia and the Netherlands, the withdrawal of fiscal support is likely to lead to a strong increase of insolvencies, as insolvencies come from a relatively low level. In the United Kingdom, the increase is also rather high, as high inflation and a withdrawal of fiscal support are weighing on GDP growth. Smaller increases of insolvencies are expected in for example the United States, France, Germany and Spain. Brazil is the only covered market where insolvencies are expected to decline in 2022.

Two years into the pandemic, it is clear that the uncertainty over the coronavirus has not receded. The possibility of new variants emerging that force governments to take new lockdown measures, cannot be excluded. Given the sizable government support, the economic damage of the pandemic to businesses and households is not fully felt yet, but it is expected to gradually emerge over the coming years. Geopolitical risk is adding to the uncertain outlook.

Board of Directors

Xavier Freixes Portes (Chairman as per 1 of January 2022)
José Ignacio Álvarez Juste (Chairman until 31st of December 2021)
Francisco José Arregui Laborda (Vice-Chairman)
Désirée María van Gorp
Juan Ignacio Guerrero (as per 1 of January 2022)
Carlos Halpern Serra
John Patrick Hourican
Bernd Hinrich Meyer
Hugo Serra Calderón
José María Sunyer Sendra

02

Consolidated Financial Statements



Consolidated financial statements 2021

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Consolidated financial statements

Consolidated statement of financial position

Assets	Note	31.12.2021	31.12.2020
Intangible Assets	6	127,818	151,134
Property, plant and equipment	7	133,758	143,406
Investment property	7	2,298	2,595
Financial investments	9	1,857,006	1,471,479
Reinsurance contracts	16	935,652	1,013,353
Deferred income tax assets	18	21,695	35,630
Current income tax assets	18	18,167	16,075
Receivables	10	323,123	294,511
Accounts receivable on insurance and reinsurance business		218,917	184,593
Other accounts receivable		104,206	109,918
Other assets		518,924	420,965
Deferred acquisition costs	11	33,754	29,560
Other assets and accruals	12	485,170	391,405
Cash and cash equivalents	13	324,508	225,565
Total		4,262,949	3,774,713
Equity			
Capital and reserves attributable to the owners of the Company	14	1,397,356	1,143,666
Non-controlling interests		-	-
Total		1,397,356	1,143,666
Liabilities			
Employee benefit liabilities	15	98,753	137,173
Insurance contracts	16	1,575,495	1,397,951
Other provisions	17	2,620	2,781
Deferred income tax liabilities	18	81,499	67,565
Current income tax liabilities	18	27,639	36,234
Payables	19	474,644	393,357
Accounts payable on insurance and reinsurance business		382,947	324,499
Trade and other accounts payable		91,697	68,858
Other liabilities	20	604,943	595,986
Total		2,865,593	2,631,047
Total equity and liabilities		4,262,949	3,774,713

Consolidated income statement

	Note	2021	2020
Insurance premium revenue	21	1,608,734	1,470,817
Insurance premium ceded to reinsurers	21	(1,030,572)	(1,038,126)
Net premium earned		578,162	432,691
Service and other income	22	56,692	59,907
Net income from investments	23	14,409	10,977
Total income after reinsurance		649,263	503,575
Insurance claims and loss adjustment expenses	24	(448,211)	(892,054)
Insurance claims and loss adjustment expenses recovered from reinsurers	24	163,328	631,516
Net insurance claims		(284,883)	(260,538)
Net operating expenses	25	(174,212)	(122,249)
Total expenses after reinsurance		(459,095)	(382,787)
Operating result before finance costs		190,168	120,788
Finance income		492	1,950
Finance expenses	26	5,066	(7,493)
Result for the year before tax		195,726	115,245
Income tax expense	27	(67,545)	(30,321)
Result for the year		128,181	84,924
Attributable to:			
Owners of the Company		128,181	84,924
Non-controlling interests		-	-
Total result for the year		128,181	84,924

Consolidated statement of comprehensive income

	Note	2021	2020
Result for the year		128,181	84,924
Other comprehensive income:			
Items that will not be reclassified to the income statement:			
Actuarial gains/(losses) on defined benefit pension plans	14.5	38,936	(10,587)
Income tax relating to items that will not be reclassified		(8,159)	5,467
Items that may be subsequently reclassified to the income statement:			
Net fair value gains/(losses) on available-for-sale financial investments	14.3	32,609	(8,406)
Exchange gains/(losses) on translating foreign operations	14.4	10,919	(13,031)
Income tax relating to items that may be reclassified		(8,795)	266
Other comprehensive income for the year, net of tax		65,510	(26,292)
Total comprehensive income for the year		193,691	58,633
Attributable to:			
The owners of the company		193,691	58,633
Non-controlling interests		-	-
Total comprehensive income for the year		193,691	58,633

Consolidated statement of changes in equity

	Note	Attributable to the owners of the Company							Total	Non-controlling interests	Total equity
		Share capital	Share premium reserve	Revaluation reserve	Currency translation reserve	Pension reserve	Retained earnings	Result for the year			
Balance at 1 January 2020		24,870	24,192	67,636	(26,073)	(163,000)	1,079,093	181,173	1,187,892	-	1,187,892
Dividends	14	-	-	-	-	-	(102,859)	-	(102,859)	-	(102,859)
Acquisitions		-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year		-	-	(9,884)	(11,287)	(5,121)	181,173	(96,249)	58,633	-	58,633
Appropriation of prior year result		-	-	-	-	-	181,173	(181,173)	-	-	-
Result for the year		-	-	-	-	-	-	84,924	84,924	-	84,924
Other comprehensive income		-	-	(9,884)	(11,287)	(5,121)	-	-	(26,292)	-	(26,292)
Balance at 31 December 2020		24,870	24,192	57,752	(37,360)	(168,121)	1,157,408	84,924	1,143,666	-	1,143,666
Balance at 1 January 2021		24,870	24,192	57,752	(37,360)	(168,121)	1,157,408	84,924	1,143,666	-	1,143,666
Dividends	14	-	-	-	-	-	-	-	-	-	-
Acquisitions		-	60,000	-	-	-	-	-	60,000	-	60,000
Total comprehensive income for the year		-	-	24,576	10,158	30,777	84,924	43,257	193,691	-	193,691
Appropriation of prior year result		-	-	-	-	-	84,924	(84,924)	-	-	-
Result for the year		-	-	-	-	-	-	128,181	128,181	-	128,181
Other comprehensive income		-	-	24,576	10,158	30,777	-	-	65,511	-	65,511
Pension plan de-risking	14.5 14.6	-	-	-	-	80,992	(80,992)	-	-	-	-
Balance at 31 December 2021		24,870	84,192	82,328	(27,202)	(56,352)	1,161,339	128,181	1,397,356	-	1,397,356

Consolidated statement of cash flows

	Note	2021	2020
I. Cash flows from operating activities			
Result for the year before tax		195,726	115,245
Adjustments for:			
Realised capital (gains)/losses on investments		(4,178)	(4,094)
Dividends received from financial investments		(9,580)	(6,138)
Impairment Loss		40,982	19,374
Depreciation, impairment and amortisation		40,106	31,430
Net interest income		(13,001)	(15,861)
Other non-cash items		7,664	20,816
Changes in operational assets and liabilities:			
Insurance contracts	17	177,544	150,222
Reinsurance contracts	17	77,701	(201,286)
Deferred acquisition costs	12	(4,194)	3,756
Accounts receivable and payable on insurance and reinsurance business		24,124	206,136
Changes in other assets and liabilities		(29,149)	32,680
Pensions and other long-term employee benefit net contributions		(55,932)	(24,108)
Cash generated from operations		447,813	328,172
Income tax paid		(50,354)	(33,973)
Interest paid		(1,040)	(1,036)
Net cash (used in)/generated by operating activities		396,419	293,163
II. Cash flows from investing activities			
Investments and acquisitions (cash outflows):			
Short-term investments		(172,155)	(113,789)
Financial investments available-for-sale	10	(645,169)	(514,117)
Property, plant and equipment and intangible assets		(45,681)	(49,711)
Divestments, redemptions and disposals (cash inflows):			
Investment property		340	263
Short-term investments		99,792	123,899
Financial investments available-for-sale	10	375,964	389,195
Property, plant and equipment and intangible assets		691	65
Dividends received from financial investments		9,580	6,138
Interest received		14,275	17,298
Net cash (used in)/generated by investing activities		(362,363)	(140,759)
III. Cash flows from financing activities			
Dividend paid	29	-	(102,859)
Other cash flows		60,000	-
Net cash (used in)/generated by financing activities		60,000	(102,859)
Changes in cash and cash equivalents (I + II + III)		94,055	49,545
Cash and cash equivalents at the beginning of the year	14	225,565	181,754
Effect of exchange rate changes on cash and cash equivalents		4,887	(5,735)
Cash and cash equivalents at the end of the year		324,508	225,565

The cash and cash equivalents are presented net of bank overdrafts (see Note 13).

Notes to the consolidated financial statements

1 General information

Atradius Crédito y Caucción S.A. de Seguros y Reaseguros ('ACyC'), with its office at Paseo de la Castellana 4, Madrid, Spain, and its subsidiaries 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, instalment credit protection and information services.

The Company is registered in the Commercial Registry of the province of Madrid in Volume 10836 of Section 8, Page 1, Sheet M-171,144, Entry 308, with Legal Entity ID Code number 9598002U9BK2VP1RTG14 issued by the Registry; it is also registered in the Administrative Registry of Insurance Companies of the General Direction for Insurance and Pension Funds, under reference C-0046, and is authorized to operate in the following industries: Credit (commercial risks in the domestic and foreign markets) and Sureties.

The main shareholder of ACyC is Atradius Insurance Holding N.V. The parent company of Atradius Insurance Holding N.V. is Atradius N.V. (together with its subsidiaries referred to as Atradius), which is a company incorporated and domiciled in Amsterdam, the Netherlands. The parent is Grupo Compañía Española de Crédito y Caucción, S.L., which owns 64.23% (2020: 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 Caucción, S.L. and 35.77% (2020: 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 and has its Consolidated Accounts deposited in the Commercial Registry of the province of Madrid.

ACyC has decided to voluntarily prepare consolidated IFRS financial statements. The ACyC accounting principles are fully aligned with the accounting principles that are applied at Atradius. For more detail we refer to Note 2 and Note 3.

The ACyC Consolidated financial statements have been approved by the Board of Directors on 2 March 2022 and subjected to the approval of the General Shareholders Meeting.

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 ACyC consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. These have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial investments. The ACyC consolidated financial statements are prepared based on going concern.

The financial statements have been prepared in accordance of the following local regulation:

- Code of Commerce (Código de Comercio).
- The international financial reporting standards adopted by the European Union through Community Regulations, in accordance with Regulation 1606/2002 of the European Parliament and of the Council, of July 19, 2002, and its subsequent amendments.
- Royal Decree 1060/2015, dated 20th of November, for Ordering, Supervising and Solvency of Insurance and Reinsurance Companies (ROSSEAR).
- Law 20/2015, dated 14th of July, for Ordering, Supervising and Solvency of Insurance and Reinsurance Companies
- The applicable regulatory framework includes the various requirements established in Spanish legislation, including those specific to the insurance activity. In particular, for the preparation of these consolidated annual accounts, the provisions of the Framework Document of the General Directorate of Insurance and Pension Funds on the accounting regime of insurance entities relating to IFRS 4, published on December 22, 2004.

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 ACyC 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.

All amounts in the notes are shown in thousands of Euro (EUR), rounded to the nearest thousand, unless otherwise stated. Due to rounding, numbers presented throughout this and other documents, may not add up precisely to the totals provided.

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 ACyC require retrospective application.

2.2.1 Standards, amendments and interpretations effective in 2021

The following relevant standards, amendments and interpretations have been adopted in 2021, but have had no material effect on the consolidated financial statements:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective 1 January 2021). The amendments ensure that companies will not have to derecognise or adjust carrying amounts of financial instruments for changes required by the reform, will not have to discontinue existing hedge relationships solely because it makes changes required by the reform and will be required to disclose information about new risks arising from the reform and how it manages transition to alternative benchmark rates. In the absence of any hedge relationships it is expected that these amendments will not have a material impact on the consolidated financial statements.
- Amendment to IFRS 16 for COVID-19-related rent concessions beyond 30 June 2021. The amendment permits lessees, as a practical expedient, not to assess whether particular COVID-19-related rent concessions are lease modifications. Instead, lessees that apply the practical expedient can account for those rent concessions as if they were not lease modifications. The Amendment increases the eligibility period for the application of the practical

expedient by 12 months from 30 June 2021 to 30 June 2022. This amendment has no material impact on the consolidated financial statements.

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 2021 and have not been early adopted by ACyC:

- IFRS 9 Financial Instruments (effective 1 January 2018) 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: a temporary exemption from applying IFRS 9 and an overlay approach. The temporary exemption is available for entities whose activities are predominantly connected with insurance. ACyC performed an assessment of the amendments to IFRS 4 and concluded that its activities are predominantly connected with insurance as at 31 December 2015 based on the assessment that the predominance ratio i.e. ratio total carrying amount of its liabilities connected with insurance compared with total carrying amount of liabilities criteria was greater than 90%. ACyC decided 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 on 1 January 2023. In case of a significant change in operating activities, ACyC will reassess whether its activities are predominantly connected with insurance. Please refer to the 'Temporary exemption from IFRS 9' section included in Risk and Capital management for the related disclosures. It is not expected that these amendments will have a material impact on the consolidated financial statements.
- IFRS 17 Insurance contracts (effective 1 January 2023), IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020): During 2021, ACyC has continued with the implementation of the standard, in accordance with the action plan and the defined milestones. The different areas involved (Actuarial, Accounting and Consolidation, Accounting Regulations and Policies, Systems, etc.) have focused their efforts on adapting the systems and the processes to the IFRS 17 standard. In the overall project, the areas of work that have stood out in 2021 are among other: the continuation of the modelling of actuarial tools, the improvement of accounting policies, the development of accounting and management information models, as well as the testing of the partial results that have been generated. ACyC has committees that ensure compliance with the requirements of IFRS 17. The Project Committees, made up mainly of those responsible for the areas mentioned above and who monitor the development of the project and its adaptation to the requirements of the standard. It is expected that the first application of the standard will have a significant financial impact on insurance contracts measured according to the General Measurement Model (commonly known as "Building Block Approach"), which is intended to be applied for all our products. Progress has been made in estimating the impact of the standard on ACyC's financial statements, although, given the scope and interdependence of its implications, the preliminary quantitative results are partial and are in the process of continuous analysis. The activities planned for the year 2022 are among others: the refinement of the IFRS 17 information and processes; the construction and validation of the transition balance as per 1 January, 2022; the execution of the parallel runs under IFRS 17 during the year 2022 in order to present the comparative information for reporting for the year 2023, to advance with the formalization of the operational processes impacted by IFRS 17 and to align the system of governance with it. These activities will ensure the adoption of IFRS 17 in a timely manner.
- Amendments to IFRS 3 Business Combinations (effective 1 January 2022). The IASB has updated references in IFRS 3 to the Conceptual Framework without changing any of the accounting requirements. These amendments will not have a material impact on the consolidated financial statements.
- Amendments to IAS 16 Property, Plant and Equipment (effective 1 January 2022). The amendments prohibit deducting from cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use and requires it to recognise the amounts received as sales proceeds and related costs in profit or loss. It is expected that these amendments will not have a material impact on the consolidated financial statements.
- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (effective 1 January 2022). These amendments require a company to include both incremental costs as well as an allocation of other costs of fulfilling a contract when assessing whether that contract will be loss-making. It is not expected that these amendments will have a material impact on the consolidated financial statements.
- Annual Improvements 2018-2020 (effective 1 January 2022). The annual improvements make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases. These amendments will not have a

material impact on the consolidated financial statements.

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

- Amendments to IAS 1 Presentation of Financials Statements: classification of liabilities as current or non-current and IFRS Practice statement 2: Disclosure of accounting policies. These amendments will not have an impact on the consolidated financial statements.
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates. These amendments will not have an impact on the consolidated financial statements.
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction. These amendments will not have an impact on the consolidated financial statements.

2.3 Consolidation

All the entities that are consolidated have the 31st December 2021 as end closing date.

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

2.3.1 Subsidiaries

Subsidiaries are all entities over which ACyC has control. ACyC 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 ACyC. 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 ACyC except for the accounting for insurance contracts (see Note 2.16).

When the group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

2.3.2 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 ACyC, liabilities incurred by ACyC to the former owners of the acquiree and the equity interests issued by ACyC 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 ACyC' 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 ACyC 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, ACyC's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date (i.e., the date when ACyC 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, ACyC 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 Segment reporting

IFRS 8 requires operating segments to be identified on the basis on which the Board of Directors regularly reviews components of ACyC 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 Board of Directors. For more information related segment please see Note 5.

2.5 Foreign currencies

2.5.1 Functional and presentation currency

Items included in the financial statements of each of ACyC' entities/branches are measured using the currency of the primary environment in which these entities/branches operate (the 'functional currency').

All amounts in the notes are shown in thousands of Euro (EUR).

2.5.2 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.

2.5.3 Group companies and branches

The results and financial position of all ACyC 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 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 ACyC are presented below:

Currency	End rate			Average rate		
	GBP	USD	AUD	GBP	USD	AUD
At 31 December 2021	1.190	0.883	0.640	1.174	0.880	0.629
At 31 December 2020	1.112	0.815	0.629	1.113	0.835	0.616

2.6 Goodwill and other intangible assets

2.6.1 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 ACyC' 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 2.3.2) less accumulated impairment losses, if any. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

For the purpose of impairment testing, goodwill is allocated to ACyC' relevant cash-generating units. The CGU's where Goodwill is allocated are the lowest identifiable level possible. 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.

For more information related to intangibles please see Note 6.

2.6.2 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.

Development costs that are directly associated with the production of identifiable and unique software products controlled by ACyC, 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. The research costs associated with developing identifiable and unique software products as well as the costs of maintaining computer software programmes are recognised as an expense as incurred. The 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. Majority of capitalised software developed for strategic business developments has a useful life of 10 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.

2.6.3 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. Other intangible assets relate to agent networks, non-patented technology, trade names and insurance.

For more information related intangibles please see Note 6.

2.7 Property, plant and equipment

2.7.1 Owned property, plant and equipment

Land and buildings comprise offices occupied by ACyC ('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 ACyC 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 ACyC' 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, ACyC 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 depreciated 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.

2.7.2 Leased property, plant and equipment

At inception of a contract, ACyC assesses whether it is a lease. A contract is a lease if it involves the use of an identified asset and conveys the right to control the use the asset for a period of time in exchange for consideration – i.e. ACyC has the rights to obtain substantially all of the economic benefits from using the asset, and direct the use of the asset.

As a lessee

A right of use (ROU) asset and a lease liability are recognised at the commencement date of the lease. The ROU asset is initially measured at cost, which comprises the amount of the lease liability, any lease payments made at or before the commencement date, any initial direct costs incurred and an estimate of the costs to remove the underlying asset or to restore the site on which it is located, less any lease incentives received. The lease liability is initially measured at the present value of the lease payments to be paid, discounted using the interest rate implicit in the lease or, if that cannot be readily determined, the Group's incremental borrowing rate. ACyC generally uses its incremental borrowing rate as the discount rate that applies to the lease.

Subsequently, the ROU asset is depreciated using the straight-line depreciation method over the shorter of the asset's useful life and the lease term. The lease liability is subsequently measured at amortised cost using the effective interest method. The depreciation expense on the ROU asset and the interest expense on the lease liability are separately recognised in the income statement.

ACyC presents its ROU assets in 'property plant and equipment' and lease liabilities in 'other liabilities' in the statement of financial position.

ACyC has elected not to recognise ROU assets and lease liabilities for short-term-leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are recognised as an expense on a straight-line basis in the income statement.

As a lessor

The Group classifies all leases for which it is a lessor as operating leases, because none of these leases transfer substantially all of the risks and rewards incidental to ownership of the underlying asset.

Lease payments from operating leases are recognised as income on a straight-line basis over the lease term and are included in 'net investment income'.

ACyC presents its operational leases as a lessor in 'investment property' in the statement of financial position.

2.8 Investment property

Property held for long-term rental yields that is not occupied by one of the companies of ACyC 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.

2.9 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 ACyC 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. ACyC 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, every two years, by independent real estate valuers registered in the relevant countries and who have appropriate qualifications and experience in the valuation of properties.

See Note 4.4.1.1 for further details regarding the determination of the fair value of financial investments.

2.10 Recognition and derecognition of financial investments

All purchases and sales of financial investments 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 ACyC commits to purchase or sell the asset. Loans and receivables are recognised and derecognised at settlement date, the date ACyC receives or delivers the asset.

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

2.11 Classification of financial investments

ACyC 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. ACyC determines the classification of its investments at initial recognition and re-evaluates this at the end of each reporting period.

2.11.1 Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets 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.

2.11.2 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 ACyC 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.

2.12 Impairment of assets

2.12.1 Financial assets - general

At the end of each reporting period ACyC 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.

ACyC first assesses whether objective evidence of impairment exists for financial assets that are individually significant. If ACyC 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.

2.12.2 Financial investments - carried at amortised cost

ACyC assesses, at the end of each reporting period, whether there is objective evidence that a financial asset carried at amortised costs is impaired. 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 ACyC on terms that ACyC would not otherwise consider; indications that a counterparty will enter bankruptcy; or economic conditions that correlate with defaults.

Where such evidence exists 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, ACyC 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.

2.12.3 Financial investments - carried at fair value

ACyC 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.

In this assessment, ACyC uses the following indications to decide whether a loss on an equity instrument position qualifies for impairment:

- significant: The market value of the equity instrument dropped below 60% of its average historical cost price (i.e. the unrealised loss is larger than 40% of the average historical cost price); or
- prolonged: The market value of the equity instrument has been below its average historical cost price for a consecutive period of 18 months.

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.

2.12.4 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.

If, when evaluating, there is any indication that the asset value may have been impaired, the Group will consider, at a minimum, the following factors:

- There is evidence from internal reports that indicates the economic asset performance is, or is going to be, not aligned with the expectation.
- There is evidence of the obsolescence or physical deterioration of the asset.

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.

2.13 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.

2.14 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 ACyC in the management of its short-term commitments. Bank overdrafts which are repayable on demand form an integral part of ACyC' cash management and are included as a component of cash and cash equivalents for cash flow purposes. In the statement of financial position, bank overdrafts which do not meet the criteria for offsetting, are presented separately as liabilities under borrowings.

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

2.15 Capital and reserves

2.15.1 Share capital

Share capital is the nominal value of issued shares. 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.

2.15.2 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.

2.15.3 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.

2.15.4 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 of acquisition date and using the rate at the end of the current reporting period.

2.15.5 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 ACyC' 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 ACyC cannot recover any surplus through refunds from the pension's vehicle due to solvency and/or control requirements.

2.15.6 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.

2.15.7 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 acquiree'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 that is 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.

2.16 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 ACyC 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 ACyC' insured customers; and
- bonding contracts: contracts that provide compensation to the beneficiary of the contract if ACyC' 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 difference relates to the accounting of local business in Spain and Portugal that 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 in Note 4.3.6 and Note 16.

2.16.1 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.

2.16.2 Provision for unearned premium

The UPR is established for the different types of business as follows (see note 4.3.6.1):

- 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;
- 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;
- for bonding, instalment credit protection and reinsurance, the UPR relates to risk taken on; and
- 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.

2.16.3 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 ACyC has assumed up to the end of the reporting period. ACyC 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 ACyC 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 4.3.6.

2.16.4 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.

2.16.5 Reinsurance contracts

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

The benefits to which ACyC 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.

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

Reinsurance commission related to ACyC' 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.

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

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

2.16.7 Salvage and subrogation reimbursements

Some insurance contracts permit ACyC to sell goods acquired in settling a claim (i.e., salvage). ACyC 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 be expected to be recovered.

2.16.8 Insurance portfolios

Acquired insurance portfolios are initially recognised at fair value by estimating the net present value of future cash flows related to the liability arising from insurance contracts, being the provision for unearned premium and the provision for outstanding claims at the date of acquisition. The difference between the carrying value and the fair value of the insurance contracts is recognised as an intangible asset.

The Group subsequently amortises this asset based upon the duration of the underlying cash flows. The carrying amount after initial recognition is adjusted for accumulated amortisation and any accumulated impairment losses.

2.17 Provisions

Provisions for restructuring, onerous contracts and litigation are recognised when ACyC 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 which 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.

2.18 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.

2.19 Employee benefits

2.19.1 Post-employment benefits

ACyC has a number of post-employment benefit plans. The obligations of these schemes are determined by periodic actuarial calculations and are generally funded through payments to state plans, insurance companies or trustee-administered funds. ACyC 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 ACyC may pay contributions into a separate entity or fund. ACyC, and in some cases the employees who are participating, fund a defined benefit plan and ACyC 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 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), are recognised immediately in other comprehensive income. ACyC 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 ACyC 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. ACyC 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; and
- rereasurement.

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 ACyC 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, ACyC pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. ACyC 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.

2.19.2 Other long-term employee benefits

ACyC 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.

ACyC' 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 obligation is calculated annually by independent actuaries using actuarial techniques.

2.19.3 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. ACyC recognises termination benefits when it is 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 ACyC liability is included as part of the provisions.

2.19.4 Profit sharing and bonus plans

ACyC 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. ACyC recognises a liability where contractually obliged or where there is a past practice that has created a constructive obligation.

2.20 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 utilised. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and ACyC 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.

2.21 Consolidated income statement

2.21.1 Income

Revenue comprises the fair value for services, net of value added tax, after eliminating revenue within ACyC. 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 ACyC 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 and other income includes the income from:

- credit information services, consisting of providing up-to-date credit information on buyers for which a customer requires a credit limit application under the insurance policy. This performance obligation is satisfied over time during the policy period. Revenue is recognised based on the credit limit applications requested by and invoiced to the customer, against fixed prices stated in the contract. If a contract includes a separate charge for monitoring, this element is recognised evenly over time;
- business information is provided online to customers on a subscription basis. Revenue is recognised evenly over time based on the consideration in the contract, reflecting the constant effort required to acquire and prepare

business information.

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 ACyC' 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.

2.21.2 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 2.19). 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.

2.22 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 ACyC 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 ACyC.

3 Critical accounting estimates and judgements in applying accounting policies

ACyC makes estimates and assumptions that affect the reported financial statements (balance sheet, profit and loss 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

ACyC 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. ACyC 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. When market observable inputs are not available (Level 1), ACyC engages an external independent valuation company to perform the valuation. ACyC 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 4.4.1.1 and Note 7.

3.2 Insurance and reinsurance 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 ACyC's most critical accounting estimate, due to impact these has on income statement or other comprehensive income. Although management has endeavoured to adequately take all facts into account, including COVID 19, by their very nature estimates remain uncertain and the eventual outcome may differ significantly from the projected amount (see section 4.3.6).

Pipeline premium

Pipeline premium relates to shipments made by ACyC' policyholders for which ACyC is at risk but has not invoiced the 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, considering all policy specific features that might impact the assessment, the calculation does involve the use of management estimates. The main reason is that premiums for risks taken on depend on the amount of business insured during the reporting period, whereas at the end of the reporting period not all business has been declared yet. A secondary reason is that for part of the policies the final premium depends on claims related to the policy. As the final performance of the policy is not known at reporting date, this also means that part of the pipeline premiums results from estimates. The assumptions are based on recent trends in insured business, client specific information, knowledge of pending claims, and when relevant, macroeconomic information. It is this current changing macroeconomic information, under an unprecedented pandemic, which requires a quantification of the additional uncertainty over the business as usual process followed in the pipeline estimates, to ensure that potential future developments of pipeline are not impacting negatively the financial statements in the coming years. Historical positive development derived from this process shows that, any potential deviation on unknown shipments under this unprecedented pandemic and uncertain economic environment would be covered without significant impacts on insurance premium. However, the Company performs detailed analysis of the different components included in the automatic modelled pipeline calculations, adjusting those which the Company estimates could be more uncertain due to the present low claim environment (bonus pipeline) or from deviation in insured turnovers estimates (reconciliation invoices). (see note 12).

Reinsurance sliding scale commission

The reinsurance 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. Recognition of this reinsurance sliding scale commission is based on the observed claims ratio by underwriting year and the expected development.

The above mentioned concepts are the most relevant and significant on the financial statements related to estimates judgements.

3.3 Impairment of available-for-sale equity financial investments

ACyC determines that an available-for-sale equity financial investment is impaired when there has been a significant (40% of the decrease) or prolonged decline (18 consecutive months) in the fair value below its cost. This determination of what is significant or prolonged requires judgement.

Had all the declines in fair values below cost been considered significant or prolonged ACyC would have a cumulative additional EUR 1 million loss before tax (2020: EUR 2.9 million), 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, ACyC annually tests whether goodwill of subsidiaries and associated companies 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.

In order to test the value in use against the recognised goodwill, ACyC has stress-tested the main assumptions (discount rate, combined ratio and capital requirement ratio) which have been applied when determining the value in use for the related cash-generating units.

The discount rate used varies depending on the location and industry of the company to analyse, using customised Risk-Free Rates, Market Betas and Country Risk Premiums. The terminal value is calculated based on the dividend flow/free cash flow of the normalised period through a perpetuity, which applies a long-term growth rate of 2% and the specific discount rate.

The projection period is 10 years, where the first 1-4 year projections are based on financial budgets and/or forecasts. In the budgets and forecasts, the impact of the changed macroeconomic situation due to the COVID-19 pandemic situation is taken into account. The remaining years are estimated using ratios and growth rates that converge towards their normalised term value.

For further details see Note 6.

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.

ACyC 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, ACyC 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 15.

4 Risk and capital management

4.1 Integration in the Atradius risk management framework

ACyC is part of Atradius and relies for its risk and capital management on the Atradius risk management framework. The information found in this note, therefore, is consistent, where relevant for ACyC, with the note on risk and capital management found in the 2021 annual report of Atradius N.V. The corporate bodies and committees as described in Notes 4.2.2, 4.3.1 and 4.4.1 operate at Atradius level. The General Manager of ACyC, who is also the CEO and Chairman of the Management Board of Atradius N.V., is participating in the Risk Strategy Management Board (RSMB), the highest risk governance body of Atradius, as described in Note 4.2.2.

4.2 Risk management

As a global insurance provider, ACyC recognises the importance of risk management. ACyC maintains a strong governance and associated internal control system within the organisation. As a self-learning organisation, and based on additional regulatory requirements, ACyC 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 substantially 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 enhances Atradius' ability to monitor and manage risk levels within the organisation through the allocation of risk-based capital and the definition of an appropriate risk appetite.

4.2.1 The risk landscape

The state of the global economy greatly influences the risks that Atradius faces. Economic deterioration may result in increased insolvencies thereby causing more frequent and severe claims expenses. 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 affect 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 and thereby lower revenues. Understanding of this landscape, anticipating developments and preparation for mitigating actions is a key expertise of Atradius.

In addition to the risks arising from exposures under customer policies, which we refer to as underwriting risk, Atradius' risk landscape contains other types of risk. Atradius faces market risk related primarily to our assets, credit risk from reinsurers and third-party receivables, and operational risks such as cyber risk and legal risks. In addition, strategic risks exist, such as the rapidly changing technological environment, possible adverse impacts from geopolitical conflict, and uncertainty around the breakup of supranational entities. Atradius has structures, systems and processes in place to identify, evaluate, monitor, and control or mitigate internal and external sources of material risk in the landscape.

In 2021, as in 2020, the most significant developments in the risk landscape were related to the worldwide effects of the COVID-19 pandemic. The pandemic has affected all risk areas – from underwriting risk (impact on buyers (credit insurance) and customers (bonding)) to financial risk and operational risk (impact on Atradius' ability to maintain its standard of service and to ensure that the needs of employees are adequately addressed).

A key part of our underwriting strategy during the COVID-19 crisis beginning in 2020 – and continuing in 2021 – has been supporting our customers in insuring their receivables, and, at the same time, protecting them against losses in a heightened risk environment in an explainable and comprehensible way. While COVID-19 risks were spread broadly, the risks were not uniform across all countries, sectors and portfolios. We analysed the nature and sources of the risks and how they constantly shifted, e.g. supply chain problems, commodity shortages and price developments, fluctuations in consumer and purchasing manager confidence, willingness of governments to continue support of struggling companies, potential interest rate increases. We continually analysed all trade sectors for relevant risk factors, such as how they might be influenced by governmental response and readiness, and changing infection rates in different countries and regions. Using segmentation tools, extensive data and analytics, dedicated COVID-19 response teams coordinated our worldwide risk and commercial organisations to rigorously review and take action on portfolios. Most of our underwriting algorithms were re-parameterised in the COVID-19 environment. These continuous underwriting actions were performed in alignment with commercial strategies on (re)pricing, policy restructuring and prudent sales, underpinned by a deliberate and transparent communication with the market.

Atradius has taken the appropriate steps to manage its exposure to the effects of the pandemic.

Climate-related risks - More frequent and severe weather events are damaging infrastructure and disrupting supply chains. Transition to a lower carbon economy is bringing new policies, regulations and changes to market dynamics. There is a risk that such changes could have a negative impact on Atradius by affecting our operations and/or our customers and their buyers. Focus on carbon footprint / CO2 emissions may require manufacturers to adapt or go out of business, in turn having a knock-on effect on their suppliers. Doing business in certain trade sectors may become undesirable and attract negative publicity. At the same time, interest in climate change / ethical practices, such as ESG (Environmental, Social & Governance) and CSR (Corporate Social Responsibility) considerations, may create opportunities to enhance the Atradius offerings. Developments are monitored and discussed in various forums within Atradius. Aspects of Atradius' approach to ESG are described in this Report.

4.2.2 The risk management and internal control framework

The Board of Directors of ACyC has ultimate responsibility and accountability for risk management and internal control within the company. 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 and maintenance of the framework to manage risk and the ongoing overview of the largest risks. The RSMB establishes the internal risk management framework by approving risk 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.

Atradius N.V.'s 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 formalise the identification and analysis of 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, management standards and procedures, Atradius maintains a disciplined and constructive control environment in which all employees understand their roles and responsibilities.

Central to the company's 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, the company 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 insight into decision-making and risk-management processes.

To achieve reliability over financial information and solvency reporting, the following controls are implemented and quarterly tested:

- Key controls required to manage the risk of a material error in financial and non-financial reporting; and
- Entity-level controls that detect material misstatement due to failures in controls within business processes

4.2.3 Risk classification

ACyC 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 default-related 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, counterparty credit risk and liquidity risk. Operational risks arise from inadequate or failed internal processes, people, systems, or from external events.

Environmental, Social and Governance (ESG) refers to the three central factors in measuring the sustainability and societal impact of an investment in a company or business. ESG concerns are increasingly used in the evaluation of companies; by investors, the media, other companies and the public in general. The image of a company is increasingly defined by the level of concern for ESG criteria:

- Environmental concerns: The threat of climate change and depletion of natural resources. The main question becomes the sustainability of products, services and therefore companies.
- Social concerns: How the company affects the wider social environment. This includes diversity, human rights, and consumer protection.
- Corporate governance concerns: The rights and responsibilities of the management of a company.

ESG risks are included under Insurance Financial and Operational risk as described below.

4.3 Insurance risk

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

ACyC operates with two main direct insurance product lines: credit insurance and bonding. 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 4.2.2. Furthermore, ACyC's 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, ACyC 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 ACyC. 'Buyers' are the customers of the ACyC's insured customers, i.e., the parties that ACyC insures trade credit risk on. In order to mitigate the risk of adverse selection, the traditional credit insurance products of ACyC usually cover the entire portfolio of buyers of a policyholder.

For traditional credit insurance, there are two underwriting processes: policy underwriting and buyer underwriting. Policy underwriting is the process by which ACyC decides which companies to accept as policyholders and the terms and conditions of cover that are offered to those policyholders. Buyer underwriting is the process by which the ACyC sets a risk capacity for each buyer and issues credit limits for buyers under existing policies. Policy underwriting and buyer underwriting are carried out by Commercial and Risk Services units respectively.

Policies are issued for a fixed period: usually no longer than two years and with a break clause after one year. Within traditional credit insurance, customers retain some of the risk for their own account to protect ACyC 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. All policies stipulate ACyC's 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 strict conditions specified in the policy. Larger credit limits must be issued by ACyC. Credit limits are an important risk management instrument for ACyC as they limit the amount that ACyC would have to pay to a customer in the event of a claim. Moreover, ACyC can withdraw the credit limit on a buyer at any time if circumstances demand. Credit limits may be subject to specific conditions and ACyC can also

set conditions for cover on a country or withdraw cover on a country altogether. These tools are important to manage insurance risk exposure in a dynamic way.

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 the maximum liability under a policy becomes larger, with the largest policies needing sign-off by both the Director of a Commercial unit and the responsible Executive Committee member. The pricing of credit insurance policies (new, amended and renewed) is also subject to governance and the models and methodologies used to establish a technical price require the approval of the Quantitative Model Committee, a committee responsible for approving the quantitative models that are used within ACyC.

Staff in Risk Services have well-defined authorities specifying the level of decisions that an underwriter can take for the approval of credit limits, and the definition of capacity in the system. As credit amounts grow, decisions require the approval of one or more cosignatories of increasing seniority. The largest credit amounts require the approval of a committee with the appropriate authority level and, in exceptional cases, the approval of the (leaders of the) reinsurance panel.

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 a dedicated Risk Services team which reports ultimately to the Chief Risk Officer. In addition, a dedicated risk management team with a functional reporting line to the Group Risk Management unit ensures adherence to the risk governance model monitors the portfolio risk and ensures compliance with the terms of the reinsurance treaty.

Bonding

ACyC issues surety bonds for customers in a number of European countries including Italy, France, Spain, Portugal, Germany, the Nordic and the 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 an 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 ACyC.

When a bond is called by the beneficiary, ACyC mediates to resolve conflicts by working with both customer and beneficiary. If, as a result of non-performance a payment is made by ACyC to the beneficiary, a recovery action is taken against the customer who remains ultimately liable. If ACyC 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 a committee with the appropriate authority level.

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 ACyC.

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 Executive Committee member responsible for ICP.

4.3.2 Insurance risk management tools

ACyC 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 ACyC to set system specific limits by buyer or buyer group. Management information derived from these systems enables ACyC to monitor aggregate exposure by country, customer industry sector and other dimensions.

All buyers with significant exposure are reviewed at least annually. ACyC 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. ACyC 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 renewals are priced starting from a price suggested by the pricing system.

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.

4.3.3 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. The reinsurance treaties are renewed annually, usually in December of the preceding year. During 2021, Atradius decided to renew its reinsurance arrangements for 2022. This trend continued with the renewal of the reinsurance arrangements for 2023 in early 2022. On renewal, Atradius assesses the optimal structure of the treaties for the forthcoming period, including excess of loss. A number of items are taken into consideration during this review, including the forecast growth in the underlying business, economic developments etc. In addition, the proposed structure is considered in the context of the Solvency II capital requirements and Atradius' SCR appetite

For the underwriting year 2021 one quota share reinsurance treaty is in place covering the majority of ACyC's business. The retention under this treaty is 63% (2020: 63%).

In addition, there are two separate quota share treaties, which cover a limited number of policies, where the retention percentage is 25%, and 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). 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 these treaty structures for any buyer group does not exceed EUR 26.25 million for ACyC. 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/buyer group will exceed the top end of the excess of loss coverage.

With regard to the reinsurance panel, it is Atradius' policy to select only reinsurers that have a high 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.

It is currently expected that Atradius Reinsurance DAC will be merged into ACyC through a cross-border merger to be completed in 2022. The transaction remains subject to the necessary board, shareholder, court and regulatory approvals. Upon effectiveness of the merger, Atradius Reinsurance DAC's assets and liabilities, including all of its reinsurance obligations, would be transferred to ACyC, through its Irish branch, which would conduct Atradius Reinsurance DAC's reinsurance business as its legal successor, with Atradius Reinsurance DAC being dissolved without going into liquidation.

Government Agreements

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

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

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

In 2020 Atradius entered into agreements with the governments of France, Germany, Denmark, Norway, Belgium, Luxemburg, the Netherlands, United Kingdom, Italy and Spain. All these agreements were renewed for the first semester of 2021, except for France where the covered period was extended to 31 December 2021. In general terms, all government schemes cover Credit Insurance with domestic policyholders related to all the buyers. In Europe, all agreements were approved by their correspondent regulators. These government reinsurance agreements are applied before the private reinsurance with the exception of Spain where the agreement provides an additional cession to the private cession). All government schemes are risk attaching, the cession rates are different per country.

The table below details the impacts of the agreements in the consolidated statement of financial position (in thousand euros):

(EUR thousand)	Total	Total
Balance Sheet:	2021	2020
Technical Provision Ceded	106,766	217,781
Premiums Provision Ceded	26,117	6,452
Cash in Bank	(297,805)	(78,565)
Accounts Receivables/Payables	(125,754)	(195,371)
Reinsurance commission	(7,307)	4,845
Income statement:		
Insurance premium ceded	(323,805)	(412,662)
Insurance claims recovered	(35,527)	266,688
Reinsurance commission	106,204	101,118
Government Scheme's Result	(253,128)	(44,856)

4.3.4 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 2021 and 2020 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 underwriting 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. For most policies this is no more than EUR 20 thousand per buyer. This illustrates that TPE is a crude measure of exposure and that, in aggregate, real exposure will be far lower.

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

The following tables, show aggregated TPE for credit insurance (including special products) and assumed reinsurance.

Buyer country	TPE 2021 (EUR million)	%	TPE 2020 (EUR million)	%
Germany	107,241	16.5%	93,113	16.7%
Spain, Portugal	86,560	13.3%	78,895	14.1%
Central and Eastern Europe	70,374	10.8%	58,916	10.5%
France	50,033	7.7%	44,881	8.0%
United Kingdom	49,675	7.6%	41,388	7.4%
Italy	48,861	7.5%	40,636	7.3%
USA, Canada, Mexico and Central America	35,909	5.5%	24,612	4.4%
The Netherlands	32,861	5.0%	29,545	5.3%
Nordic	31,919	4.9%	28,030	5.0%
Other	137,529	21.2%	118,848	21.3%
Total	650,962	100%	558,864	100%

The following table shows the distribution of TPE over buyer industry sector.

Industry sector	TPE 2021 (EUR million)	%	TPE 2020 (EUR million)	%
Chemicals	87,047	13.4%	73,638	13.2%
Electronics	73,422	11.3%	62,181	11.1%
Consumer durables	72,042	11.1%	61,736	11.0%
Metals	70,552	10.8%	55,662	10.0%
Food	65,536	10.1%	59,100	10.6%
Transport	57,315	8.8%	49,586	8.9%
Construction	50,052	7.7%	43,898	7.9%
Machines	43,255	6.6%	37,337	6.7%
Construction materials	32,525	5.0%	27,586	4.9%
Agriculture	32,420	5.0%	28,196	5.0%
Services	23,276	3.6%	21,672	3.9%
Other	43,520	6.6%	38,272	6.8%
Total	650,962	100%	558,864	100%

The following table shows TPE aggregated by group of buyers. This is the method of aggregation that is relevant for ACyC's excess of loss treaties.

TPE Value band (EUR million)	TPE 2021 (EUR million)	%	TPE 2020 (EUR million)	%
0 - 20	338,655	52.0%	304,283	54.4%
20 - 100	115,537	17.7%	95,029	17.0%
100 - 250	71,139	10.9%	61,377	11.0%
250 - 500	54,260	8.3%	40,675	7.3%
500 - 1000	35,782	5.6%	30,784	5.5%
1000 - and more	35,589	5.5%	26,716	4.8%
Total	650,962	100%	558,864	100%

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 25.6 billion (2020: EUR 24.1 billion). Exposure for instalment credit protection amounts to EUR 3 billion (2020: EUR 3 billion).

4.3.5 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 state 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.

As result of COVID-19, the state of the economy in the near future is, and has been, significantly more uncertain than usual. This, in turn, impacts uncertainty related to the frequency and severity of claims. In light of COVID-19, governments all around the world have taken measures to support the economy. During 2021, governments in most of our markets have already started rolling back the fiscal support. Though there is still uncertainty with respect to the

timing and speed with which those measures are rolled back completely, as well as the extent to which the economy relied on the support, are still major factor of uncertainty.

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 usually 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.

4.3.6 Sources and assumptions

4.3.6.1 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 4.3.5.

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 ACyC:

- 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; and
- 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 usually takes longer to settle the claim and litigation is not uncommon, either following the bond call or when trying to realise recoveries. Especially in Italy, litigation tends to be a lengthy process. Outcomes of litigation cannot be predicted with certainty. For bonding, the provisions set on a case-by-case basis are based on the amount called minus an amount to account for expected recoveries based on historic experience or case specific information. For imminent large bond calls as well as for large customers in financial difficulties, the Company sets a claim provision. The case by case and business oriented evaluation is integrated with a statistical and actuarial model. This model based on the exposure of active bonds applies probability of defaults and loss given default. Booked recovery provisions for bonding are periodically reviewed and adjusted to experience.

4.3.6.2 Assumptions, change in assumptions and sensitivity

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

Under normal circumstances, the most important assumption used in the main methods for reserving for traditional credit insurance to set the estimate for the ultimate number of claims for the most recent months of risk would be that the claims inflow in early 2022 would be around 20% above the level of end 2021. The main methodologies for estimating claims provisions for traditional credit insurance combined underpin 71% (2020: 79%) of the claims provisions for traditional credit insurance.

In light of the increased uncertainty as result of the current circumstances, however, we take a similar approach for 2021 closing as we did for 2020 closing. During the second half of 2020, the number of reported claims dropped significantly compared to the first half of 2020. At the time, this partly related to a drop of insured business as result of the lock-downs early 2020 and partly because of government's support for the economy. However, whilst the insured shipments have recovered since, the number of claims registrations in 2021 have remained at the same low level as the latter half of 2020, which is 40 – 60% lower than the claims reported during the first half of 2020 depending on the country. The 2021 provisions have been set based on the assumption that this drop is temporary and imply a strong increase in expected claim received count during the first six to eight months of 2022 at the level of the first half of 2020 plus 10 – 40% depending on the country, due to uncertainty in the current economical environment. If this strong increase in claims registrations does not materialize, then this leads to a significant favourable runoff on provisions for underwriting year 2021.

An indication of the sensitivity to projected ultimate number of claims, inclusive of the expected increase mentioned in the previous paragraph, 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 33 million, gross of reinsurance (2020: EUR 33 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. This sensitivity is approximately linear. Unless noted otherwise, the same holds true for other sensitivities mentioned in this section.

Under normal circumstances, for modelling attritional losses, the uncertainty in severity quickly becomes less important compared to the uncertainty in frequency, as the portfolio becomes larger. This is feature not specific to credit insurance, but holds for any insurance product, provided the portfolio is large enough, and correlation between count and severity is small enough. It is our experience that average claim sizes, for the attritional losses, are sufficiently stable over time to not have significant margins of uncertainty in the parameters governing the size of attritional claims that have not yet been reported. This is also the case as at year end 2021. There is one material exception to this; for the Spain and Portugal portfolios, the average claim size observed during 2021 has been significantly smaller than our parameter for claims not reported indicates. In this portfolio, particular sectors in the travel and leisure industry (e.g., restaurants and hotels) were disproportionately affected by COVID-19, hence the relative contribution of these sectors in the total claim count increased. Moreover, the average claim sizes in these sectors tends to be lower. Hence, we consider these recent observations the result of a temporary bias towards smaller claims. As our reserving stance is a return to normality, we have chosen not to lower this parameter to the level of the observed values during 2021.

To indicate an overall level of sensitivity with respect to the parameters driving the average size for claims not yet registered, if this average would be increase by 10%, claims provisions for attritional losses would increase by EUR 32 million (2020: 32 million).

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 be, in the judgement of management, 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. From historic data it can be seen that the correlation between the ultimate aggregate losses arising from large claims by underwriting year and the attritional losses is larger than 80%.

As such, supporting the plausibility of the management judgement, provisions for large cases are in part based on historic experience with large cases and in part on case by case reporting of ultimate loss estimates. The approach that relies on historic experience sets an ultimate loss arising from large cases as a fraction of the total losses for the last two risk years. Despite the historically high correlation between large and attritional losses, current low claims entry implies estimated attritional losses for recent underwriting years to be well below prior years. These exceptional circumstances, accompanied with current level of uncertainty and experience from prior financial crisis (2008-2009, which showed a higher proportion of large losses over total losses) leads to setting a ratio aligned to the historic one observed in prior financial crisis. The selected ratio implies estimated ultimate large loss amounts (as opposed to the ratio with attritional losses) to be in the ranges of those observed under normal circumstance, like underwriting years 2012 to 2019. If these fractions were chosen 10% higher, then the claims provisions for traditional credit insurance would increase by EUR 60 million (2020: 69 million). The case by case estimates are specific to the individual facts and circumstances of the case. As such, no meaningful overall insight to the sensitivity can be given.

Claims provisions are presented net of recoveries from salvage and subrogation. Realised recoveries can deviate from expected recoveries. Expected recoveries amount to EUR 361 million (2020: EUR 476 million). The largest two components of the expected recoveries are the recoveries for traditional credit insurance of EUR 137 million (2020: EUR 211 million), and for instalment credit protection of EUR 134 million (2020: EUR 154 million).

As recovery rates differ by country as well as product, moreover, that the development depends on the age of the underwriting year, it is challenging to provide insight into sensitivity to assumptions by measuring the impact of a mere parameter change. For traditional credit insurance, ultimate recoveries are first estimated using commonly used projection methods. These estimates are then reduced considering a margin for uncertainty, such that a favourable development on these estimates is by far the most likely outcome. Nevertheless, the impact of setting the recovery provisions lower by 10% is EUR 14 million (2020: EUR 21 million). For instalment credit protection, for which similar margins for uncertainty are introduced, impact of setting recovery provisions lower by 10% is EUR 13 million (2020 15 million).

4.4 Financial risk

ACyC 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.

4.4.1 Market risk

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

ACyC 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.

4.4.1.1 Fair values of financial assets and liabilities

The estimated fair values of ACyC's financial assets and liabilities equal their carrying value.

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

The fair values are subject to a control framework designed to ensure that they are either determined or validated by a function independent of the risk taker. To this end, ACyC 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 ACyC invests are valued by an external independent valuation company or the asset manager of illiquid investment fund. 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 ACyC. The valuation process at the asset manager is audited and approved by its external auditor.

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 or by the fund's asset manager.

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.

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 and the hierarchy of the financial instruments carried at fair value (note 2.9):

Financial instruments measured at fair value			
Assets 2021	Level 1	Level 3	Total
Available-for-sale:			
Equity securities	370,004	27,123	397,127
Debt securities:			
Government bonds	194,259	-	194,259
Corporate bonds	1,091,082	-	1,091,082
Total	1,655,345	27,123	1,682,468

Financial instruments measured at fair value			
Assets 2020	Level 1	Level 3	Total
Available-for-sale:			
Equity securities	272,060	22,910	294,970
Debt securities:			
Government bonds	179,887	-	179,887
Corporate bonds	899,783	-	899,783
Total	1,351,730	22,910	1,374,640

At 31 December 2021 the Company is mainly exposed to securities traded in active markets (level 1), however due to reclassifications and new investments there is also exposure to illiquid markets (level 3).

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	
	2021	2020
Balance at 1 January	22,910	17,097
Total gains or losses:		
In income statement (net income from investments)	-	-
In other comprehensive income	(103)	324
Acquisitions/Sales	4,316	5,489
Balance at 31 December	27,123	22,910

4.4.1.2 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. ACyC 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 ACyC 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 4.4.1.4 for more

information). ACyC invests in a portfolio of diversified equity instruments to manage these risks to minimize the idiosyncratic risk of individual assets.

Individual equities instruments

ACyC 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 the investment management agreement. This diversified portfolio consists of EUR denominated large capitalization equities. Per the end of December 2021, the market value of these equities is EUR 89.7 million (2020: EUR 76.3 million).

- **Investment funds:** the investment funds in which ACyC invests are exposed to market risk, counterparty risk, liquidity risk and currency risk (i.e. general investment fund risks). The risks of an investment fund are 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. ACyC 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:

Investment funds	Weight in %		Weight in %	
	2021		2020	
Passive equities exchange traded funds	205,044	66.7%	168,689	77.2%
Active money market funds	75,205	24.5%	26,991	12.3%
Real estate funds	24,646	8.0%	22,910	10.5%
Infrastructure funds	2,477	0.8%	-	-
Total	307,372	100.0%	218,590	100.0%

- **Passive equities exchange traded funds:** the portfolio of passive equities exchange traded funds mainly consists of an exchange traded fund which passively tracks the Dow Jones EURO STOXX 50 Index.
- **Active money market funds:** the portfolio of active money market funds consists of money market fund denominated in British pound, US dollar and Brazilian real.
- **Real estate funds:** the portfolio of real estate funds consists of real estate funds denominated in EUR and in which the underlying asset exposure is focussed on European real estate.
- **Infrastructure funds:** the infrastructure fund is a fund-of-funds investment denominated in EUR. The underlying funds have different focus, e.g. from renewable energy towards more traditional infrastructure sectors like utilities, transport, energy or telecommunications, but all with a global approach, resulting in a multi-currency exposure of the underlying assets. A significant characteristic of such an individual infrastructure asset is that it requires relative large investment amounts. The fund-of-funds investment mitigates that part by adding an additional layer of diversification in exposure towards certain individual infrastructure assets or projects.

4.4.1.3 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. ACyC exposes itself to this risk by investing in debt instruments and equity instruments issued by investment funds that invest in debt instruments.

Profile

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

	Fixed rate instruments -		Variable rate instruments	
	carrying amount		carrying amount	
	2021	2020	2021	2020
Financial assets ^{(1) (3)}	1,285,341	1,079,670	499,046	322,404
Financial liabilities ^{(2) (4)}	-	-	(11,556)	(66,016)
Total	1,285,341	1,079,670	487,490	256,388

1) Fixed rate financial assets include debt securities;

2) There are no financial liabilities at fixed rate;

3) Variable rate financial assets include cash and cash equivalents, loans, short-term 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 100 basis point or 1.00%. The higher the duration figure, the more a bond is sensitive to movements in the underlying discount rate.

ACyC 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. The duration is calculated as the weighted average of the discounted future cash flows to be received measured in years. The duration as per 31 December 2021 is 3.1 years (2020: 2.9 years) and the average maturity for 2021 is 3.4 years (2020: 3.3 years).

4.4.1.4 Value-at-Risk

ACyC 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 these 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 ACyC equity securities and debt securities on portfolio level.

Value-at-Risk	EUR million	% of the market value	EUR million	% of the market value
	2021		2020	
Equity securities:				
Shares (including equity and real estate funds)	113.0	35.1%	203.5	76.0%
Debt securities:				
Government bonds	2.0	1.0%	4.4	2.4%
Corporate bonds	13.1	1.2%	39.7	4.4%
Total portfolio	108.1	5.7%	201.7	13.5%

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 is maintained to capture the actual exposure to corporate bonds that carry additional credit risk above the risks that government bonds bring along. 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 is less than the sum of the VaR of the individual portfolio components because the correlation between these components is less than one and forms the basis of portfolio diversification. The VaR percentage decreased from 13.5% at the end of 2020 to 5.7% at the end of 2021 and the VaR value decreased from EUR 201.7 million at the end of 2020 to EUR 108.1 million at the end of 2021. During 2021, the global economy continued its recovery after the volatile year of 2020. This recovery resulted in a reduced expected risk from a VaR perspective.

4.4.1.5 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 entities. During 2021, the Euro appreciated in value against some of the non-Euro functional currencies (see Note 2.5.3) resulting in a foreign currency gain in other comprehensive income of EUR 10.1 million, net of tax (2020: a gain of EUR 11.3 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.

ACyC exposure to foreign currency exchange rate risk, arising from monetary financial assets and liabilities denominated in non-functional currencies as at 31 December 2021 and 31 December 2020, is presented in the following table, in EUR:

	Financial assets	Financial liabilities	Net position	Financial assets	Financial liabilities	Net position
	2021			2020		
EUR	417,958	389,132	28,826	248,219	240,201	8,018
GBP	4,738	1,181	3,558	3,852	110	3,742
USD	324,318	205,723	118,595	206,758	140,553	66,205
AUD	1,326	1,733	(408)	1,723	804	919
Other	18,983	32,853	(13,870)	24,273	41,583	(17,310)
Total	767,322	630,621	136,701	484,824	423,250	61,574

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 2020. 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.

4.4.2 Credit risk

Credit risk is the risk that customers or counterparties are unable to repay their debt towards ACyC in full when due. ACyC 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 ACyC's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, ACyC remains liable for the payment to the policyholder. ACyC's policy is to select only reinsurers that have a well-established investment grade credit rating. The normal minimum requirement is an 'A-' level rating, although there are some minor exceptions. In the event that the reinsurer's rating is found to be below this threshold, ACyC 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.

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 ACyC includes details of provisions for impairment on loans and receivables and subsequent write-offs.

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 ACyC 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 minimum allowed average rating of the overall fixed income portfolio is A-, whereas investments in individual fixed income securities are allowed a minimum issue rating of BBB- at purchase. If a debt security in which ACyC has invested falls below the minimum credit rating or is not rated, it should be reviewed by the Atradius Investment Committee to decide whether the debt security is still a suitable investment. The maximum concentration limit per issuer and (per legal entity) is 5% of the market value of the financial investments of the legal entity. The concentration per issuer is evaluated by aggregating the exposure to a single issuer through both debt investments and equity securities. The Atradius Investment Committee monitors this limit and takes action if necessary.

As a result of the COVID-19 pandemic starting in 2020 with a continuation in 2021, some corporate sectors have really suffered, while other sectors benefitted significantly. In contrary to 2020, this resulted in both downgrades and upgrades of corporate bonds within the corporate bond investment portfolio in 2021. Regarding the downgrades, the impacted corporate bonds mainly observed a one-notch downgrade with a total of 8.9% of the market value of its 2021 corporate bond portfolio. With regard to upgrades, 7.5% of the market value of the 2021 corporate bond portfolio observed an upgrade. Despite the improving, but continuous difficult market circumstances the fixed income portfolio remains healthy with its average credit rating of 'A' in Standard & Poor's rating scale.

The main objectives of the investment portfolio concentrate on the capital preservation and liquidity, in order to support Atradius strategic and operational needs at any given moment in time. Despite the outbreak of the Covid-19 pandemic, the annual review of the investment policy did not lead to any changes in the concentration risk settings, as the existing restrictions were considered to be sufficient. Atradius has no investment exposure to sectors directly impacted by the pandemic, however as a precaution the Group Investment Committee closely monitored any downgrades on the BBB-rated bonds and any major changes in the concentration exposure by issuer throughout the year.

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 2021 and as at 31 December 2020, are presented in the following tables:

At 31 December 2021 (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	29	250	502	18	17	816
Deposits received from reinsurers	-	-3	-8	0	0	-12
Debt securities:						
Government bonds	58	118	9	-	8	194
Corporate bonds	13	77	656	344	2	1,091
Short-term investments:						
Deposits withheld by ceding companies	-	3	-	-	-	3
Bank deposits under short-term investments	40	13	104	14	-	171
Cash and cash equivalents	-	41	260	15	9	325
Total	140	499	1,523	391	36	2,589
At 31 December 2020 (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	62	248	435	27	26	798
Deposits received from reinsurers	-	(19)	(34)	(13)	-	(66)
Debt securities:						
Government bonds	64	101	5	2	8	180
Corporate bonds	11	87	438	357	6	900
Short-term investments:						
Deposits withheld by ceding companies	-	3	-	-	-	3
Bank deposits under short-term investments	39	12	21	22	-	93
Cash and cash equivalents	-	30	155	34	6	226
Total	176	462	1,019	429	46	2,133

The counterparty credit ratings and the credit rating of the debt instruments are predominantly based on Standard & Poor's rating.

4.4.2.1 Disclosures about the temporary exemption from IFRS 9

ACyC has decided to apply the temporary exemption for the application of IFRS 9 to its financial assets (see Note 2.2.2 'Standards, amendment and interpretation not yet adopted'). The financial assets for financial year ending 31

December 2020 are still classified and measured based on IAS 39 (see Note 10 'Financial investments' and Note 2.2.2 'Standards, amendment and interpretation not yet adopted'). The disclosure below provides information required for the application of the temporary exemption. IFRS 9 classification of financial assets is based on assessment of the business model and the contractual cash flows of the instruments. Contractual cash flows are assessed to check if the asset gives rise to payments on specified dates that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Contractual cash flows that are SPPI on the principal amount outstanding are consistent with basic lending arrangements. Interest is the consideration for the time value of money and the credit risk associated with the principal amount outstanding during a particular period of time. It can also include consideration for other basic risks (e.g. liquidity risk) and costs (e.g., administrative costs) associated with holding the financial assets for a particular period of time, and a profit margin that is consistent with a basic lending agreement.

The table below presents an overview of the fair values of financial assets based on SPPI criteria as at 31 December 2021, as well as the changes in the fair values during the year. The asset classes are divided into two categories:

- SPPI: Assets of which cash flows represent solely payment of principal and interest on an outstanding principal amount, excluding any financial assets that meet the definition of held for trading in IFRS 9, or that are managed and whose performance is evaluated on a fair value basis;
- other: all financial assets other than those specified in SPPI financial assets:
 - With contractual terms that do not give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding;
 - That meet the definition of held for trading in IFRS9 or that are managed and whose performance are evaluated on a fair value basis.

(EUR million)	Fair Value at		Change in fair value
	2021	2020	
Debt securities:			
(Government bonds + Corporate bonds)	1,285	1,080	205
SPPI	1,282	1,076	206
Other	3	4	(1)
Equity securities:	397	295	102
SPPI	-	-	-
Other	397	295	102
Short-term investments and Cash held for investments:	175	97	78
SPPI	175	97	78
Other	-	-	-
Cash and cash equivalents	325	226	99
SPPI	325	226	99
Other	-	-	-
Total	2,182	1,698	484

The credit ratings of the financial assets included the SPPI test (debt securities, bank deposits under short-term investments and cash and cash equivalents) are included in the counter party rating table in section 4.4.2.

No impairment allowance was recorded for those financial assets as at 31 December 2021 and as at 31 December 2020. For information on credit exposure of 'Other accounts receivables', see Note 10.

4.4.3 Liquidity risk

ACyC is exposed to liquidity risk if there is insufficient cash available to meet its financial obligations, when due, at a reasonable cost. For ACyC, 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. The 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 ACyC should mainly invest in financial instruments that can be liquidated in less than three business days. ACyC is able to access credit facilities to prevent certain liquidity shortages which may arise due to short-term cash flow variances. ACyC maintains one uncommitted credit lines in excess of EUR 1 million. These are in the form of an overdraft facility for a total amount of EUR 50 million (2020: EUR 50 million). The credit line provides liquidity to cover infrequent peaks in short-term liquidity requirements while also permitting ACyC to reduce its cash balances and to benefit from a more substantial and stable investment portfolio. Finally, ACyC has in place a simultaneous claims payment clause in the main reinsurance treaties. This clause allows ACyC to ask the reinsurers to anticipate the payment of a large claim upon ACyC's 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. ACyC 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 ACyC has a choice of when an amount is paid, the financial liability is allocated to the latest period in which ACyC 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 ACyC can be required to pay.

At 31 December 2021		Contractual cash flows (undiscounted)				Carrying amount
	Weighted average effective interest rate %	On demand	Less than 1 year	1 to 5 years	> 5 years	
Interest bearing liabilities						
Deposits received from reinsurers	0.60%	-	11,556	-	-	11,556
Total		-	11,556	-	-	11,556
Non-interest bearing liabilities						
Insurance contracts		-	1,139,821	438,177	(19,749)	1,575,495
Payables		-	474,644	-	-	474,644
Total		-	1,614,465	438,177	(19,749)	2,050,139
At 31 December 2020		Contractual cash flows (undiscounted)				Carrying amount
	Weighted average effective interest rate %	On demand	Less than 1 year	1 to 5 years	> 5 years	
Interest bearing liabilities						
Deposits received from reinsurers	0.17%	-	66,016	-	-	66,016
Total		-	66,016	-	-	66,016
Non-interest bearing liabilities						
Insurance contracts		-	973,554	340,087	(26,532)	1,397,951
Payables		-	393,357	-	-	393,357
Total		-	1,366,911	340,087	(26,532)	1,791,308

At 31 December 2021	Weighted average effective interest rate %	Contractual cash flows (undiscounted)				Carrying amount
		On demand	Less than 1 year	1 to 5 years	> 5 years	
Interest bearing assets						
Debt securities	0.16%	-	167,034	1,079,290	60,215	1,285,341
Investments: deposits and cash held for investments	0.11%	38,286	136,387	-	-	174,533
Cash: Cash and bank deposits	-0.01%	322,867	1,641	-	-	324,508
Other financial assets						
Total		361,153	305,062	1,079,290	60,215	1,784,382
Non-interest bearing assets						
Other financial assets		-	397,051	-	-	397,051
Reinsurance contracts		-	684,406	263,103	(11,858)	935,652
Receivables		-	323,123	-	-	323,123
Total		-	1,404,580	263,103	(11,858)	1,655,826
At 31 December 2020						
At 31 December 2020	Weighted average effective interest rate %	Contractual cash flows (undiscounted)				Carrying amount
		On demand	Less than 1 year	1 to 5 years	> 5 years	
Interest bearing assets						
Debt securities	-0.02%	-	289,553	719,350	83,125	1,079,670
Investments: deposits and cash held for investments	0.30%	11,654	87,857	-	-	96,839
Cash: Cash and bank deposits	-0.01%	223,370	2,195	-	-	225,565
Other financial assets		-	-	-	-	-
Total		235,024	379,605	719,350	83,125	1,402,074
Non-interest bearing assets						
Other financial assets		-	294,894	-	-	294,894
Reinsurance contracts		-	766,488	267,754	(20,889)	1,013,353
Receivables		-	294,511	-	-	294,511
Total		-	1,355,893	267,754	(20,889)	1,602,758

¹⁾ It includes shares and investments in group non consolidated entities

4.5 Operational risk

4.5.1 Operational risk management

Operational risk means the risk of loss arising from inadequate or failed internal processes, personnel or systems, or 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 and Control (ORC) 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 ORC 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 ORC 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, facilitation of risk and control self-assessments, capture of risk indicators and testing and review of 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 of Atradius N.V. 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 ORC unit employs a dedicated governance, risk and compliance software platform (the 'GRC portal') that integrates existing risk management activities across the business.

Fraud risk - 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 and advice to employees and customers 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.

Cyber risk – refers to the risk of financial loss, disruption or damage to reputation due to failure of IT systems. Risks include: an event impacting the data centre (covered via Business Continuity / IT Disaster Recovery), security incidents, network vulnerabilities, unauthorised activity, malicious code changes, application specific vulnerabilities and unauthorised software. The Atradius Information Security team monitors and addresses threats and coordinates the management of cyber risk across the Group.

Within the cyber risk realm, “ransomware” variant malware (viruses) is observed as a growing threat. The current threat landscape highlights the importance of education for end users on topics such as, phishing, maintaining software and the dangers of unsupported or non-authorised software. To minimise this risk cyber risk awareness is included in staff training. Further mitigation of this risk includes protections for critical Atradius applications and Multi-Factor Authentication for remote access. A medium-term Cyber Security Strategy is in place to increase Atradius governance, protection, resilience and vigilance.

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

4.5.1.1 Risk registers and risk / control self-assessments

While the ORC unit is responsible for facilitating operational risk management within ACyC, 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 of ACyC. 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, including reporting for Solvency II purposes; the resulting 'in control' sign-off process is overseen by a committee with representatives from Group Risk Management, Finance and Internal Audit.

4.5.1.2 Business continuity management

ACyC recognises the importance of being able to recover its critical business processes in the event of any major operational disruption. A Business Continuity Management (BCM) programme is embedded in the organisation to ensure the continuity of the Business in the event of severe disruptions. The BCM programme is aligned with the International Standard ISO22301. The Group Business Continuity manager co-ordinates the documentation, maintenance and continual testing of practical plans for recovering key business activities within acceptable timeframes.

COVID-19 – Following the initial ‘lockdowns’ in most countries and travel bans, actions were taken to ensure human resource and IT capabilities were sufficient to maintain the expected level of customer service and to manage the risk exposure. During 2021 many employees were still working remotely and will continue to do so as necessary as we move into 2022. Atradius has adapted its business continuity arrangements to address new ways of working such as the hybrid working model which involves a mixture of in-office and remote working. As of the end of 2021, IT systems are stable and collaboration tools have been enhanced for the whole workforce. Overall service to customers and all other parties is being maintained at a high standard.

In early 2020, the Group Incident Management Team (GIMT) (comprised of the Management Board and additional senior management from relevant departments) launched regular monitoring, reporting and meetings in order to steer the COVID-19 response on a global level. At the end of October 2021, it was agreed that the company has passed the most difficult part of the crisis; severity of impacts may increase and decrease, but it is expected that it will not revert to the situation in 2020. While regular monitoring and reporting on the situation in local offices continues, the GIMT ceased its regular meetings. If needed, the GIMT will be reconvened.

4.5.1.3 Legal Risk / Compliance Framework

At Atradius we believe that compliance with relevant laws, rules and regulations, and maintaining a high standard 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 our employees and that govern the Atradius operations and business conduct towards customers, brokers and all parties involved in Atradius business.

Atradius has set up several additional compliance policies for more specific areas which set out the requirements that Atradius’ employees must adhere to. For example, the Policy on Customer Due Diligence and Policy on Sanctions address potential sanctions risks. Atradius also has a Data Protection Framework in place, which includes controls, policies and procedures to comply with the applicable data protection legislation. All the compliance policies are available to employees and are reviewed on a regular basis.

The Compliance Function –led by the Group Compliance Function- supports the management of Atradius in meeting its objective of being compliant with applicable laws, rules and external and internal regulations. The Group Compliance Function is responsible for the maintenance and overall effectiveness of the compliance framework at Group level and, the Local Compliance Function monitors regulatory and compliance developments at local country level.

4.5.1.4 Brexit

Brexit affects, amongst others, regulations, including passporting rights and financial reporting. The UK left the EU on 31 of January 2020 and, on 1 January 2021, all legal and regulatory arrangements permitted under a transition period ceased – for financial services the passporting rights (Freedom of Services & Freedom of Establishment) ended.

To mitigate the impact of this change, Atradius applied to the UK’s Prudential Regulatory Authority [PRA] for authorisation as a UK Third Country Branch. In December, 2021, the PRA approved the application. From 1 January 2022, Third Country Branch status is authorised for both credit insurance and suretyship. This brings to a close any uncertainty about what structures and controlling measures Atradius needs to adopt to be compliant.

4.5.1.5 Information regarding the environment

Given the activities that the Company dedicates itself to, it does not have environmental liabilities, expenses, assets or provisions or contingencies that may be significant in relation to its equity, financial situation and profits or losses. For this reason, specific breakdowns are not included in this Report. For specific environmental information reference is made to the CSR/ESG chapter of the Annual Report of Atradius N.V.

4.6 Capital management

4.6.1 Guiding principles

Capital management is guided by the following principles:

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

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

ACyC shows a robust capital and solvency position.

Per year-end 2021 the capital managed by ACyC includes shareholders' funds of more than EUR 1.4 billion.

In addition to the internally developed capital model, ACyC considers the solvency calculation models of the relevant regulatory authorities and credit rating agencies in its process of managing capital to ensure capital adequacy. 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 ACyC to carry on its normal course of business and the ambition to maintain an 'A' rating level is sustained.

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

4.6.3 Regulatory capital requirements

In each country in which ACyC has insurance companies established according to local laws, and also where prescribed for branches, 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 2021, the capital of ACyC has been managed according to the Atradius guidelines and in close cooperation with the units involved in managing the different factors related to capital. ACyC entities were able to meet their financial obligations efficiently and to comply with local legal and regulatory requirements.

4.6.4 Solvency II

Solvency II is the regulatory framework for insurance and reinsurance undertakings and groups domiciled in the EU.

ACyC is one of the two regulated entities of Atradius, which is subject to Solvency II regulation. Under Solvency II guidelines Atradius Group supervision takes place at the ultimate parent Grupo Catalana Occidente S.A..

ACyC applies a Partial Internal Model to calculate its 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 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. Approval for use of our Partial Internal Model was received during 2017.

As per year end 2021 the eligible own funds under Solvency II for the Company amounts to EUR 1,593 million (2020: EUR 1,270 million).

5 Segment information

Operating segments are identified on the basis of internal reports about components of ACyC that are regularly reviewed by the Management Board in order to allocate resources to the segment and to assess its performance. The company has identified two operating segments, insurance and services. Within the insurance segment there are different business activities: Credit insurance including related information income, Instalment credit protection (ICP) and Bonding. The segment Services includes non-insurance related information income and other service related business. The corporate costs relate to corporate operations, after cost allocations to the other business segments.

The accounting policies of the reportable segments are the same as described in Note 2.

ACYC revenue has no dependency on any large customer.

Information regarding these segments is presented in the following tables:

Business segment	Credit insurance	Bonding	Total insurance business	Services	Group costs	Total
2021						
Insurance premium revenue	1,483,923	124,811	1,608,734	-	-	1,608,734
Service and other income	46,921	-	46,921	9,771	-	56,692
Total revenue	1,530,844	124,811	1,655,655	9,771	-	1,665,426
Insurance premium ceded to reinsurers	(960,258)	(70,314)	(1,030,572)	-	-	(1,030,572)
Total segment income after reinsurance	570,586	54,497	625,083	9,771	-	634,854
Insurance claims and loss adjustment expenses	(407,124)	(41,087)	(448,211)	-	-	(448,211)
Insurance claims and loss adjustment expenses recovered from reinsurers	139,955	23,373	163,328	-	-	163,328
Net insurance claims	(267,169)	(17,714)	(284,883)	-	-	(284,883)
Gross operating expenses	(535,807)	(55,605)	(591,412)	3,826	(6,226)	(593,812)
Commission received for business ceded to reinsurers	389,090	30,510	419,600	-	-	419,600
Net operating expenses	(146,717)	(25,095)	(171,812)	3,826	(6,226)	(174,212)
Operating segment result	156,700	11,688	168,388	13,597	(6,226)	175,760
Share of income of associated companies						-
Net income from investments						14,409
Finance income						492
Finance expenses						5,066
Result for the year before tax						195,726
Income tax expense						(67,545)
Result for the year						128,181
Business segment	Credit insurance	Bonding	Total insurance business	Services	Inter-segment elimination	Total
2021						
Reinsurance contracts	724,407	211,245	935,652	-	-	935,652
Receivables	334,995	17,911	352,906	5,215	(2,418)	355,703
Unallocated assets						3,004,175
Total assets	1,059,402	229,156	1,288,558	5,215	(2,418)	4,295,529
Insurance contracts	1,227,919	347,576	1,575,495	-	-	1,575,495
Payables	465,466	39,787	505,253	13,157	(11,186)	507,224
Unallocated liabilities	-	-	-	-	-	815,454
Total liabilities	1,693,385	387,363	2,080,748	13,157	(11,186)	2,898,173
Total year end number of employees (full-time equivalent)	2,343	149	2,492	211	-	2,703

All amounts in thousands of Euro, unless otherwise stated

Business segment	Credit insurance	Bonding	Total insurance business	Services	Group costs	Total
2020						
Insurance premium revenue	1,346,987	123,830	1,470,817	-	-	1,470,817
Service and other income	49,897	-	49,897	10,010	-	59,907
Total revenue	1,396,884	123,830	1,520,714	10,010	-	1,530,724
Insurance premium ceded to reinsurers	(962,699)	(75,427)	(1,038,126)	-	-	(1,038,126)
Total segment income after reinsurance	434,185	48,403	482,588	10,010	-	492,598
Insurance claims and loss adjustment expenses	(853,858)	(38,196)	(892,054)	-	-	(892,054)
Insurance claims and loss adjustment expenses recovered from reinsurers	608,439	23,077	631,516	-	-	631,516
Net insurance claims	(245,419)	(15,119)	(260,538)	-	-	(260,538)
Gross operating expenses	(467,070)	(43,111)	(510,181)	(7,215)	(8,421)	(525,817)
Commission received for business ceded to reinsurers	372,183	31,386	403,569	-	-	403,569
Net operating expenses	(94,887)	(11,725)	(106,612)	(7,215)	(8,421)	(122,248)
Operating segment result	93,879	21,559	115,438	2,795	(8,421)	109,812
Share of income of associated companies						-
Net income from investments						10,976
Finance income						1,950
Finance expenses						(7,493)
Result for the year before tax						115,245
Income tax expense						(30,321)
Result for the year						84,924

Business segment	Credit insurance	Bonding	Total insurance business	Services	Inter-segment elimination	Total
2020						
Reinsurance contracts	805,213	208,140	1,013,353	-	-	1,013,353
Receivables	270,582	21,280	291,862	5,664	(3,015)	294,511
Unallocated assets	-	-	-	-	-	2,466,849
Total assets	1,075,795	229,420	1,305,215	5,664	(3,015)	3,774,713
Insurance contracts	1,075,278	322,673	1,397,951	-	-	1,397,951
Payables	358,257	32,841	391,098	15,730	(13,469)	393,359
Unallocated liabilities	-	-	-	-	-	839,737
Total liabilities	1,433,535	355,514	1,789,049	15,730	(13,469)	2,631,047
Total year end number of employees (full-time equivalent)	2,334	143	2,477	241	-	2,718

6 Intangible assets

2021	Goodwill	Software	Insurance portfolios	Total
At cost at 1 January	78,192	296,222	16,968	391,382
Additions	-	30,960	-	30,960
Disposals	(169)	(8,857)	-	(9,026)
Effect of movements in foreign exchange rates	-	7,878	81	7,959
At cost at 31 December	78,023	326,203	17,049	421,275
Accumulated amortisation and impairments at 1 January	(30,209)	(193,071)	(16,968)	(240,248)
Amortisation charge for the year	-	(14,930)	-	(14,930)
Disposals	-	8,847	-	8,847
Impairment	-	(40,983)	-	(40,983)
Effect of movements in foreign exchange rates	(1)	(6,060)	(81)	(6,142)
Accumulated amortisation and impairments at 31 December	(30,210)	(246,197)	(17,049)	(293,456)
Balance at 1 January	47,983	103,151	-	151,134
Balance at 31 December	47,813	80,005	-	127,818
2020	Goodwill	Software	Insurance portfolios	Total
At cost at 1 January	78,196	273,527	17,060	368,783
Additions	-	33,924	-	33,924
Disposals	-	(5,253)	-	(5,253)
Effect of movements in foreign exchange rates	(4)	(5,976)	(92)	(6,072)
At cost at 31 December	78,192	296,222	16,968	391,382
Accumulated amortisation and impairments at 1 January	(30,209)	(173,068)	(17,060)	(220,337)
Amortisation charge for the year	-	(12,700)	-	(12,700)
Disposals	-	4,949	-	4,949
Impairment	-	(16,559)	-	(16,559)
Effect of movements in foreign exchange rates	-	4,307	92	4,399
Accumulated amortisation and impairments at 31 December	(30,209)	(193,071)	(16,968)	(240,248)
Balance at 1 January	47,987	100,459	-	148,446
Balance at 31 December	47,983	103,151	-	151,134

Goodwill

If applicable, impairment of goodwill is recognised as a separate item in the income statement. During 2021 there was no impairment charge (2020: no impairment charge).

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

Cash-Generating Units	2021	2020
ACyC branch France	9,003	9,003
ACyC branch Nordic ¹⁾	2,386	2,556
ACyC branch Germany	31,026	31,026
ACyC branch Switzerland	3,243	3,243
ACyC other ²⁾	2,155	2,155
Total	47,813	47,983

1) The Nordic Bonding unit goodwill includes Atradius's bonding business in Denmark, Norway, Sweden and Finland, and the movement in 2021 is driven by foreign exchange movements.

2) Including Iberinform and Collections.

The value in use of an individual CGU is determined using a dividend discounted model (DDM). The dividend flows are estimated using a projection period and a normalised period. The projection period is 10 years towards covering a through-the-economic cycle performance, where the first 1-4 year projections are based on financial budgets and/or forecasts. In the budgets are forecasts the impact of the changed macro-economic situation due to the pandemic situation is taken into account. 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 3.60% (2020: 3.70%); the terminal value is calculated based on the dividend flows of the normalised period through a perpetuity which applies a long-term growth rate of 2.0% (2020: 2.0%) 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).

CGU are defined by line of business according to the way we manage and steer the operational business.

An approximation of the sensitivity of the following assumptions would impact the CGU market values by the percentages shown below (other CGU not included due to immaterial goodwills):

Cash-Generating Units	Discount rate		Growth rate		Combined ratio		Solvency ratio ¹⁾	
	+50bp	-50bp	+50bp	-50bp	+50bp	-50bp	+50bp	-50bp
2021								
ACyC branch France	-18.3%	31.2%	26.3%	-15.4%	-3.4%	3.4%	-4.2%	21.0%
ACyC branch Nordic	-17.4%	27.9%	23.0%	-14.3%	-3.7%	3.7%	-4.4%	4.4%
ACyC branch Germany	-21.4%	40.5%	35.0%	-18.3%	-5.7%	5.7%	-7.9%	7.9%
ACyC branch Switzerland	-20.0%	36.5%	31.3%	-17.0%	-2.7%	2.7%	-1.5%	1.5%
2020								
ACyC branch France	-17.6%	28.3%	23.4%	-14.5%	-6.5%	6.5%	-3.0%	14.3%
ACyC branch Nordic	-13.6%	21.6%	17.5%	-10.8%	-5.0%	5.0%	-2.9%	2.8%
ACyC branch Germany	-32.4%	59.8%	51.9%	-28.3%	-2.4%	2.4%	0.0%	0.0%
ACyC branch Switzerland	-22.6%	47.1%	41.3%	-19.7%	-6.2%	6.2%	-1.7%	36.3%

¹⁾ With the same required capital.

No sensitivity analysis mentioned above, both individually and combined, would assume that the carrying amount of the GCUs would exceed their market value.

Software

ACyC assessed all capitalised software to determine if the criteria for capitalisation are being met (see note 6.2.6). Based on this assessment ACyC decided to impair EUR 41 million (2020 EUR 16.6 million) of self-developed software mainly related to need of redesigning part of the solutions in their transformation programmes, including data models, user journeys, utilization of shared components, new functionalities and multichannel/omnichannel integrations to deliver the best customer experience. In addition, during 2021, ACyC has also capitalised EUR 32.8 million mainly due those Atradius Business Transformation projects (2020: EUR 31.0 million).

Insurance portfolios

Amortisation charges of insurance portfolios are included in the insurance premium revenue and insurance claims and loss adjustment expenses for which the allocation is based on the discounted impact related to the provision for unearned premium and the provision for outstanding claims.

7 Property, plant and equipment & Investment property

2021	Land & buildings	Fixtures & fittings	IT hardware	Right of Use assets	Total property, plant & equipment	Investment property
At cost at 1 January	55,998	58,672	46,464	103,790	264,925	7,142
Additions	-	8,941	5,780	9,366	24,087	-
Disposals	(317)	(12,128)	(5,922)	(2,160)	(20,527)	(340)
Effect of movements in foreign exchange rates	8	1,099	1,394	1,605	4,106	-
At cost at 31 December	55,689	56,584	47,716	112,601	272,590	6,802
Accumulated depreciation and impairments at 1 January	(14,642)	(37,812)	(35,388)	(33,679)	(121,520)	(4,546)
Depreciation charge for the year	(668)	(7,993)	(7,482)	(18,300)	(34,445)	(66)
Disposals	99	11,874	5,733	1,705	19,411	87
Impairment / reversal impairment	32	-	(53)	-	(21)	22
Effect of movements in foreign exchange rates	(2)	(709)	(1,080)	(466)	(2,257)	-
Accumulated depreciation and impairments at 31 December	(15,181)	(34,640)	(38,270)	(50,740)	(138,832)	(4,504)
Balance at 1 January	41,356	20,860	11,077	70,112	143,406	2,595
Balance at 31 December	40,508	21,944	9,446	61,861	133,758	2,298

2020	Land & buildings	Fixtures & fittings	IT hardware	Right of Use assets	Total property, plant & equipment	Investment property
At cost at 1 January	58,378	54,471	43,599	87,786	244,233	4,481
First time adoption as per 1st January 2020	-	-	-	-	-	-
Additions	365	6,647	6,848	20,420	34,280	-
Disposals	-	(1,705)	(2,725)	(2,630)	(7,060)	(65)
Reclassification	(2,726)	-	-	-	(2,726)	2,726
Effect of movements in foreign exchange rates	(19)	(741)	(1,257)	(1,786)	(3,803)	-
At cost at 31 December	55,998	58,672	46,464	103,790	264,925	7,142
Accumulated depreciation and impairments at 1 January	(15,967)	(36,217)	(33,599)	(17,896)	(103,678)	(2,567)
Depreciation charge for the year	(678)	(3,849)	(5,344)	(18,107)	(27,978)	(73)
Disposals	-	1,615	2,648	1,903	6,166	52
Impairment / reversal impairment	13	-	-	-	13	27
Reclassification	1,986	-	-	-	1,986	(1,986)
Effect of movements in foreign exchange rates	5	639	907	421	1,971	-
Accumulated depreciation and impairments at 31 December	(14,642)	(37,812)	(35,388)	(33,679)	(121,520)	(4,546)
Balance at 1 January	42,411	18,253	10,000	69,891	140,555	1,914
Balance at 31 December	41,356	20,860	11,077	70,112	143,406	2,595

The increase in the depreciation charge for the year under Fixtures & fittings is driven by the change on Madrid's headquarters.

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	
	2021	2020	2021	2020
Spain	77,890	77,796	21,259	21,259
Italy	20,650	20,650	443	681
Other	244	1,064	-	-
Total	98,784	99,510	21,702	21,940

Fair value measurement

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

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 2020). Valuation techniques used are: Market (comparison) approach, Income approach (discounted cash flow method) and Cost approach. 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: 100% office (2020: 100%).

Direct operating expenses (including repairs and maintenance) arising from investment property are EUR 30 thousand (2020: EUR 0 thousand). During the year an amount of EUR 291 thousand (2020: EUR 293 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 262 thousand for non-cancellable contracts (In 2020, expected rental income for next year was EUR 310 thousand for non-cancellable contracts).

Leases: Right of Use Assets

Right of Use assets consist of office space (94%) (in 2020: 95%), including parking and vehicles under a number of operating lease agreements. The most significant lease contracts relate to the offices in our locations in Western Europe. The remaining terms of these office rentals vary between 2 to 11 years (in 2020: between 2 to 12 years) and most of the contracts contain extension options. The extension options are taken into account in the measurement of lease liabilities when the Group is reasonably certain to exercise these options.

Further information about the leases for which ACyC is a lessee is presented below:

	2021	2020
Lease liability included in statement of financial position at 31 December (see Note 20)	63,709	70,836
Amounts recognised in income statement :		
Interest expenses on lease liabilities	(1,757)	(1,733)
Expenses relating to short-term leases	(454)	(509)
Expenses relating to low-value assets	(27)	(25)
Amounts recognised in the statement of cash flows :		
Total cash outflow for leases	18,335	21,003

8 Subsidiaries

The following table sets forth as at 31 December 2021, the name and country of incorporation of the main subsidiaries of ACyC.

Subsidiaries are fully consolidated from the date on which control is transferred to ACyC. All companies are, directly or indirectly, wholly owned unless otherwise indicated.

Name	Country	Ownership
Atradius Crédito y Caución S.A. de Seguros y Reaseguros	Spain	
Australia branch	Australia	
Bulgaria branch	Bulgaria	
Austria branch	Austria	
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	
Crédito y Caución do Brasil Gestao de Riscos de Crédito e Serviços LTDA	Brazil	
Iberinform Internacional S.A.U.	Spain	
Iberinmobiliaria, S.A.U.	Spain	
B2B SAFE, S.A.	Spain	
Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden N.V.	Netherlands	0.50%
Verenigde Assurantiebedrijven Nederland N.V.	Netherlands	0.65%

Entities for which ACyC does not have control are not fully consolidated.

9 Financial investments

Financial investments classified by measurement category and nature	Available-for-sale		Loans and receivables ¹⁾		Total	
	2021	2020	2021	2020	2021	2020
Equity securities	397,127	294,970	-	-	397,127	294,970
Debt securities	1,285,341	1,079,670	-	-	1,285,341	1,079,670
Loans	-	-	5	-	5	-
Short-term investments	-	-	139,448	88,643	139,448	88,643
Cash held for investments	-	-	35,085	8,196	35,085	8,196
Total	1,682,468	1,374,640	174,538	96,839	1,857,006	1,471,479

1) There are not bank deposits tacitly renewable in 2021 and 2020

Movements in available-for-sale financial investments	Equity securities		Debt securities		Total	
	2021	2020	2021	2020	2021	2020
Balance at 1 January	294,970	268,808	1,079,670	1,005,736	1,374,640	1,274,544
Additions	61,538	97,687	583,631	416,430	645,169	514,117
Disposals	(8,588)	(56,041)	(367,376)	(333,154)	(375,964)	(389,195)
Amortisation charge for the year	-	-	(8,967)	(8,786)	(8,967)	(8,786)
Revaluations through other comprehensive income and income statement	46,571	(14,884)	(10,497)	7,466	36,074	(7,418)
Effect of movements in foreign exchange rates	2,636	(600)	8,880	(8,022)	11,516	(8,622)
Balance at 31 December	397,127	294,970	1,285,341	1,079,670	1,682,468	1,374,640

For disclosures about the temporary exemption from IFRS 9, please refer to Note 4.4.2

10 Receivables

	2021	2020
Accounts receivable on insurance and reinsurance business	218,917	184,593
Amounts owed by policyholders and direct insurance operations	126,249	119,542
Receivables arising out of reinsurance	92,668	65,051
Other account receivables	104,206	109,918
Total	323,123	294,511

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

Receivables arising out of reinsurance increase due to a late settlement from ACyC Hong Kong and amounts owed by policy holders in ACyC Italy and ATCI.

An amount of EUR 76.8 million (2020: EUR 65.2 million) relates to past due receivables on insurance and reinsurance business for which no impairment loss has been recognised, 91.3% (2020: 90.5%) relates to receivables ageing less than three months.

All receivables are considered for impairment testing. As of 31 December 2021, receivables of EUR 25.8 million (2020: EUR 25.3 million) were considered to be partially impaired. The amount of the impairment taken related to these receivables was EUR 12.4 million (2020: EUR 10.9 million), of which EUR 1.2 million is related receivables coming from information activities. This balance takes into account that a portion of the impaired receivables will be recovered. ACyC does not hold any collateral over these balances.

The 'Other accounts receivable' are short term balances which consist of individually immaterial balances. The provision for impaired 'Other accounts receivable' for 2021 is EUR 1.2 million (2020: EUR 1.2 million)

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

	2021	2020
Balance at 1 January	10,888	11,634
Impairment of receivables	10,393	8,203
Receivables written off during the year as uncollectable	(8,959)	(8,500)
Unused amounts reversed	38	(449)
Balance at 31 December	12,360	10,888

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

For disclosures about the temporary exemption from IFRS 9, please refer to Note 4.4.2

11 Deferred acquisition costs

	2021	2020
Balance at 1 January	29,560	33,316
Deferred in the year	21,948	18,771
Amortisation change for the year	(18,083)	(21,458)
Effect of movements in foreign exchange rates	329	(1,069)
Balance at 31 December	33,754	29,560
Current	20,604	18,043
Non-current	13,150	11,517

12 Other assets and accruals

	2021	2020
Pipeline and ceded return premium	359,161	303,520
Prepayments and accrued interest	21,143	17,096
Net plan pension asset	88,370	53,667
Reimbursement rights	6,924	8,408
Other	9,572	8,714
Total	485,170	391,405

Pipeline premium relates to shipments made by ACyC's policyholders for which ACyC is at risk but has not invoiced the premium. The increase in 2021 is due to the increase of the premiums on the year.

Prepayments and accrued interest, relate to payments in advance for which the Company has received and invoice for future services or goods, and interest of financial investments for which Atradius is entitled but has not received yet.

The other 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 15).

The net plan pension asset concerns the surplus of the pension plan in the UK as per 31 December 2021 is EUR 88.4 (2020: EUR 53.7 million) (see Note 15).

13 Cash and cash equivalents

	2021	2020
Cash at bank and on hand	322,867	223,370
Short-term bank deposits	1,641	2,195
Cash and cash equivalents	324,508	225,565
Cash and cash equivalents	324,508	225,565
Cash and cash equivalents in the statement of cash flows	324,508	225,565

ACyC 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.

14 Capital and reserves

14.1 Share capital

The authorised share capital of ACyC amounts to EUR 24,869,770.65 and is divided into 4,138,065 nominal shares with a par value of EUR 6.01 each (2020: the same). The nominal shares were all issued and fully paid, with identical economic and voting rights (2020: the same).

14.2 Share premium reserve

	2021	2020
Balance at 1 January	24,192	24,192
Capital reallocation	60,000	-
Balance at 31 December	84,192	24,192

The cancellation of the intra-group cession from ACyC to Atradius Reinsurance DAC from underwriting year 2022 results into an increase of the reinsurance self-retention of ACyC. To partially compensate for that effect a capital reallocation has been executed before year-end 2021: EUR 60m have been up-streamed from Atradius Reinsurance DAC (via a distribution of retained earnings) to Atradius Insurance Holding and down-streamed to ACyC via a capital contribution to the share premium (reserve) from its shareholders: Atradius Insurance Holding and Atradius NV (1 share).

14.3 Revaluation reserve

	2021	2020
Balance at 1 January	57,752	67,636
Change in revaluation reserve - gross	37,037	(4,563)
Change in revaluation reserve - tax	(9,251)	(2,381)
Net (gains)/losses transferred to net profit on disposal - gross	(4,428)	(3,843)
Net (gains)/losses transferred to net profit on disposal - tax	1,218	903
Balance at 31 December	82,328	57,752

14.4 Currency translation reserve

	2021	2020
Balance at 1 January	(37,360)	(26,073)
Change in currency translation reserve - gross	10,919	(13,031)
Change in currency translation reserve - tax	(761)	1,744
Balance at 31 December	(27,202)	(37,360)

ACyC's significant foreign currencies and sensitivity to fluctuations are set out in Note 4.4.

14.5 Pension reserve

	2021	2020
Balance at 1 January	(168,121)	(163,000)
Recognised actuarial gains/(losses)	30,777	(5,121)
Change in pension reserve - gross	38,936	(10,587)
Change in pension reserve - tax	(8,159)	5,466
Pension plan de-risking reclassification to Retained earnings	80,992	-
Change in pension reserve - gross	107,927	-
Change in pension reserve - tax	(26,935)	-
Balance at 31 December	(56,352)	(168,121)

The main drivers of the pension reserve variance are explained in Note 15.

14.6 Retained earnings

	2021	2020
Balance at 1 January	1,157,408	1,079,093
Appropriation of prior year result	84,924	181,173
Pension plan de-risking	(80,992)	-
Dividends	-	(102,859)
Balance at 31 December	1,161,339	1,157,408

The NL Pension Plan de-risking has had an impact in retained earnings due to the reclassification of accumulated actuarial losses net of taxes (previously shown under pension reserve) of EUR 80.9 million.

14.7 Dividend distribution

ACyC and its subsidiaries are subject to legal restrictions regarding the amount of dividends they can pay to their shareholders. The Spanish Companies Act 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.

15 Employee benefit assets and liabilities

	2021	2020
Retirement benefits	91,477	130,498 ^(*)
Other long-term employee benefits	7,276	6,675
Total	98,753	137,173

(*) 2020 Retirement benefits figures include the defined benefit Dutch pension plan, that has been transferred to a defined contribution pension plan in 2021 and is no longer included under employee benefit assets and liabilities

15.1 Retirement benefits

The employee benefit assets and liabilities relate mainly to pension assets and liabilities for defined benefit plans.

In 2021 a substantial change took place regarding the Dutch defined benefit pension plan, an agreement between the legally involved stakeholders to change this defined benefit plan, as of 31 December 2021 to a new defined contribution plan.

The assets (EUR 459 million) and accrued pension liabilities (EUR 430 million) have been fully transferred to a third party insurance company by way of a buy-in, followed by a buy-out. This operation has been approved by the Dutch Central Bank. The external insurance company is fully responsible for future execution of the pension plan as of 27th of October 2021 (buy-in). Atradius has decided to provide the curtailment gain (EUR 29 million) as a contribution to the defined benefit plan. All liquidation costs will be assumed by Atradius NV. In addition, due to this operation there has been a reclassification of the respective accumulated actuarial losses of EUR 108 million (EUR 81 million net of tax) from Pension reserve to Retained earnings. Further details of this change is disclosed in the table below.

The main defined benefit plans as of December 31, 2021 are in the United Kingdom and Germany and these represent respectively 100% (2020: 100%) of the net pension plan assets booked in the assets, and 74% ((2020: 78%) of the defined benefit obligation booked in the liabilities. Other plans are related to Spain, Italy, Switzerland, Sweden, Belgium, Norway and France. The DBO of these plans are between the EUR 2 million – EUR 10 million (2020: DBO (EUR 0.7 million -9.8 million), and the number of participants are between 13 and 451 (2020: 18 and 470).

Within ACyC 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 10.2 million in 2021 (2020: EUR 9.3 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		Net defined benefit (asset) liability	
	2021	2020	2021	2020	2021	2020
Balance at 1 January ^(*)	987,936	929,503	857,438	811,972	130,498	117,531
Additions						
Included in the income statement:						
Current service cost	15,059	14,259	-	-	15,059	14,259
Past service cost - Plan Amendment	(228)	279	-	-	(228)	279
Past service cost - Curtailment	(29,180)	-	-	-	(29,180)	-
Settlement (Gain)/ Loss	(429,992)	-	(459,172)	-	29,180	-
Interest cost / income	10,941	11,705	10,833	11,714	108	(9)
Administration costs	661	630	-	-	661	630
Total included in the income statement	(432,739)	26,873	(448,339)	11,714	15,600	15,159
Included in OCI:						
Remeasurement loss (gain):						
Actuarial loss (gain) arising from:						
- demographic assumptions	(9,228)	(8,141)	-	-	(9,228)	(8,141)
- financial assumptions	7,277	85,899	-	-	7,277	85,899
- experience adjustments	(17,120)	(7,508)	-	-	(17,120)	(7,508)
Return on plan assets excluding interest income	-	-	20,602	61,143	(20,602)	(61,143)
Total included in OCI	(19,071)	70,250	20,602	61,143	(39,673)	9,107
Other:						
Contributions paid by the employer	(3,568)	(3,233)	41,928	11,219	(45,496)	(14,452)
Plan participants contributions	1,965	2,010	1,965	2,010	-	-
Benefits paid	(21,162)	(20,762)	(21,162)	(20,762)	-	-
Effect of movements in foreign exchange rates	21,987	(16,705)	26,143	(19,584)	(4,156)	2,879
Reclassification of surplus plan assets	-	-	(34,704)	(274)	34,704	274
Total other	(778)	(38,690)	14,170	(27,391)	(14,948)	(11,299)
Balance at 31 December	535,348	987,936	443,871	857,438	91,477	130,498

^(*) The opening balance includes the Dutch pension plan (DBO: EUR 452 million; Fair Value of plan assets EUR 420 million)

Plan assets

ACyC 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 14.3 million (2020: EUR 14.3 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 38.0 of financial investments (2020: EUR 38.2 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 one of the UK pension plans as per 31 December 2021 is EUR 88.4 million (2020: EUR 53.7 million) is disclosed as net plan pension assets as part of Note 12.

In Spain, 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

All amounts in thousands of Euro, unless otherwise stated

recorded as part of other assets for an amount of EUR 6.5 million (2020: EUR 7.7 million). At the end of 2021, the defined benefit obligation related to the reimbursement rights amounts to EUR 15.5 million (2020: EUR 15.8 million). This same defined benefit obligation has in addition plan assets of EUR 13.2 million ((2020: EUR 13.8 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 were based on a percentage of the average salary (maximum of EUR 0.1 million - closed to new employees).
Number of participants	101 active members (2020: 114 active members). 539 inactive members (2020: 530 inactive members).	432 active members (2020: 436 active members). 360 inactive members (2020: 354 inactive members).	261 active members in 2021 (2020: 275 active members). 1,221 in 2021 (2020: 1,364 inactive members).
Defined benefit obligation	EUR 299 million (2020: EUR 297 million).	EUR 136.6 million (2020: EUR 136.2 million).	EUR 0 in 2021 (2020: EUR 452 million).
Plan assets	EUR 387 million (2020: EUR 351 million).	EUR 70 million (2020: EUR 66 million). Assets of EUR 14 million (2020: EUR 14 million) are recognised as part of the financial investments.	EUR 0 in 2021 (2020: EUR 420 million).
Remeasurement gain (loss) through OCI	EUR 30.7 million - gain (2020: EUR 3.3 million - gain).	EUR 0.5 million - gain (2020: EUR 6.1 million - loss).	EUR 0.9 million gain in 2021 (2020: EUR 7.4 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 30 million.	The employer paid a yearly base premium as a percentage of the total sum of eligible salaries of all active participants which could not be below the cost-effective premium for that year in 2021 and 2020.
Employee contributions	In 2021 contributions amounted to 7.1 % (2020: 7.1%) of the eligible salary.	None; all contributions are made by the employer.	Employees contributed in 2021 7.5% (2020: 7.5%) of the eligible salary.
ALM-strategy	A Cash Driven Investment portfolio has been implemented that combines Buy & Maintain Credit with a Liability Driven Investment, to provide contractual income that aligns with the timing of the pension liability cash flow payments together with a 100% interest rate and inflation rate liability hedge to maintain Self-sufficiency	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 was performed in which the impact of the strategic investment policies were analysed. The interest rate risk was partially hedged within the investment portfolio by the use of debt instruments in combination with liability driven investment funds.
Regulatory Framework	The UK pension plan is subject to UK pensions legislation and guidance issued by the Pensions Regulator in the UK	The German pension plan is subject to German pensions legislation and guidance issued by the Pensions Regulator in Germany	The Dutch pension plan was subject to The Dutch pension legislation and guidance issued by the Pensions Regulator in The Netherlands

(*) The amounts and figures disclosed for 2021 are as of 27 of October 2021, when NL Pension Plan ended

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 2021	Cash and cash equivalents	Equity instruments	Debt instruments	Investment funds	Insurance contracts	Real estate	Total
Belgium	-	-	-	-	33,576	-	33,576
France	-	-	-	-	-	-	-
Germany	(391)	25,716	44,653	-	-	-	69,978
Norway	-	-	-	-	2,899	-	2,899
Spain	-	-	-	-	13,160	-	13,160
Sweden	-	366	1,604	507	-	338	2,815
Switzerland	-	-	-	-	4,001	-	4,001
The Netherlands	-	-	-	-	-	-	-
United Kingdom	3,766	-	299,052	14,624	-	-	317,442
Total	3,375	26,082	345,309	15,131	53,636	338	443,871

Plan assets 2020	Cash and cash equivalents	Equity instruments	Debt instruments	Investment funds	Insurance contracts	Real estate	Total
Belgium	-	-	-	-	36,052	-	36,052
France	-	-	-	-	-	-	-
Germany	1,491	23,182	41,271	-	-	-	65,944
Norway	-	-	-	-	3,416	-	3,416
Spain	-	-	-	-	13,781	-	13,781
Sweden	-	381	1,670	527	-	351	2,929
Switzerland	-	-	-	-	3,359	-	3,359
The Netherlands	6,575	152,544	-	260,751	-	-	419,870
United Kingdom	8,213	-	278,412	13,038	-	12,424	312,087
Total	16,279	176,107	321,353	274,316	56,608	12,775	857,438

All equity and debt securities have quoted prices in active markets. The plan assets do not include any of ACyC's own financial instruments, nor any property occupied or other assets used by ACyC. Due to the operation described above, the plan assets for The Netherlands associated to the Dutch Pension fund plan have been liquidated and transferred to the insurance company.

The return on plan assets is determined by multiplying the fair value of the plan assets by the discount rate as determined at the start of the annual reporting period, taking account of any changes in the plan assets held during the period as a result of contributions and benefit payments. The actual return on plan assets (including reimbursement rights) was EUR 30.2 million gain (2020: EUR 71.5 million gain).

Actuarial assumptions

The principal assumptions used for the purpose of the actuarial valuations are reviewed country by country by an independent external consultant and approved by the management. In the following table are presented the ones related the three main defined benefit plans:

Principal actuarial assumptions	United Kingdom		Germany	
	2021	2020	2021	2020
Discount rate	2.00%	1.50%	1.00%	0.75%
Price inflation rate	3.50%	2.75%	2.00%	1.75%
Expected increase of future salaries	3.25%	2.50%	2.55%	2.30%
Expected increase of future benefit levels	3.36%	2.67%	1.75%	1.50%
Mortality table	CMI 2020 (1.25% LTR)	CMI 2019 (1.5% LTR)	Heubeck Richttafeln 2018 G	Heubeck Richttafeln 2018 G
Duration in years	19	20	16	16

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	2021		2020 (*)	
	Increase	Decrease	Increase	Decrease
Discount rate (1% movement)	(73,210)	95,563	(77,601)	103,306
Price inflation rate (1% movement)	75,236	(64,217)	83,606	(60,855)
Future salary growth (1% movement)	13,478	(12,028)	15,229	(13,616)
Future pension growth (1% movement)	65,903	(54,149)	68,415	(55,887)
Future mortality (+1 year)	20,631	n/a	20,080	n/a

(*) For comparability purposes of the sensitivity analysis, the 2020 comparative values do not include the NL pension plan settled in 2021, as such, these figures do not reconcile with those presented in the 2020 Annual Report

15.2 Defined benefit costs

A total defined benefit cost of EUR 15.2 million (2020: EUR 14.7 million) is recognised in the income statement under net operating expenses (see Note 25). EUR 15.0 million (2020: EUR 14.4 million) relates to pension plans and EUR 0.2 million (2020: EUR 0.2 million) to other long-term employee benefits.

16 Insurance contracts

Credit insurance	Gross	Reinsurance asset	Net	Gross	Reinsurance asset	Net
	2021			2020		
Claims reported and loss adjustment expenses	152,446	(165,393)	(12,947)	142,180	(164,235)	(22,056)
Claims incurred but not reported	811,470	(451,345)	360,125	692,975	(495,655)	197,320
Claims provisions	963,916	(616,738)	347,178	835,154	(659,890)	175,264
Provision for unearned premium	264,002	(107,668)	156,334	240,123	(145,323)	94,801
Total	1,227,918	(724,407)	503,512	1,075,278	(805,213)	270,065
Bonding						
Claims reported and loss adjustment expenses	120,829	(76,345)	44,485	130,335	(83,619)	46,717
Claims incurred but not reported	49,281	(30,235)	19,045	31,696	(20,702)	10,994
Claims provisions	170,110	(106,580)	63,530	162,032	(104,321)	57,711
Provision for unearned premium	177,466	(104,665)	72,801	160,642	(103,819)	56,822
Total	347,576	(211,245)	136,332	322,673	(208,140)	114,533
Total insurance contracts	1,575,495	(935,652)	639,843	1,397,951	(1,013,353)	384,598
Current	1,124,331	(684,406)	439,924	992,290	(766,488)	225,801
Non-current	451,164	(251,245)	199,919	405,661	(246,865)	158,796

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

16.1 Claims development tables

The claims development tables provide an overview of how the Atradius's recognised claims costs for underwriting years 2012-2021 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 2021. Underwriting year here means the year in which the risks were accepted ('risk attachment').

Credit Insurance – Gross**Claims development per underwriting year – (EUR million)**

Year when risk was taken	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Estimate of gross claims incurred:											
at the end of the year when risk was taken	766.1	639.7	702.9	764.7	688.7	697.7	765.5	766.4	882.4	867.4	
one year later	704.3	547.2	644.4	676.6	603.4	672.5	798.5	755.7	459.1	-	
two years later	647.8	502.1	614.3	639.4	575.4	618.0	727.6	702.5	-	-	
three years later	618.8	488.3	608.2	614.2	567.5	611.6	718.2	-	-	-	
four years later	610.3	486.4	605.4	607.6	565.0	613.0	-	-	-	-	
five years later	606.3	479.7	597.6	612.6	576.4	-	-	-	-	-	
six years later	602.0	473.0	592.2	614.5	-	-	-	-	-	-	
seven years later	599.3	474.9	589.8	-	-	-	-	-	-	-	
eight years later	596.8	474.5	-	-	-	-	-	-	-	-	
nine years later	595.0	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims	595.0	474.5	589.8	614.5	576.4	613.0	718.2	702.5	459.1	867.4	6,210.4
Cumulative payments to date	593.9	477.3	580.1	615.8	592.4	619.9	711.6	667.6	320.7	72.9	5,252.4
Claims provision at 31 December 2021 in respect of 2012 - 2021	1.2	(2.8)	9.7	(1.3)	(16.0)	(6.9)	6.5	34.9	138.4	794.4	958.0
In respect of prior years (before 2012)											5.9
Total											963.9

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 in Spain. The premium earned for underwriting years 2018-2020 in the current financial year for these blocks of business was EUR 84.1 million.

Results for underwriting year 2020 show a significant favourable development on claim cost resulting from the low entry of claims during 2021 compared to much higher expectations at year end 2020, for claims registrations in 2021, which did not materialize (see 4.2.6.2).

The claims development table is presented on a gross basis. The effect of risk mitigation is in line with our reinsurance treaties, quota share and Government schemes, as included in Note 4.3, detailing further disclosures on insurance risk. The overall impact of risk mitigation on claims provisions (for all underwriting years combined) is approximately 63.9%. Risk mitigation for gross claims incurred as shown in this table varies between 54% and 79% (2020: 72% and 80%). These differ from the quota share treaties due to the private instalment credit protection, which are not ceded, and the Government Schemes.

Bonding - Gross**Claims development per underwriting year – (EUR million)**

Year when risk was taken	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total
Estimate of gross claims incurred:											
at the end of the year when risk was taken	10.18	14.94	11.20	8.65	8.73	6.60	4.16	22.92	22.67	22.56	
one year later	31.94	19.73	12.30	8.69	9.33	19.16	22.07	21.76	13.08	-	
two years later	34.26	20.39	17.96	11.21	12.20	19.96	28.28	33.76	-	-	
three years later	34.40	20.25	19.26	16.25	14.24	21.59	29.32	-	-	-	
four years later	35.57	19.29	16.31	17.68	14.26	20.98	-	-	-	-	
five years later	36.42	18.07	15.49	14.17	19.00	-	-	-	-	-	
six years later	34.92	20.43	19.90	20.09	-	-	-	-	-	-	
seven years later	35.38	23.34	19.73	-	-	-	-	-	-	-	
eight years later	35.72	21.54	-	-	-	-	-	-	-	-	
nine years later	38.31	-	-	-	-	-	-	-	-	-	
Current estimate of cumulative claims	38.31	21.54	19.73	20.09	19.00	20.98	29.32	33.76	13.08	22.56	238.37
Cumulative payments to date	29.4	13.9	12.8	5.3	18.3	11.4	19.9	13.0	5.5	0.3	129.8
Claims provision at 31 December 2021 in respect of 2012 - 2021	8.91	7.64	6.93	14.79	0.70	9.58	9.42	20.76	7.58	22.26	108.57
In respect of prior years (before 2012)											61.5
Total											170.1

The claims costs do not include an estimate for future claim payments on cases where ACyC does not yet have adverse information. This explains the increase in claims costs over time. For bonding, ACyC 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 2018-2020 in the current financial year was EUR 54.1 million.

The claims development tables are presented on a gross basis. The effect of risk mitigation is in line with our reinsurance treaties, quota share and Government schemes, as included in Note 4.3, detailing further disclosures on insurance risk. The overall impact of risk mitigation on claims provisions (for all underwriting years combined) is approximately 62.7%. Risk mitigation for gross claims incurred as shown in this table varies between 58% and 48%. (2020: 57% and 59%). This is due to a relatively higher retention in recent years.

16.2 Insurance liabilities and reinsurance assets

16.2.1 Changes in insurance liabilities and reinsurance assets

Credit insurance	Gross	Reinsurance asset	Net	Gross	Reinsurance asset	Net
	2021			2020		
Balance at 1 January	835,155	(659,890)	175,264	658,245	(464,293)	193,952
Claims paid in the year	(252,486)	191,963	(60,522)	(616,740)	397,612	(219,129)
Increase/(decrease) in liabilities arising from claims	367,757	(139,956)	227,802	816,690	(608,440)	208,251
Foreign exchange rate and other movements	13,490	(8,855)	4,634	(23,040)	15,231	(7,810)
Balance at 31 December	963,916	(616,738)	347,178	835,155	(659,890)	175,264
Claims reported and loss adjustment expenses	152,446	(165,393)	(12,947)	142,180	(164,235)	(22,056)
Claims incurred but not reported	811,470	(451,345)	360,125	692,975	(495,655)	197,320
Total	963,916	(616,738)	347,178	835,155	(659,890)	175,264
Bonding						
Balance at 1 January	162,031	(104,321)	57,710	156,227	(102,063)	54,164
Claims paid in the year	(30,943)	21,147	(9,797)	(30,615)	20,774	(9,841)
Increase/(decrease) in liabilities arising from claims	38,973	(23,373)	15,601	36,530	(23,077)	13,454
Foreign exchange rate and other movements	49	(33)	16	(111)	45	(67)
Balance at 31 December	170,110	(106,580)	63,530	162,031	(104,321)	57,710
Claims reported and loss adjustment expenses	120,829	(76,345)	44,485	130,335	(83,619)	46,716
Claims incurred but not reported	49,281	(30,235)	19,045	31,696	(20,702)	10,994
Total	170,110	(106,580)	63,530	162,031	(104,321)	57,710
Claims provisions	1,134,026	(723,318)	410,708	997,186	(764,211)	232,974

16.2.2 Provision for unearned premium

Credit Insurance	Gross	Reinsurance F asset €	Net	Gross	Reinsurance asset	Net
	2021			2020		
Balance at 1 January	240,123	(145,323)	94,801	260,070	(130,211)	129,859
Movement in the period	21,904	39,022	60,926	(11,879)	(21,962)	(33,841)
Foreign exchange rate and other movements	1,975	(1,368)	607	(8,068)	6,851	(1,218)
Balance at 31 December	264,002	(107,668)	156,334	240,123	(145,323)	94,801
Bonding						
Balance at 1 January	160,642	(103,819)	56,822	173,186	(115,500)	57,686
Movement in the period	16,429	(593)	15,836	(12,138)	11,390	(748)
Foreign exchange rate and other movements	396	(253)	143	(406)	290	(116)
Balance at 31 December	177,466	(104,665)	72,801	160,642	(103,819)	56,822
Provision for unearned premium	441,469	(212,334)	229,135	400,765	(249,142)	151,623

17 Other provisions

2021	Restructuring	Litigation	Total
Balance at 1 January	1,782	999	2,781
Additional provisions	-	112	112
Unused amounts reversed	(198)	-	(198)
Utilised	-	(73)	(73)
Balance at 31 December	1,584	1,036	2,620
Current	-	-	-
Non-current	1,584	1,036	2,620
2020	Restructuring	Litigation	Total
Balance at 1 January	1,485	1,135	2,620
Additional provisions	297	173	470
Unused amounts reversed	-	(264)	(264)
Utilised	-	(45)	(45)
Balance at 31 December	1,782	999	2,781
Current	-	-	-
Non-current	1,782	999	2,781

Restructuring

The restructuring provision is recognised when management has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced to the parties concerned. Costs relating to the ongoing activities of Atradius are not provided for.

Litigation

The litigation provision is related to disputes with third parties that are not related to the insurance business of ACyC. 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 ACyC. These provisions have not been discounted to reflect present value since the effect of discounting is not material.

18 Deferred and current income tax

Current income tax

	2021	2020
Current income tax assets	18,167	16,075
Current income tax liabilities	27,639	36,234
Net	(9,472)	(20,159)

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.

Atradius Crédito y Caucción S.A. de Seguros y Reaseguros, Spanish branch, is included in the fiscal unity (n°173/01) for corporate income tax in Spain, which includes Grupo Catalana Occidente, S.A. (as parent company) and other subsidiaries entities: (i) Atradius Collections, S.L.; (ii) Atradius Crédito y Caucción S.A. de Seguros y Reaseguros; (iii) Atradius Information Services BV Sucursal en España; (iv) Catalana Occidente Capital, Agencia de Valores, S.A.; (v) Cosalud Servicios, S.A.; (vi) Funeraria Merino Díez, S.L. (vii) GCO Gestora de Pensiones, EGFP, S.A.; (viii) GCO Reaseguros, S.A.; (ix) Grupo Catalana Occidente Gestión de Activos, S.A. S.G.I.I.C.; (x) Iberinform Internacional, S.A.; (xi) Iberinmobiliaria, S.A.; (xii) B2B SAFE, S.A.; (xiii) Nortehispana, de Seguros y Reaseguros, S.A.; (xiv) Plus Ultra, Seguros Generales y Vida, S.A. de Seguros y Reaseguros; (xv) Seguros Catalana Occidente, S.A. de Seguros y Reaseguros; (xvi); Sociedad Gestión Catalana Occidente, S.A.; (xvii) Tecniseguros, Sociedad de Agencia de Seguros, S.A.; y (xviii) Nortehispana Mediación Agencia de Seguros, S.A. (xix) Atradius Participations Holding S.L..

All companies included in the fiscal unity are jointly and severally liable for the corporate income tax payable in Spain by the fiscal unity.

Deferred income tax

	2021	2020
Deferred income tax assets before set-off	179,192	193,521
Set-off of deferred tax positions	(157,497)	(157,891)
Net deferred tax assets as presented in the statement of financial position	21,695	35,630
Deferred income tax liabilities before set-off	238,996	225,456
Set-off of deferred tax positions	(157,497)	(157,891)
Net deferred tax liabilities as presented in the statement of financial position	81,499	67,565

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

	2021	2020
Balance at 1 January	(31,935)	(53,940)
Credit (charge) to other comprehensive income for the year	(16,193)	3,989
Charge to the income statement for the year	15,260	17,168
Movements with no impact on OCI nor P&L	(26,935)	-
Effect of movements in foreign exchange rates	-	847
Balance at 31 December	(59,804)	(31,935)

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

2021	Balance at 1 January	Recognised in other comprehensive income for the year	Recognised in the income statement for the year	Movements with no impact on OCI nor P&L	Effect of movement s in foreign exchange	Balance at 31 December
Tax losses carried forward	12,764	-	18,486	-	29	31,279
Technical balances	54,340	-	14,565	-	(118)	68,787
Pensions	35,377	(8,159)	10,657	(26,935)	(515)	10,425
Fiscal goodwill	2,117	-	(270)	-	52	1,899
Allowance accounts receivable	3,162	-	(383)	-	(1)	2,778
Financial investments	(17,454)	(8,034)	(1,251)	-	(82)	(26,821)
Equalisation provisions	(108,970)	-	(32,879)	-	4	(141,845)
Property, plant and equipment	130	-	1,795	-	23	1,948
Other	(13,403)	-	4,539	-	608	(8,255)

Total	(31,935)	(16,193)	15,260	(26,935)	-	(59,804)
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2020	Balance at 1 January	Recognised in other comprehensive income for the year	Recognised in the income statement for the year	Movements with no impact OCI or P&L	Effect of movements in foreign exchange	Balance at 31 December
Tax losses carried forward	6,730	-	6,083	-	(49)	12,764
Technical balances	43,326	-	11,064	-	(49)	54,340
Pensions	31,971	5,467	(2,728)	-	668	35,377
Fiscal goodwill	3,071	-	(934)	-	(20)	2,117
Allowance accounts receivable	3,711	-	(539)	-	(9)	3,162
Financial investments	(19,935)	(1,478)	3,642	-	317	(17,454)
Equalisation provisions	(108,251)	-	(720)	-	1	(108,970)
Property, plant and equipment	(7,901)	-	8,066	-	(34)	130
Other	(6,661)	-	(6,765)	-	23	(13,403)
Total	(53,940)	3,989	17,168	-	847	(31,935)

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.

ACyC has unrecognised tax losses carried forward balances amounting to EUR 34.0 million (2020: EUR 38.5 million). The expiration of these unrecognised tax losses carried forward is included in the following table:

Expiration unrecognised tax losses carried forward	2021	2020
1 - 3 years	230	1,889
4 - 9 years	1,262	3,112
Indefinite	32,526	33,488
Total	34,018	38,489

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
	2021		2020	
Revaluation reserve in shareholders equity related to:				
Available-for-sale financial investments	(8,034)	-	(1,477)	-
Pension reserve in shareholders equity related to:				
Recognised actuarial gains/(losses)	(8,159)	-	5,467	-
Currency translation reserve in shareholders equity related to:				
Currency translation reserve	-	(761)	-	1,744
Total	(16,193)	(761)	3,989	1,744

19 Payables

	2021	2020
Accounts payable on insurance and reinsurance business	382,947	324,499
Payables arising out of reinsurance operations	324,475	268,443
Amounts due to policyholders	41,515	41,170
Amounts due to intermediaries and current account Dutch State	16,957	14,886
Trade and other accounts payable	91,697	68,858
Accounts payable	9,270	10,342
Other accounts payable	82,427	58,516
Total	474,644	393,357

The payables are substantially all current.

The increase on payables arising out of reinsurance operations is coming from the cancelation of Deposits received from reinsurance in ACyC Spain.

20 Other liabilities

	2021	2020
Ceded pipeline premium ¹ and return premium ²	267,537	240,108
Deposits received from reinsurers	11,556	66,016
Unearned reinsurance commission	80,854	91,547
Payroll and bonus accruals	49,761	37,008
Reinsurance accruals	30,789	11,918
Other accruals	80,144	59,669
Other taxes	20,593	18,884
Lease liabilities	63,709	70,836
Total	604,943	595,986

1) Ceded pipeline premium: Ceded accrued premium which has not been invoiced but for which Atradius is on risk

2) Return Premium – amount due the insured because the actual cost of a policy is less than the insured has previously paid

The main variations are coming from the cancelation of Deposits received from reinsurance in ACyC Spain, bonus accrual increase because of the better performance of the year and Reinsurance accruals increase due to draft agreements (when the agreements become live, these amounts are transfer to payables arising from reinsurance operations).

20.1 Information regarding the deferments of payments to providers

The information required by the Second Final Provision of Spanish Act 31/2014, of December 3, through which the Consolidated Text of the Spanish Companies Act is amended for the improvement of corporate governance and Spanish Act 15/2010, of July 5, which amends Spanish Act 3/2004 of December 29, is detailed below. Said information has been prepared by the Company's Directors whilst applying the Resolution of the Spanish Accounting and Audit Institute dated January 29, 2016. This information is limited to the operations carried out by the ACyC subsidiary based in Spain.

	2021	2020
	Days	Days
Average term of payment to providers	18.60	15.68
Ratio of paid operations	18.69	15.68
Ratio of outstanding operations	16.48	16.64
	Amount	Amount
Total payments	37,465	30,729
Total outstanding payments	1,543	852

According to ICAC Resolution, the business operations corresponding to the delivery of goods or provisions of services accrued from the date of the entry into force of Spanish Act 31/2014, December 3, have been taken into account for the calculation of the average term of payment to providers.

For the sole purposes of providing the information stipulated in this Resolution, providers are deemed as the trade creditors through debts with suppliers of goods or services, included in the "Debits and payables - Other debts-Rest of other debts" items of the balance sheet's current liabilities.

The "Average term of payment to providers" is deemed as the period between the delivery of the goods or the provision of the services by the provider and the material payment of the operation.

Lease liability maturity analysis

Lease liability maturity analysis (undiscounted cash flows)	2021	2020
Less than one year	20,458	18,399
Between one and five years	49,918	45,943
More than five years	17,941	17,967
Total	88,317	82,309

21 Net premium earned

Credit insurance	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	2021			2020		
Written premium	1,507,065	(921,805)	585,260	1,335,017	(984,597)	350,420
Change in provision for unearned premium	(21,904)	(39,022)	(60,926)	11,879	21,962	33,841
Other movements	(1,237)	569	(668)	91	(64)	27
Total	1,483,923	(960,258)	523,665	1,346,987	(962,699)	384,288
Bonding						
Written premium	141,182	(70,863)	70,318	111,754	(64,078)	47,676
Change in provision for unearned premium	(16,429)	593	(15,836)	12,138	(11,390)	748
Other movements	58	(43)	15	(62)	42	(20)
Total	124,811	(70,314)	54,497	123,830	(75,427)	48,404
Total premium earned	1,608,734	(1,030,572)	578,161	1,470,817	(1,038,126)	432,692

The written premium and change in provision for unearned premium contain reinsurance business.

22 Service and other income

	2021	2020
Credit Information services	46,921	49,898
Business information services	9,771	10,009
Total	56,692	59,907

Credit information services are part of the insurance segment. Business information services are part of the service segment.

Characteristics of service contracts and income:

- The contracts of credit information and business information services mostly have a duration of one year. The contract period of credit information contracts is linked to the insurance policies, which can be up to two years. But the credit limits are renewed on an annual basis, which requires additional credit information that is separately invoiced to the customer.
- The agreed performance obligations and transaction prices, included in the contracts, are clear and contain no judgements that significantly affect the determination of the amount and timing of revenue.
- The contracts contain no financing elements, warranties or obligations for returns or refunds.
- The service contracts contain no variable consideration.
- All costs for obtaining and fulfilling contracts are recognised as expenses. Atradius does not incur costs that meet the criteria to create assets for obtaining or fulfilling specific contracts.
- Applying the practical expedient in paragraph 121 of IFRS 15 Atradius does not separately disclose the remaining performance obligations for service contracts at year end, since the contracts either have a duration of one year or Atradius is allowed to recognise revenue in an amount to which it has a right to invoice.

23 Net income from investments

Net investment income by type of investment	2021	2020
Income		
Debt securities available-for-sale	8,841	6,849
Equity securities available-for-sale	10,093	12,757
Other investments	20	295
Total income from financial investments	18,954	19,901
Investment property	292	555
Total investment income	19,246	20,456
Expenses		
Debt securities available-for-sale	(286)	(386)
Equity securities available-for-sale	(1,636)	(6,492)
Handling expenses	(2,622)	(2,555)
Other investments	(196)	-
Total expenses from financial investments	(4,740)	(9,433)
Investment property	(97)	(46)
Total investment expenses	(4,837)	(9,479)
Net income from investments	14,409	10,977

Net investment income by nature of income/(expense)	2021	2020
Income		
Interest	4,195	5,896
Dividends	9,580	6,138
Realised gains	5,179	8,117
Rental income from investment property	292	305
Total	19,246	20,456
Expenses		
Handling expenses	(2,620)	(2,555)
Realised losses	(1,001)	(4,023)
Impairment loss	(942)	(2,828)
Depreciation of investment property	(274)	(73)
Total	(4,837)	(9,479)
Net income from investments	14,409	10,977

Net income from investments

In interest income and expenses reported above, the component related to financial investments available-for-sale is net EUR 4.2 million (2020: EUR 5.6 million); this is derived from government and corporate bonds.

Net gains/(losses) by category	Impairments		Realised gains/(losses)	
	2021	2020	2021	2020
Investment property	22	27	(54)	250
Financial assets classified as available-for-sale	(964)	(2,855)	4,428	3,844
Other investments	-	-	(196)	-
Total	(942)	(2,828)	4,178	4,094

24 Insurance claims

Credit insurance	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	2021			2020		
Claims paid in the year	252,485	(191,962)	60,523	616,740	(397,612)	219,128
Change in claims provisions	115,272	52,007	167,279	199,950	(210,827)	(10,877)
Claims handling expenses	39,365	-	39,365	37,167	-	37,167
Total	407,122	(139,955)	267,167	853,857	(608,439)	245,418
Bonding						
Claims paid in the year	30,944	(21,147)	9,797	30,615	(20,774)	9,841
Change in claims provisions	8,030	(2,226)	5,804	5,915	(2,304)	3,611
Claims handling expenses	2,115	-	2,115	1,667	-	1,667
Total	41,089	(23,373)	17,716	38,197	(23,078)	15,120
Total insurance claims	448,211	(163,328)	284,883	892,054	(631,516)	260,538

For more detail on the change in claims provisions, see Note 16.2.1.

25 Net operating expenses

	2021	2020
Total administrative expenses	412,557	359,114
Acquisition costs	185,121	164,016
Change in deferred acquisition costs	(3,865)	2,687
Gross operating expenses	593,813	525,817
Commissions received for business ceded to reinsurers	(419,600)	(403,569)
Total net operating expenses	174,213	122,248

Administrative expenses by type of business	2021	2020
Insurance and information expenses	445,784	382,312
Other service expenses	(3,826)	7,215
Group costs	12,079	8,421
Total gross administrative expenses	454,037	397,948
Claims handling expenses allocated to insurance claims	(41,480)	(38,834)
Total administrative expenses	412,557	359,114

In the gross administrative expenses are included:

- Depreciation, amortisation and impairment charges for intangible assets and property, plant and equipment amount to EUR 90.4 million (2020: EUR 57.3 million). See Note 6 and Note 7.
- Short term and low value leases amount to EUR 0.5 million

Employee benefit expenses	2021	2020
Salaries and wages (including social security costs)	269,104	255,956
Restructuring costs and termination benefits	(198)	297
Pension costs - defined contribution plans	10,166	9,288
Pension costs - defined benefit plans	15,183	14,672
Total employee benefit expenses	294,255	280,213

For an explanation of the employee benefit details see Note 15.

26 Finance expenses

	2021	2020
Net interest on the net defined benefit liability	110	19
Other interest expense	809	821
Foreign exchange (income)/expense	(7,742)	4,920
Interest expense on lease liabilities	1,757	1,733
Total	(5,066)	7,493

27 Income tax

	2021	2020
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Current tax	82,804	47,489
Deferred tax	(15,260)	(17,168)
Income tax expense/(income) for the year	67,545	30,321

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

	2021	2020
Result before tax	195,725	115,246
Tax calculated at domestic tax rates applicable to results in the respective countries	49,252	31,152
Tax exempt (income)/loss	1,119	(4,798)
Write down/(reversal) of deferred tax assets	(868)	173
Reassessment of prior year local tax positions	4,825	2,270
Impact of change in tax rate	5,962	2,449
Other	7,254	(924)
Income tax expense/(income) for the year	67,545	30,321

The weighted average applicable tax rate was 25.2% (2020: 27.0%).

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

The impact of the change in tax rate in 2021 mainly reflects the effect of changes in income tax rate in the Netherlands, UK and Turkey.

The category "Other" includes non-deductible expenses, regional taxes such as IRAP in Italy and withholding taxes

28 Dividends per share

No dividends were paid in 2021. The dividends paid in 2020 were EUR 102.9 million (EUR 24.86 per share).

29 Assets not freely disposable

The financial assets not freely disposable in 2021 are EUR 235.9 million (2020: EUR 201.2 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 75 million (2020: EUR 67 million).

30 Capital commitments and contingencies

Capital commitments of EUR 11.1 million (2020: EUR 11.4 million) are related to contracted obligations for future payments for outsourcing, networking, imaging and licences.

ACyC 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 company has given guarantees to third parties amounting to EUR 2.1 million (2020: EUR 2.0 million).

31 Personnel

The number of employees working for ACyC are included in the following table:

	2021	2020
Senior Management	92	92
Technical staff and middle managers	473	476
Administrative staff	1,903	1,918
Other	243	245
Total	2,711	2,732

During the 2021 financial year, the number of employees with a disability greater than or equal to 33% is 57 people (2020: 22 people).

The distribution by gender at the close of the fiscal years 2021 and 2020, of the full time equivalent number of employees, distributed by professional category, is the following:

	2021		2020	
	Men	Women	Men	Women
Senior Management	75	14	79	14
Technical staff and middle managers	321	145	335	140
Administrative staff	929	972	968	940
Other	53	193	56	187
Total	1,379	1,324	1,437	1,281

The Board of Directors, at the end of 2021 is integrated by 9 members (Men:8 , Women:1), (2020 : 9 members (Men:8 , Women:1)).

The duty of loyalty and duty to avoid situations of conflicts of interest of the Directors

The members of the Board of Directors have sent to the Company the communications relating to the duty of loyalty and to the duty to avoid situations of conflicts of interest, pursuant to articles 227 to 231 of the Spanish Companies Act, as amended by Spanish Act 31/2014 of December 3 for the improvement of corporate governance.

In said communications, the members of the Board of Directors have stated that they have not been in any situation of direct or indirect conflict of interest with the interest of the Company and that, according to the information that they are aware of and that they have been able to obtain with the greatest due diligence, the persons linked to them have not been in this situation either. Lastly, in compliance with the aforementioned Act, they have indicated that they would promptly inform of any change that may occur with regard to the detailed information.

32 Related party transactions

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

	2021	2020
Parent¹⁾		
Receivables from parent	288	2,003
Other related parties²⁾		
Rendering of services	50,430	47,386
Outward insurance premiums, claims, commissions	(62,982)	32,925
Investment expenses	(3)	(5)
Receivables from other related parties ³⁾	98,482	86,975
Payables to other related parties	85,220	61,949

1) Parent – Atradius Insurance Holding N.V.

2) Other related parties – transactions with other subsidiaries of Atradius.

3) Receivables from other related parties: includes transactions on Accounts Receivable on Insurance and Reinsurance business, Other Accounts Receivable, Purchase of Receivables with other subsidiaries of Atradius.

Terms and conditions of transactions with related parties

No guarantees have been provided or received for any related party receivables for 2021 or 2020. For the years ending 31 December 2021 and 2020, ACyC has not raised any provision or expenses for doubtful debtors relating to amounts owed by related parties.

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

Compensation of ACyC Board of Directors and Executive Committee

The Board of Directors did not receive any remuneration as members of the Board, nor any pension or life insurance obligations contracted on their behalf.

The following table provides details on the remuneration for members of the Executive Committee, which have assumed senior management functions:

Remuneration	2021	2020
Short term employee benefits ¹⁾	1,025	1,010
Long - term employee benefits	677	364
Post-employment benefits	148	147
Total compensation	1,850	1,521

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

There is a D&A insurance policy premium, that covers liability indemnity, with a cost of EUR 0.2 million (2020: EUR 0.2 million).

From the total compensation detailed in the table above, EUR 1.2 million (2020: EUR 1.2 million) has been paid at the end of the reporting period. The remaining balance payable is subject to meeting the variable pay conditions. Apart from this they do not have other relationships with the Company or its subsidiaries.

33 Auditor fees

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

2021 including VAT	PwC¹⁾ Accountants Spain	Other PwC¹⁾ Network organisations	Total PwC¹⁾ Network
Audit financial statements	827	953	1,780
Other audit services	392	76	468
Fiscal advisory services	-	-	-
Non-audit services	-	6	6
Total	1,218	1,036	2,254

2020 including VAT	PwC¹⁾ Accountants Spain	Other PwC¹⁾ Network organisations	Total PwC¹⁾ Network
Audit financial statements	683	788	1,471
Other audit services	324	63	387
Fiscal advisory services	-	-	-
Non-audit services	-	5	5
Total	1,007	856	1,862

*Restated (2020 reporting was in accrual basis)

These amounts relate to the fees agreements incurred for the audit of the related financial year, and other services (expenses and non-recoverable VAT costs are included). The amounts on other audit services include services related to audit reviews on Solvency II and other regulatory requirements. The amounts reported on non-audit services lines are related to projects where external auditor is involved.

34 Events after the reporting period

The Board of Directors proposes to the General Meeting to allocate the result for the year to the retained earnings.

Regarding the events occurred after the end of 2021 and are significant for the formulation of these annual accounts, we are closely monitoring the situation in Ukraine and taking actions where needed. We are engaging with our customers to assess the current exposure profile and to identify areas of attention. In addition we are communicating with other stakeholders such as brokers, reinsurers and regulatory bodies. Given the rapid developments with respect to sanctions, we are especially diligent in this area to ensure compliance. Although we do not expect a significant impact on the going concern for the Company.

The Board of Directors of ATRADIUS CRÉDITO Y CAUCIÓN S.A. DE SEGUROS Y REASEGUROS, in the meeting held today, 2 March 2022, has formulated the Consolidated Annual Accounts (IFRS) and the Consolidated Management Report of the Company, corresponding to the financial year ended 31 December 2021. They consist of ____ consecutively numbered pages, in addition to this and the following signature pages numbered from (i) to (ix), both included.

And as an evidence thereof, in compliance with the provisions of article 253 of the Spanish Companies Act, the Directors referred to in the following pages sign this statement, on 2 March 2022.

The Board of Directors

Xavier Freixes Portes

Francisco José Arregui Laborda

Désirée Maria van Gorp

Juan Ignacio Guerrero

Carlos Halpern Serra

John Patrick Hourican

Bernd Hinrich Meyer

Hugo Serra Calderón

José María Sunyer Sendra

ANNEX. DETAIL OF REAL ESTATE AT 31 DECEMBER 2021

(Figures in euros)

Location	Address	Country	Year of purchase	2021				Date of last valuation
				Gross value	Accumulated amortization	Net value	Impairment	
OWN-USE REAL ESTATE								
ALCALA DE H.	Comp.Inmob. Garena Plaza pl 9 B	Spain	2005	1,031,468	(268,918)	762,550	(157,071)	13-Nov-20
ALICANTE	C/ San Fernando , 19 Principal	Spain	2002	429,024	(49,083)	379,942	-	13-Nov-20
BILBAO	Gran Vía, 17 2º Planta Of.1 y 3	Spain	2004	2,931,093	(663,369)	2,267,723	-	13-Nov-20
CASTELLON	Ruiz Zorrilla, 1 5º	Spain	1999	414,097	(113,311)	300,786	-	13-Nov-20
GERONA	Avda. Jaime I, 1	Spain	1990	335,248	(169,743)	165,505	-	18-Nov-20
LA CORUÑA	Real, 85 6º	Spain	1975	495,743	(349,709)	146,033	-	17-Nov-20
LAS PALMAS	Plaza de España, 6	Spain	2020	365,013	(5,488)	359,525	(23,788)	7-Sep-21
LEON	Avda. Independencia, 2 3º	Spain	1974	36,998	(26,987)	10,036	-	13-Nov-20
MADRID	Pº de la Castellana, 4	Spain	1995	21,739,237	(7,265,313)	14,473,924	-	13-Nov-20
MALAGA	Avda. Andalucia, 19 L-A2	Spain	1981	160,619	(99,357)	61,262	-	13-Nov-20
MALAGA	Avda. Andalucia, 19 L-A5	Spain	1987	119,346	(64,521)	54,825	-	13-Nov-20
MURCIA	Avda. Libertad, 2	Spain	1988	252,571	(132,280)	120,291	-	13-Nov-20
MURCIA	Avda. Libertad, 2 Local C	Spain	2001	115,755	(37,808)	77,947	-	13-Nov-20
OVIEDO	Conde de Toreno, 4	Spain	1967	134,614	(107,691)	26,923	-	13-Nov-20
PAMPLONA	Avda. Carlos III, 13-15	Spain	1984	110,902	(63,625)	47,278	-	13-Nov-20
SEVILLA	Plaza Nueva, 8 Dpdo. 5	Spain	1971	494,036	(395,228)	98,807	-	17-Nov-20
SEVILLA	Plaza Nueva, 8 Garaj. 63	Spain	1971	6,842	(5,052)	1,790	-	17-Nov-20
SEVILLA	Plaza Nueva, 8 Garaj. 50	Spain	1973	6,540	(4,829)	1,711	-	17-Nov-20
TARRASA	Gutemberg, 3 3º F	Spain	1976	143,451	(98,475)	44,977	-	13-Nov-20
VALENCIA	Avda. Jacinto Benavente, nº 14	Spain	2004	2,284,661	(457,045)	1,827,617	-	13-Nov-20
VALLADOLID	Duque de la Victoria, 4	Spain	1978	247,596	(165,891)	81,705	-	13-Nov-20
ZARAGOZA	Plaza Salamero, 14 3º A	Spain	1975	285,300	(199,536)	85,764	-	17-Nov-20
ZARAGOZA	Plaza Salamero, 14 Trasteros 12 y 13	Spain	1989	4,608	(3,127)	1,481	-	17-Nov-20
LISBOA	Av. Columbano Bordalo Pinheiro nº 75	Portugal	2017	3,970,100	(257,839)	3,712,261	(3,375)	21-Sep-21
LISBOA	Avda. la Liberdade, 245	Portugal	2001	1,444,953	(460,972)	983,981	-	13-Nov-20
OPORTO	Plaza Buen Suceso, 61	Portugal	1905	977,169	(300,737)	676,432	(40,300)	13-Nov-20
ROMA	Via Crescenzo	Italy	1972	15,823,758	(2,939,020)	12,884,738	(17,929)	10-Dec-21
ROMA	Via Cassiodoro 9	Italy	1993	1,328,200	(234,028)	1,094,172	-	10-Dec-21
Total own use properties				55,688,942	(14,938,982)	40,749,986	(242,463)	

Location	Address	Country	Year of purchase	2021				Date of last valuation
				Gross value	Accumulated amortization	Net value	Impairment	
THIRD PARTIES' USE REAL ESTATE								
ALBACETE	Tesifonte Gallego, 4	Spain	1982	59,865	(36,112)	23,753	-	17-Nov-20
ALMERIA	Lachambre, 2 2º	Spain	1996	102,998	(42,531)	60,467	-	17-Nov-20
BADAJOS	Avda. Ramon y Cajal, 13 1º	Spain	1992	64,119	(30,005)	34,114	-	13-Nov-20
BARCELONA	Provenza, 216	Spain	1965	2,394,648	(1,915,718)	478,930	-	13-Nov-20
BILBAO	Gran Vía, 53	Spain	1967	146,093	(116,874)	29,219	-	13-Nov-20
BURGOS	P. Alonso Martinez, 8	Spain	1987	80,510	(43,287)	37,222	-	18-Nov-20
CORDOBA	Ronda de los Tejares, 32	Spain	1986	127,910	(70,647)	57,263	-	16-Nov-20
GRANOLLERS	Avda. San Esteban, 9	Spain	1999	201,270	(80,128)	121,142	-	13-Nov-20
JAEN	P. Constitución, 10	Spain	1989	76,541	(39,467)	37,074	-	17-Nov-20
JEREZ	Cmte. Paz Varela, 21 2º L-8	Spain	1988	41,184	(21,551)	19,632	-	16-Nov-20
LA CORUÑA	Alameda, 34 5º C	Spain	1974	82,324	(59,367)	22,957	-	13-Nov-20
LERIDA	Avda. del Segre, 1	Spain	1990	109,392	(54,383)	55,008	-	13-Nov-20
MADRID	R. Fdez. V. , 57	Spain	1978	1,093,837	(706,718)	387,119	-	13-Nov-20
MADRID	Dulcinea, 47 Bajo L-1-2	Spain	1969	213,572	(170,858)	42,714	-	13-Nov-20
P. MALLORCA	Pª del Borne, 15	Spain	1975	137,568	(97,284)	40,284	-	13-Nov-20
S. C. TENERIFE	Villalba Hervas, 9 1º C	Spain	1987	190,727	(102,431)	88,296	-	13-Nov-20
SABADELL	Plaza de Cataluña,16	Spain	1997	222,201	(85,293)	136,908	-	17-Nov-20
SANTANDER	Cuesta, 2 4º Dcha.	Spain	1985	132,231	(74,351)	57,880	-	13-Nov-20
SEBASTIAN	Fuenterrabía, 2 2º D	Spain	1975	68,460	(48,884)	19,577	-	10-Sep-20
SEVILLA	Plaza Nueva, 8 Garaj. 61	Spain	1971	6,842	(5,053)	1,790	-	17-Nov-20
SEVILLA	Plaza Nueva, 8 Garajes	Spain	1973	32,699	(24,146)	8,553	-	17-Nov-20
TARRAGONA	Rambla Nova, 76 1º 2	Spain	1976	110,509	(76,817)	33,692	-	17-Nov-20
VIGO	Uruguay, 2 2º	Spain	1967	205,884	(164,708)	41,176	-	13-Nov-20
VITORIA	Manuel Iradier, 24 L-1	Spain	1986	71,875	(39,470)	32,405	-	13-Nov-20
ZARAGOZA	Plaza Salamero, 14 3º B	Spain	1975	116,558	(81,481)	35,077	-	17-Nov-20
ZARAGOZA	Coso, 98-100 7º 6	Spain	1972	41,409	(32,673)	8,736	-	13-Nov-20
LEON	Avda. Independencia, 2 3º	Spain	1974	38,462	(27,990)	10,445	-	13-Nov-20
OVIEDO	Conde de Toreno, 4	Spain	1967	21,914	(17,531)	4,383	-	13-Nov-20
GENOVA	Via di Sottoripa 1/A	Italy	1991	249,333	(62,412)	186,921	(48,921)	10-Dec-21
UDINE	Via Manzini 8-9	Italy	1992	184,416	(51,388)	133,028	(44,028)	10-Dec-21
ROMA	Via Padre Semeria 29	Italy	1985	176,406	(31,577)	144,829	-	10-Dec-21
Total Investment properties				6,801,757	(4,411,135)	2,390,594	(92,949)	