atradius

managing risk, enabling trade

Committed to our customers

Annual report 2010 Atradius N.V.

Ten years in figures

Atradius N.V.

All figures in accordance with IFRS	Notes	2010	2009	2008[1]	2007	2006	2005	2004	2003	2002	2001
Financial information (in EUR million)											
Gross earned premium		1,345.6	1,468.6	1,616.4	1,148.6	1,076.5	1,058.8	1,079.1	1,098.2	1,083.8	1,096.8
Service income		155.1	197.8	225.4	166.9	152.9	146.7	132.7	137.4	152.1	141.4
Total turnover		1,500.7	1,666.4	1,841.8	1,315.5	1,229.4	1,205.5	1,211.9	1,262.6	1,262.3	1,254.3
Net investment result		22.7	68.3	47.8	79.7	55.5	45.9	65.0	60.6	(50,3)	51.5
Total income		1,523.4	1,734.7	1,889.6	1,395.2	1,284.9	1,251.4	1,276.9	1,323.2	1,212.0	1,318.9
Total net profit		124.9	(113.3)	(193.4)	164.2	105.3	100.3	50.6	15.3	(77.7)	8.5
From continuing operations		124.9	(113.3)	(193.4)	164.2	105.3	82.3	49.0	15.3	(77.7)	8.5
From discontinued operations		-	-	-	-	-	18.0	1.7	-	-	-
Balance sheet information (in EUR million)											
Equity at year-end		1,035.2	905.0	1,005.5	843.5	690.2	605.1	503.3	395.5	384.1	463.8
Total assets		3,274.9	3,199.4	4,284.1	2,992.7	2,874.9	2,687.9	2,832.7	2,925.1	2,700	2,659.6
Insurance contracts (technical provisions)		1,311.8	1,508.1	2,166.9	1,232.1	1,349.7	1,277.4	1,207.4	1,194.5	1,119.0	1,101.9
Shareholders' information											
Return on Equity	A	12.9%	(11.9%)	(16.8%)	21.4%	16.3%	18.1%	11.3%	3.9%	(18.3%)	1.8%
Return on Equity (continuing operations)	B	12.9%	(11.9%)	(16.8%)	21.4%	16.3%	15.0%	10.9%	3.9%	(18.3%)	1.8%
Outstanding ordinary shares (at year-end, in million)		79.1	79.1	79.1	56.6	56.6	56.6	56.6	50.0	50.0	50.0
Dividend paid (in EUR million)		-	-	25.3	-	11.3	5.7	-	-	3.6	-
Pay-out ratio	C	-	-	15.4%	-	11.3%	11.3%	-	-	42.3%	-
Basic earnings per share (in EUR)	D	1.58	(1.43)	(2.49)	2.90	1.86	1.77	0.89	0.31	(1.55)	0.17
Dividend per share (in EUR)	E	-	-	0.32	-	0.20	0.10	-	-	0.07	-
Technical ratios											
Gross claims ratio		38.6%	85.4%	98.6%	39.9%	45.0%	51.8%	46.8%	60.9%	63.6%	58.7%
Gross expense ratio		35.4%	36.4%	34.1%	38.5%	39.0%	40.8%	44.8%	40.2%	40.1%	38.5%
Gross combined ratio		74.0%	121.8%	132.7%	78.4%	84.0%	92.6%	91.6%	101.1%	103.7%	97.1%
Net claims ratio		44.6%	77.1%	97.4%	41.3%	45.8%	43.9%	46.0%	53.1%	54.0%	57.5%
Net expense ratio		39.3%	45.6%	32.2%	37.9%	41.0%	47.4%	53.8%	52.4%	51.6%	43.4%
Net combined ratio		83.9%	122.7%	129.7%	79.2%	86.8%	91.3%	99.8%	105.5%	105.6%	101.0%
Employees											
Headcount, at year-end		3,318	3,627	4,106	3,604	3,545	3,452	3,900	3,831	3,691	3,698
Full-time equivalents, at year-end		3,165	3,470	3,854	3,366	3,304	3,256	3,632	3,578	3,447	3,450
Full-time equivalents, average		3,318	3,662	3,851	3,335	3,280	3,444	3,605	3,513	3,536	3,538
Credit ratings											
Standard & Poor's		A-, negative									

[1] Including Crédito y Caución since January 2008

Notes:

A. Return on equity is defined as the total net profit for the year divided by the time weighted average shareholders' equity of the year.

B. Return on equity based on continuing operations is defined as net profit from continuing operations divided by the time-weighted average shareholders' equity of the year.

C. Pay-out ratio is defined as dividend paid to shareholders divided by the total net profit for the period that is related to this dividend.

D. Basic earnings per share is defined as total net profit for the year divided by the weighted average number of outstanding shares during the year.

E. Dividend per share is defined as the total dividend paid in the year divided by the weighted average number of outstanding shares during the year.

Atradius at a glance

Key points 2010

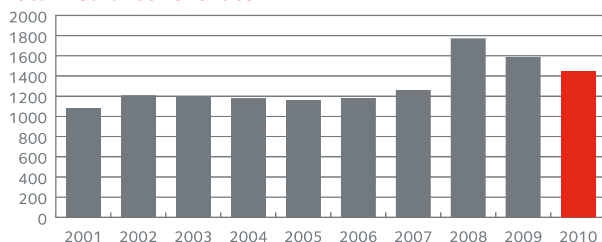
■ The worldwide economy started its recovery in 2010, led by Asia, Latin America and Eastern Europe.

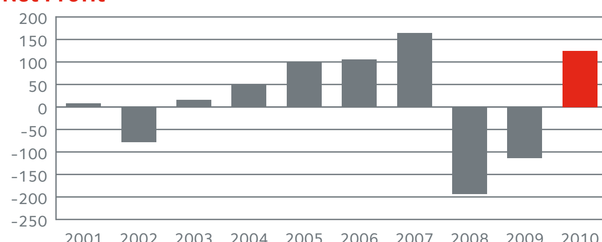
■ Atradius had a net profit of EUR 124.9 million.

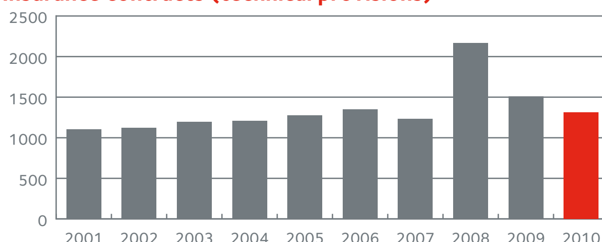
■ Our restructuring programme was completed, resulting in a decrease in operating expenses of 12% compared to 2009.

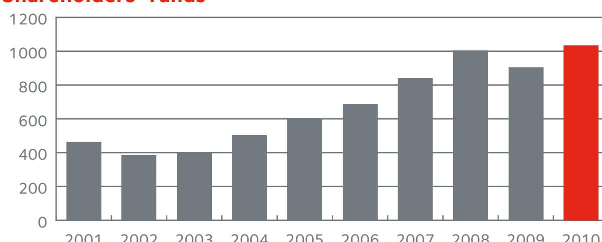
■ Projects have been designed to improve customer service excellence and to drive future balanced revenue growth and profitability.

All figures in EUR million
Figures include Crédito y Caución since January 2008









Management Board

Isidoro Unda (Chairman)
Peter Ingenlath (Vice-Chairman)
David Capdevila
Delfín Rueda

Supervisory Board

Ignacio Álvarez (Chairman)
Francisco Arregui (Vice-Chairman)
Paul-Henri Denieuil (Honorary Chairman)
Jan Holsboer
Jesús Huerta de Soto
Bernd Meyer
José Ruiz
Dick Sluimers

Audit Committee

Francisco Arregui (Chairman)
Ignacio Álvarez
Paul-Henri Denieuil

Remuneration, Selection and Appointment Committee

Francisco Arregui (Chairman)
Ignacio Álvarez
Paul-Henri Denieuil

More information about the Management Board and the Supervisory Board and their members can be found on pages 41 - 45.

About Atradius

Atradius provides trade credit insurance, bonding and collections services worldwide, and has a presence in 42 countries. Its products and services are designed to help reduce customers' exposure to buyers who are unable to pay for the products and services that they buy. With total income of more than EUR 1.5 billion and a market share of approximately 31% of the global trade credit insurance market, Atradius' products contribute to the growth of companies throughout the world by protecting them from the payment risks associated with selling products and services on credit. With 160 offices, Atradius has access to credit information on 52 million companies worldwide and makes more than 22,000 trade credit decisions daily.

Committed to our customers

2010 will best be remembered as the year in which businesses around the world gradually emerged from the depths of recession, and tentatively resumed a semblance of normal trade. 'Tentatively' because, despite signs of an improved economic environment, the spectre of harsh austerity measures dampened both business and consumer confidence, as well as expectations for the future. It is as though people wanted to celebrate a return to economic stability, but felt that such celebration may be premature.

One of our most important tasks in 2010 was therefore to let customers know that supporting their financial success continues to be our top priority. One way in which we have done so is through the introduction of our Customer Service Charter, which is designed to reassure all our customers, large and small, about the quality, timeliness and accuracy of our services.

We always aim to meet the high standards that we set ourselves in the Customer Service Charter, including the timeliness and clarity of our communications; the efficient management of our customers' credit insurance policies; the accuracy and integrity of our credit limit decisions; and the speed of our claims and recovery service.

In addition, although the worst of the global downturn may have passed, we still closely monitor the fluctuations in the global economy, making our considered judgements and research widely available through publications such as the monthly Atradius Market Monitor, bi-annual Payment Practices Barometer and regular concise reports on the political and economic situation in key trading nations.

At Atradius, being close to our customers is not just a measure of geographical proximity but a standard of care. We are committed to listening to our customers' needs, providing greater access to account information, buyer information and underwriters and, as much as possible, making sure our products and service meet their particular needs.

We are cautiously optimistic about future economic trends, but remain vigilant. An essential element of our commitment is, after all, to guide customers towards viable trading opportunities and away from unacceptable risk. Throughout 2010, we sought to restore cover, wherever possible, to pre-economic crisis levels. Our customers – and their buyers – have aided us greatly in this task through their transparency in the sharing of financial information.

We are determined to ensure that our customers optimise their business relationship with us, and also to strengthen our competitive market position. The renewed focus on our regional organisation, which links our global expertise to close attention to each customer's circumstances, will help us achieve both these aims. With that sharper focus, we can deliver increased excellence not just in our traditional credit insurance and debt collection services, but also our niche products such as bonding, instalment credit protection and single situation cover.

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We're strengthening our customers' credit management by maintaining a clear focus

Foreword by the Management Board

Dear stakeholder,

Following the economic upheaval of the previous year, in 2010 we saw a marked recovery in the overall risk environment. Despite decreasing declared turnover and credit insurance revenue, this return to a more stable global economy contributed to Atradius' improved result in 2010, as did the risk mitigating actions that we had taken in 2009.

2010 saw Atradius invest in a number of initiatives to increase customer service. A common factor in many of these was the transfer of executive powers to the country organisations – and thus closer to our customers – not only to take more account of the diversity of the markets that we serve but also to provide a speedier service and clearer communication. Some of these initiatives are already in place and others have been launched in early 2011.

While the future looks far brighter than it did during the downturn, the improvement to the global economy, while generally positive, has not been geographically uniform and uncertainties remain. We therefore continue to monitor some markets cautiously, in view of their less than stable outlook for 2011.

In line with our corporate mission, we will focus our efforts on strengthening our customers' credit management and supporting their growth through our accurate assessments of their buyer risks, effective debt collection and reliable protection against a range of contractual defaults.

It was evident in 2010 that emerging markets outperformed European markets in their economic growth. This is reflected in the strong performance of our New Markets operations and of those other units whose revenues derive from emerging market-related trade. However, as our credit insurance revenues are earned primarily from the European markets, our overall revenues have suffered as a result of the slow recovery in those key markets that are still highly vulnerable, and are experiencing volatility or simply a slower increase in trade. This is evident in the European countries severely affected by sovereign debt crises: like Greece and Ireland. Despite the rescue packages being put into place by the European Union and the International Monetary Fund, a fear of widespread contagion remains, with Portugal and our single biggest market Spain still at risk.

Among the other uncertainties for the economic outlook is the risk that the US Government's various stimulus programmes and fiscal outlays may not have their desired effect. The economic growth rate of the US affects not only its internal growth but also the global economy, because of the importance of US consumer demand to the export led economies of Asia and Europe.

A dominant feature of 2010 that may well continue in 2011 is the strong volatility in the currency markets. The strength of a country's currency is a major factor in the competitiveness of its exports, and relative exchange rates also affect the demand for imports. In this respect, the tensions between Governments appeared to increase during the course of the year.

The outlook for 2011 is one of continued moderate improvements in the world economy, but tempered by the still significant uncertainties that we have mentioned. As we continue to align our own turnover and revenue growth with that of the overall economy, again taking into account the specific nature of our customers' markets, the impact of our customer service excellence initiatives will contribute positively to our results. These benefits will be felt to an even greater extent in subsequent years as our customers increasingly benefit from these initiatives.

Financial performance overview

Atradius' 2010 financial performance was supported by the general economic improvement on the previous year. The sharp drops in economic output slowed – and in many cases reversed – especially in the second half of the year, with insolvency levels stabilising and even decreasing. Combined with the outcome of our earlier actions to mitigate risk, this resulted in a very positive impact on our profitability, which was also affected by advantageous foreign exchange developments.

Total revenues for the Atradius Group reached EUR 1,529.1 million: a decrease of 12.2% compared to 2009. This fall needs to be seen in context, with the turnover of many of our customers remaining under pressure, especially for those focused on the domestic European markets. Despite adapting our prices to reflect the risk levels created by the financial crisis, reduced exposure and declared turn-over and loss of business meant that we could not match the previous year's revenue levels.

Operating expenses decreased structurally as our planned cost reduction programme was implemented. Together with a much improved claims ratio this led to a technical result of EUR 147.2 million (EUR -157.8 million in 2009). Despite a reduction in investment income and a lower services result – the latter driven by decreased collections income following the lower insolvency levels – our net profit after tax increased to EUR 124.9 million (EUR -113.3 million). The foreign exchange impact of this result is EUR 3.5 million.

Insurance revenues

Our insurance revenues decreased by 8.8%, to EUR 1,449.7 million, as a result of decreased levels of earned premium and fee income. This decrease is in part explained by our balanced underwriting approach in the first half of the year to protect our

David Capdevila
Chief Market Officer

Delfín Rueda
Chief Financial Officer and Chief Risk Officer

Isidoro Unda
Chief Executive Officer and Chairman of the Management Board

Peter Ingenlath
Chief Market Officer and Vice-Chairman of the Management Board

customers, as the economic situation in many of our markets remained uncertain. In addition, we experienced a slow economic recovery in important credit insurance trade sectors and geographic markets and this had an impact on the volume of trade.

Towards the end of the year, we began to see positive signs of improved revenue generation. For 2011 we expect revenues to grow, based on a continued economic recovery and our growth initiatives (which are explained in the section on our Corporate Strategy).

Claims development

An improvement to our claims ratio was one of the positive results of 2010, showing that our efforts during and after the financial crisis had proved successful. The actions taken to reduce overly high risk exposure, combined with the benefits from previous underwriting years, had the effect of significantly reducing the claims rate, despite our overall lower revenues. Our gross claims ratio based on insurance revenues decreased to 38.6% from 85.4% in 2009.

In the second half of the year, we were able to increase our risk acceptance ratios because of the more stable economic outlook and our improved portfolio profile. Provided that the risk environment remains stable, this will have a positive impact on 2011 revenues. As always, we continue to monitor the situation closely and are fully geared up to take quick and decisive action, if that becomes necessary.

Operating expenses

As was planned in 2009, our cost containment measures and the scaling down of staff numbers resulted in a structural reduction in operating expenses in 2010. Gross insurance operating expenses reduced to EUR 498.8 million (EUR 524.7 million), as a result the gross expense ratio went down from 36.4% to 35.4%. Our focus on cost efficiency will continue in 2011 and 2012.

Service income

In 2010, Atradius Collections experienced a global decrease in debt placements compared to 2009. Two key factors for this are, firstly, the lower level of insured claims and thus a lower placement of insured debt with Atradius Collections, and, secondly, a tightening of credit terms by many businesses faced by heightened trading risks.

Despite of this, Atradius Collections has expanded its service reach in the past year through its growing number of channel partners, and has thus won a number of valuable new customers.

Compared to 2009, Atradius Collections' overall annual revenue decreased to EUR 42.9 million. However, by setting strict cost-control measures, Atradius Collections reduced its expenses by EUR 10.1 million to EUR 47.9 million, partially off-setting the large drop in revenue.

Net investment income

Net investment income, including income from associated companies, reached EUR 22.7 million: a decrease on 2009 levels. This was a consequence of a reduction in the size of our investment portfolio, due to cash outflow for claims in 2009, the realisation of some losses in our portfolio and the persistent low level of interest rates.

Shareholders' equity

From a 2010 starting point of EUR 905 million, our equity base reached EUR 1,035.2 million by the end of the year. We realised a return on average equity of 12.9%: a strong improvement on the 2009 result (-11.9%).

This improvement has further strengthened our already strong capital position, and is also reflected in Standard and Poor's affirmation of our A- credit rating, albeit still with a negative outlook. The improvement in our equity base will support our future growth, allowing us to take on more insurance business while maintaining strong capital ratios.

Strategic initiatives

Our overall strategic focus remains on credit insurance and related products and services in our existing markets. Our crisis management in 2009 made way in 2010 to more positive initiatives, including several projects designed to improve customer service excellence and to drive balanced revenue growth and profitability. As ever, our guiding principle is to manage risk and enable our customers to trade profitably.

Operating model

A key project in 2010 was a comprehensive review of our business strategy and operating model, leading to the decision to organise our business on a more decentralised model from 2011 onwards, whereby our country organisations will assume responsibility, not just for commercial decisions, but also for support functions, such as marketing, human resources and finance, that were formerly steered centrally.

The major benefit that will accrue to our business partners and ourselves, through this refocus, is that – while we remain a globally integrated insurer with group-wide governance, processes and technical platforms – the shift to more country and unit specific authority, responsibility and accountability means that we can flexibly and swiftly adapt to local variations in demand and thus capture local market opportunities that might otherwise be lost.

Our Global unit, providing an aligned service proposition to large multinationals, is unaffected by this change, as are our Special Products and Collections areas. To safeguard a balanced growth approach, the formal separation of our Risk functions from our Commercial operations remains intact. However, we will provide our customers and business partners with even more direct and technically advanced access to our risk underwriters.

Customer service excellence
One of the main aims of our strategic review was to define and put in place growth initiatives for the future. The common theme of these initiatives is a strong focus on increased customer service excellence based on local market circumstances. Most of these initiatives will be launched in 2011 and will incrementally contribute to our revenue growth ambitions in the coming years.

Efficiency improvements
Our focus on service excellence is matched by our ongoing efficiency drive. Over recent years, we have laid the foundations for these efficiency improvements: for example, through investment in infrastructure and by integrating Crédito y Caución operations to gain the benefits of scale and the consistent quality of our service. Our new operational structure will allow us to take advantage of our status as the world's most integrated credit insurer while at the same time exploiting local growth potential.

Lower cost base
In 2010 the effects of the previous year's cost saving programme became manifest, with our operating expenses reducing by around 12% from their 2009 level. As business volumes (exposure and revenue) in future years are expected to grow proportionally faster than our costs, we foresee a positive impact on our cost ratio. At the same time, we will continue to strengthen our cost control measures and closely monitor efficiency and productivity gains.

Government schemes
In 2010 Atradius continued to facilitate Government support programmes both in and outside the EU. Exposure under many of these schemes is now decreasing and, in line with EU guidelines, the mechanism for triggering Government support for temporarily non-marketable risks had to end in December 2010. However, we were pleased to see that many companies benefited from these schemes.

Nevertheless, in 2011 we expect some Governments to remain closely involved in supporting local businesses with credit facilities. For instance, at the end of 2010, the US Government launched a programme to stimulate export for SME companies, and Atradius was the first to partner with the Ex IM Bank to support this programme.

Atradius remains committed to continue supporting such initiatives in cases where there is no private market available for a multitude of reasons.

Crédito y Caución
2010 saw a return to profitability also for our Crédito y Caución business areas thanks to our efforts in terms of cost and revenue improvements.

In line with the 'customer first' strategy adopted in 2008, the task of integration has continued at a steady pace throughout in 2010, although the main objectives of the convergence plan had already been achieved in 2009. Now that we have achieved an integrated management, financial and control structure, the main focus is on those areas where we can produce noticeable results in terms of customer service: such as buyer underwriting and collections. This in turns demands the continued support of our IT team.

After the roll-out of our 'Centre of Expertise' principle, by which buyer risk underwriting should always be performed by the risk services team closest to the buyer and to the countries where Crédito y Caución represents the Group, in 2010 we have seen significant improvements in the quality, efficiency and speed of service of our underwriting operations. The Group's customers now benefit from a fully integrated service, regardless of their geographical base or that of their buyers. Reaching this goal has involved significant IT effort, and more importantly the absolute commitment of our underwriters in understanding our products and our client's needs and expectations, and thus creating a genuine group-wide underwriting culture.

In 2010 the additional reinsurance cover that was provided for our business in Spain by the Spanish Government, via Consorcio de Compensacíon de Seguros, has been discontinued, following the improving results of our Spanish insurance activities. The 2009 reinsurance agreement included a payback obligation based on the performance of the Spanish insurance business. Due to the improving results we are experiencing in Spain it was necessary to increase the provision under this payback obligation, to EUR 45.9 million as per the end of 2010.

Information Technology

Customer service quality and satisfaction
Customer service quality improvement was our primary IT focus in 2010 – and effective customer communication is vital to that task. Information alerts via our online service platform Serv@Net were introduced and enhanced to ensure that relevant information is passed to our customers in a timely fashion. In December, we also introduced online access to Atradius Buyer Ratings, to which our customers can subscribe instantly via Serv@Net.

Our online platform has been further enhanced: from a single transaction system for limits, claims and policy information into a portfolio management environment providing online portfolio management information to customers and brokers. This improved IT service platform will provide information to our customers and brokers that will help them considerably in managing their buyer portfolios.

Quality improvement
In 2010 our IT department underwent a major reorganisation, designed to maintain a high quality service while achieving cost efficiencies, and to ensure that Atradius remains flexible to market demands. As part of this reorganisation, our IT

development services have been outsourced to a market leading IT service provider, enabling Atradius to instantly access technology innovations from these managed services.

While our application systems are customer facing, our IT infrastructure is the engine of our IT services. To ensure future cost efficiency, growth and performance, the Atradius data centre was consolidated into one location and moved to a modern infrastructure environment, with application and desktop managed services outsourced.

Standards and business continuity

In our service management, the industry standard of ITIL version 3 has been implemented in 2010 and the project management methodology PRINCE II is being applied throughout the Group.

An important aspect of this is our ability to continue our operations in the event of a disaster. A team of business continuity experts has implemented a defined IT Business Recovery Plan, which is activated in the event of a disaster and encompasses evacuation plans, recovery management, both internal and external communications and the continuity of business systems and processes during this period.

Solvency II

Atradius has been active in ensuring that we comply with the Solvency II regulatory regime, which comes into effect on 1 January 2013 and which stipulates a new set of regulatory capital requirements and risk management standards.

To meet those requirements, we have established a Solvency II programme, which is business driven and consists of a number of projects, each directly relevant to the Solvency II framework. Its aim is to support all those activities necessary for Atradius to become fully compliant.

As well as launching this programme, other key activities in 2010 were a gap analysis and the completion of the Quantitative Impact Study 5.

Corporate responsibility

Throughout 2010, we have built on our existing commitment to ensure active corporate responsibility in the many aspects of our business. As a result, our customers, shareholders, business partners and our own employees can be assured of our absolute integrity and regard for the environment. While this commitment stems from ethical principles, the ways in which it is manifested demonstrate the contribution that genuine corporate responsibility makes to the financial health of our business, in terms of improved customer service, cost saving and brand value. We have introduced a wide range of energy saving projects throughout our offices and have positively lowered our carbon footprint. We dispose of materials ethically and, wherever possible, obtain energy from sustainable sources.

Management Board

The Management Board of Atradius N.V. is headed by Isidoro Unda as Chairman and Chief Executive Officer.

A number of changes to the structure of our management board were made following the departure of two board members in August 2010: Chief Markets Officers Peter Schmidt, who decided to take up new challenges outside Atradius and Tommie Sjödahl, who retired.

Peter Ingenlath, previously Chief Risk Officer, assumed the role of Chief Market Officer for our credit insurance throughout Europe (excluding Spain, Portugal and Italy) and the NAFTA region, as well as the units of Global, New Markets and Oceania, Special Products, Outward Reinsurance and Dutch State Business, Corporate Communications and Marketing, Group Claims and Recoveries and Business Development. He also retained his role as Vice Chairman.

David Capdevila took on responsibility of Chief Market Officer for the credit insurance business in Italy as well as for the non credit insurance activities of Bonding and Instalment Credit Protection and the units of Collections and Atradius Reinsurance, while continuing to manage our credit insurance business in Spain, Portugal and Brazil.

Delfin Rueda added the role of Chief Risk Officer to his existing responsibilities as Chief Financial Officer.

We would like to thank our customers and shareholders for their trust and cooperation, and especially our own people for their commitment.

The Management Board,

Isidoro Unda
Peter Ingenlath
David Capdevila
Delfín Rueda

Sustainable growth is built on firm foundations

Corporate strategy, product offering and marketing

As a leading credit insurer, our main objective is to achieve profitable and sustainable growth for all our stakeholders: by providing excellent service to our customers in an efficient manner, and helping them to grow their businesses and profit from viable trading opportunities.

Essential to this task are our most valuable assets: our knowledge and understanding of global markets, economic trends and trade sector developments, and our expertise in risk management and underwriting.

One way in which we share that knowledge and expertise with our customers and business partners is through our products and services, each tailored to meet specific needs and demands.

The protection and reassurance that our insurance and debt collection service provide is the foundation on which we seek to build a lasting partnership with each of our customers. In return, our customers share with us their invaluable insights into the changing dynamics, developments, demands and needs of their markets: and those shared insights help us to adapt our products and services accordingly. By helping our customers to understand and manage the risks inherent in their trade, we aim to inspire them to greater achievements and excellence.

What follows is an overview of our corporate strategy, including our product and service offering, and our marketing approach.

Corporate strategy

The Atradius corporate strategy has two goals: to provide unrivalled service to all our customers in a cost efficient manner; and to drive revenue growth and profitability. This strategy is founded on four pillars: customer service excellence; geographic coverage; operational efficiency; and product innovation, each of which is described in more detail later in this section.

Put simply, our vision is to drive the growth of the market for trade credit protection and, in doing so, to give our customers, partners, investors, and employees every opportunity to realise their ambitions for growth.

Three key assets enable us to fulfil this vision: our people; our IT systems; and our risk management expertise. We choose *our people* wisely, place them in or close to those countries in which our customers do business, and invest in them to ensure that they have the knowledge and experience to provide an excellent service to our customers, brokers and other agents. We have a direct presence in 42 countries and cooperation agreements that allow us to serve the business communities in many more.

Essential to earning and keeping the trust of our business partners is transparency in everything we do: not least in our *information technology systems*, which allow us to align our processes around the globe, ensuring a high quality of service and bringing absolutely consistent solutions to those of our customers who operate in more than one country.

Our *fully integrated risk management expertise across the Group* is one of our greatest assets, as it allows us to provide an invaluable service to our customers throughout their sales cycle: assessing the creditworthiness of their buyers and alerting them to any changes in their buyers' status; protecting their credit sales; and, if necessary, bringing our collection service to bear on defaulting buyers.

Customer service excellence

In 2010 Atradius laid the foundations for the next stage in achieving even better customer service excellence. Customer service has always been our highest priority, as this is what singles us out from our competitors. It is vital in this respect that we give our customers access to our decision makers and have the flexibility to respond quickly and efficiently to differing – and often changing – market needs.

We are now introducing a more decentralised approach to servicing our customers, still supported by an aligned overall Group strategy. Thus, in 2010 we extended more executive powers to our country based teams, so that, using their understanding of their markets, they can more easily adapt our products and services to meet any local variations in demand, whilst still adhering to an overall aligned Group strategy. This process will continue in 2011 and the added flexibility it brings means that we will be able to meet our customer needs even more efficiently and effectively, while supporting our ambitions for balanced growth.

Because of the varied nature of our customers, trade sectors and geographic markets, a model that allows more decisions to be taken closer to the market offers real advantages in meeting individual customer needs and increasing the speed of service. Therefore, from 2011, we will change the organisational model so that, as well as our commercial operations, responsibility for local support units, marketing and claims will move to their respective country organisation. Furthermore, each country's management will cooperate closely with areas not formally reporting to them, such as Risk and Collections, to achieve joint targets. Our Global unit, servicing our largest multinational clients, will continue to offer a separate service proposition, ensuring an aligned offering across all markets, as will our Special Products unit.

While specific measures to achieve this country focused approach will vary from market to market, a common feature across all countries will be that customers will have improved access to our credit limit decision makers in their region. Overall, our goal is to improve our customers' experience of Atradius.

While our investment in technology has enabled us to improve our strategic focus in this way, the real driver has been our constant quest for improvement in customer satisfaction and in

the efficiency and quality of our own performance. Our aim is to establish even more proactive account management, and to provide customers with the appropriate risk management information as early as possible that will support their internal credit risk management.

We will of course continue our investment in delivery technology and connectivity between Atradius and the customer, to support our ongoing efficiency improvements.

Geographic strategy

Atradius' geographic strategy is customer-driven: we want to be where our customers do business. In practice, this means strengthening our existing local capabilities and seeking to enter regions where we are not yet present but which we know are important markets for our customers. A key aspect of this is to increase the local presence of our risk underwriters, thereby ensuring that credit limit decisions are underpinned by local knowledge and support. To expand into regions where we are not yet present, we either enter those markets directly or through partnerships with local insurance companies.

We cannot afford to ignore recent developments and changing outlooks across many countries, which could lead to an imbalance in our overall product and credit limit portfolio in terms of geography, segmentation and sector split. As a result, we will seek to improve our market share in the SME and middle market segments in key countries, while continuing to maintain our leadership in the segments of large local companies and multinationals, and to retain a focus on emerging markets.

Operational efficiency

As already mentioned, we constantly seek to improve on both our productivity and efficiency, and we are now well placed to reap the benefits of the significant investment that we have made over recent years in integration and infrastructure.

Our business model – together with the sophisticated technical and non-technical platforms that we have created – now allows us to have standardised and cost efficient core processes, combined with the flexibility to tailor our offering locally: enabling us to better capture market opportunities more efficiently. We expect further productivity improvements to emerge from our decentralisation, with each regional unit designing the most efficient operation to suit its specific circumstances, while continuing to comply with strict cost control and with overall Group and regulatory guidelines. In this respect, we have ensured that, as the decentralisation process continues, we also improve our transparency and the availability of management information. In this way, we can readily identify efficiency potential and synergies across regions, recommend best practice and drive central operational excellence initiatives.

Product offering

Our years of experience in international trade have taught us that no two businesses are exactly alike, and this is reflected in our product strategy: to differentiate our product and service proposition based on different customer needs. We therefore tailor our products in such a way that they provide our customers with the appropriate risk management solutions for their complete sales cycle.

Our core product is *'whole turnover' credit insurance* and, in line with our customer segmentation strategy, we offer different credit insurance products to meet the specific needs of SMEs, large local companies and multinational corporations.

For SMEs and large local companies, we offer Atradius Modula: a flexible modular credit insurance policy that provides protection against non-payment and allows our customers to select specific terms and conditions of cover. Atradius Modula can easily be combined with other Atradius products, such as our debt collection services, to create comprehensive solutions. In Spain, Portugal, and Brazil we offer a product, through our Group company Crédito y Caución, which is well adapted to the needs of small, medium and large, mainly local, companies. This product suite provides protection for both domestic and export business, and all policy types can be tailored, by means of some 600 modules, to meet each customer's needs.

For multinationals, Atradius offers a sophisticated tailored credit management solution in the form of our Global policy, noted for its 'best in class' features. As the clear market leader in the multinational segment, with more than 10 years of experience in this segment, Atradius Global has developed an excellent understanding of the needs of multinationals. Customers can choose between a credit insurance policy with standard terms and conditions serving both the parent company and all its subsidiaries, or stand-alone policies that accommodate varying performance levels and country conditions, or a combination of the two. Our dedicated Global account teams, located in the same country as the customer's head office and also locally at subsidiary level, provide extensive and consistent cross-border customer service. A dedicated underwriter, well versed in the customer's needs, ensures consistent and high-quality decision making across the multinational organisation and its buyer portfolio.

As part of our insurance offering, we have developed *Atradius Buyer Ratings*: a tool for customers to assess the quality of their buyer portfolio and monitor their credit risk. This can be added to a customer's credit insurance policy, giving them access to buyer ratings on their insured buyer portfolio free of charge via our online service Serv@Net.

'Whole turnover' coverage is not always the right solution for all every customer. We therefore offer structured credit risk solutions for specific large and complex transactions through our *Special Products* service. In this way, we can offer an effective solution, whether the customer needs enhanced credit protection for a single contract or buyer, a safety net against the unfair calling of a bond, pre-export finance or a combination of all of these.

We also provide a wide range of *bonding products* that put customers in a stronger financial position when dealing with business partners. A bond protects the beneficiary if the supplier – our customer – fails to meet the agreed performance level. Atradius holds a leading position in the French, Italian, Nordic and Spanish non-banking bonding markets and has an international network of business partners that have access to a wide range of guarantee facilities in other markets. Within this framework, we offer a wide range of bonds, including bid bonds, performance bonds, advance payment bonds, maintenance bonds, legal bonds, EU bonds and customs bonds.

We offer *reinsurance protection* for the credit insurance and bonding business of primary insurers operating in many markets around the world. The assumed reinsurance business is offered by a dedicated team of underwriters at Atradius Reinsurance Ltd., which operates separately from the rest of the Atradius Group. Atradius *Instalment Credit Protection* manages and covers the short and medium-term risks involved in multiple instalment agreements with private individuals and businesses (such as consumer credit, leasing and renting), and is offered to financial and corporate policy holders in Belgium and Luxembourg.

In addition to our portfolio of insurance products, we also develop non-risk based products, which can easily be combined with our insurance products. For example, Atradius Collections recovers domestic and international trade debts on behalf of its customers – both insured and uninsured – while, wherever possible, allowing them to maintain sound business relationships with their clients. It offers international and local debt collection (both small and large volumes), a single point of contact for all debt collection cases, and worldwide collections expertise 'on the ground', through offices in 18 countries and a global network of collections specialists, lawyers and insolvency practitioners. In this way, Atradius Collections has built a strong reputation as a dedicated business-to-business collections specialist, leveraging the strength of our core credit insurance business, integrated international network and online systems.

Through its Group company Iberinform, Atradius also offers a comprehensive and state-of-the-art web-based credit information service on Spanish buyers, including buyer ratings and investigated reports, as well as financials and public information.

Marketing and communications

Our marketing and communications activity is an essential part of the business, providing Atradius with a corporate 'voice' and delivering creative, coherent and consistent messages to our key markets, stakeholders and the credit insurance industry as a whole.

We achieve this in a number of ways:

Branding

The essence of Atradius is encapsulated in our brand. Our corporate communications and marketing activity is designed to develop and enhance perceptions of our brand by ensuring that it is always associated with positive values and attributes. During 2010, the brand has continued to be promoted through our pan-European advertising campaign, which centres on the importance of being able to trade with confidence. Atradius gives its customers that confidence by protecting them against the risk of financial loss that may arise in their trade on credit terms.

Publications

Helping our business partners make smart, well informed business decisions is an essential element in our market approach. Atradius publications are therefore focused on providing businesses with valuable insights into market conditions that may give them an advantage when making trade decisions in their home markets and export markets around the world. The monthly Atradius Market Monitor, for instance, expresses our senior risk underwriters' views on key export markets and industries; Atradius Country Reports give our economic and political perspective on markets across the world; our bi-annual Economic Outlook shares the viewpoint of our team of expert economists; and our White Papers seek to both inform and engage those involved in national and international trade. Our 2010 White Paper, entitled 'The future of trade credit', became the focal point of several international media articles, Atradius conferences and webinars, during the year.

Existing and prospective customers

In 2010, the Atradius customer service charter was launched, worldwide, formalising our commitment to provide excellence across every aspect of our customer relationships. As a significant proportion of our marketing is directed towards existing and prospective customers, every facet of our integrated communications activity, which includes electronic publications, media relations, dedicated events and webinars and a range of other initiatives, has been designed to support the principles of the charter.

Internet

Our customers and brokers truly value the access that we give them to information on key markets and, together with our electronic publications, the internet is the most effective tool for delivering that information. For that reason we are constantly evolving our websites, to ensure that they remain an efficient and interactive source of vital business information.

Global footprint

Europe

Austria	Vienna
Belgium	Namur, Antwerp
Czech Republic	Prague
Denmark	Copenhagen, Århus
Finland	Helsinki
France	Paris, Aix en Provence, Bordeaux, Compiègne, Lille, Lyon, Nancy, Orléans, Rennes, Strasbourg, Toulouse
Germany	Cologne, Berlin, Bielefeld, Bremen, Dortmund, Frankfurt, Freiburg, Hamburg, Hanover, Kassel, Munich, Nuremberg, Stuttgart
Greece	Athens
Hungary	Budapest
Iceland	Reykjavik (**)
Ireland	Dublin
Italy	Rome, Milan
Luxembourg	Luxembourg
Netherlands	Amsterdam, Ommen
Norway	Oslo
Poland	Warsaw, Krakow, Poznan, Wroclaw
Portugal	Lisbon, Porto
Russia	Moscow
Slovakia	Bratislava
Spain	Madrid, Alcalá de Henares, Alicante, Barcelona, Bilbao, Castellón, A Coruña, Getafe, Girona, Granollers, Las Palmas de Gran Canaria, Málaga, Murcia, Oviedo, Pamplona, Sevilla, Tarragona, Terrassa, Valencia, Valladolid, Zaragoza
Sweden	Stockholm
Switzerland	Zurich, Lausanne, Lugano
Turkey	Istanbul
United Kingdom	Cardiff, Belfast, Birmingham, Glasgow, Leeds, London, Manchester

Middle East

Israel	Tel Aviv (*)
Lebanon	Beirut (*)
United Arab Emirates	Dubai (*)

Asia

China	Shanghai
Hong Kong	Hong Kong
India	Mumbai
Japan	Tokyo
Singapore	Singapore
Taiwan	Taipei (**)

Africa

Kenya	Nairobi (*)
South Africa	Johannesburg (**)
Tunisia	Tunis (*)

Americas

Aruba	Oranjestad
Brazil	São Paulo
Canada	Almonte (Ontario), Mississauga (Ontario), Duncan (British Columbia)
Chile	Santiago de Chile (*)
Curaçao	Willemstad
Mexico	Mexico City, Guadalajara, Monterrey
USA	Hunt Valley (Maryland), Chicago (Illinois), Los Angeles (California), New York (New York)

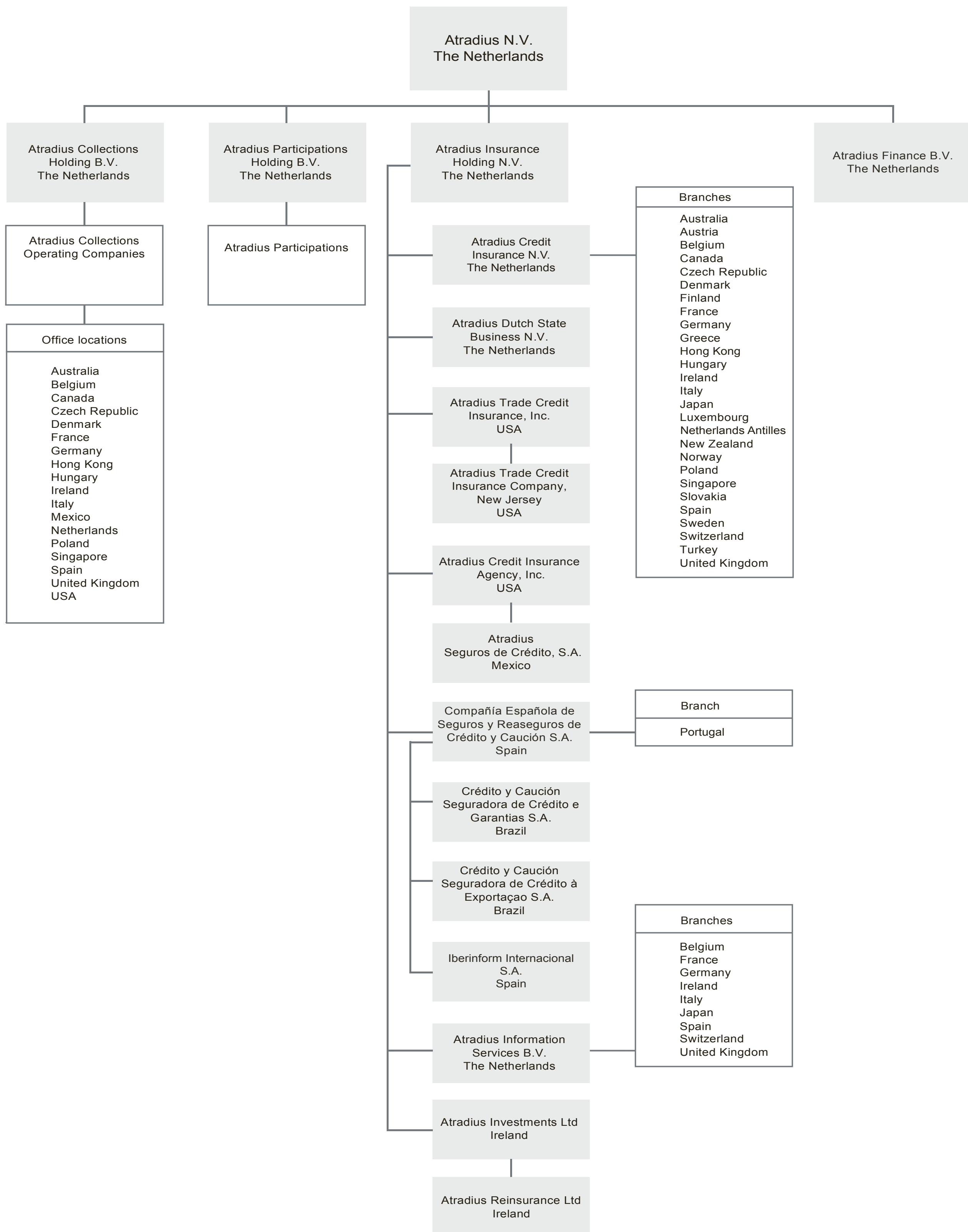
Oceania

Australia	Sydney, Brisbane, Melbourne
New Zealand	Auckland

(*) Associated company or minority interest
(**) Co-operation agreement with local partner

Atradius Group organisation chart

General overview per 31 December 2010



Shareholder structure

Shareholder structure of Atradius N.V. as per 31 December 2010 (rounded figures)	Percentage of shares
Grupo Compañía Española de Crédito y Caución, S.L.*	64.23%
Grupo Catalana Occidente, S.A.	26.66%
INOC, S.A	9.11%
Total	**100.00%**

* The Spanish company Grupo Catalana Occidente, S.A., which is a listed company in Spain, owns 73.84% of Grupo Compañía Española de Crédito y Caución, S.L. and holds a call option on the 9.11% stake in Atradius N.V. held by INOC, S.A.

On 31 May 2010 Grupo Catalana Occidente, S.A. and INOC, S.A. completed the acquisition of 35.77% of the shares in Atradius N.V. previously held by Swiss Reinsurance Company, DB Equity S.a.r.l. and Sal. Oppenheim jr. & Cie. KGaA. As a result, Grupo Catalana Occidente, S.A. has an economic stake in the Group of 74.09% with control of 90.89% of the voting rights.

Credit rating information

Credit ratings of the core entities of the Atradius Group*	Standard & Poor's	AM Best
Financial Strenght Rating and Issuer Credit Rating		
Atradius Credit Insurance N.V.	A-/Negative/A2	
Atradius Reinsurance Ltd	A-/Negative	
Compañía Española de Seguros y Reaseguros de Crédito y Caución, S.A.	A-/Negative	
Atradius Trade Credit Insurance, Inc.	A-/Negative	A-/Negative
Atradius Seguros de Crédito, S.A.	mxAA/Stable	
Issue rating		
EUR 120 million subordinated bond	BBB	

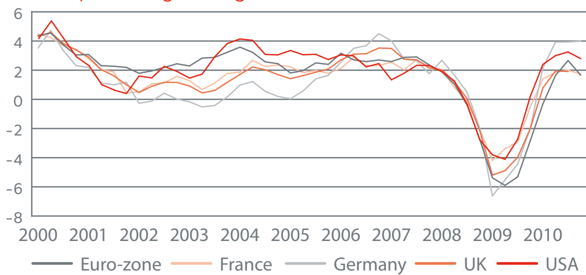
*As per adoption of this annual report

Gaining confidence from the emerging stability in global trade

The global economic environment in 2010

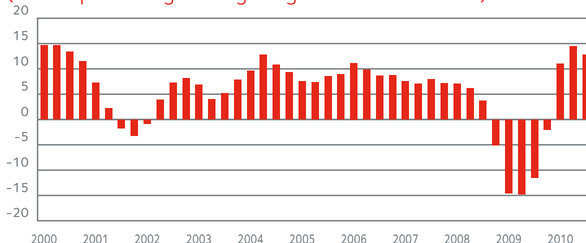
After falling by 1.8% in 2009, global output recovered partially in 2010 on the back of worldwide fiscal and monetary easing, falling credit spreads and asset price gains, which pushed activity up by 4.0%. The recovery has been led by Asia, Latin America and Eastern Europe, with many of the advanced economies of Europe and North America lagging some way behind. While real GDP in the Asia Pacific region, Latin America and Eastern Europe grew by 6.8%, 5.8% and 3.9% respectively, activity in the United States rose by 2.9%, in Japan by 3.9% and in the Eurozone by 1.7%. There were also sharp differences within Europe. Output in Germany, the United Kingdom and France rose by 3.6%, 1.4% and 1.5% respectively, but fell by 0.1%, 0.5% and 4.5% in Spain, Ireland and Greece respectively.

Real GPD growth
(annual percentage change in real GDP)

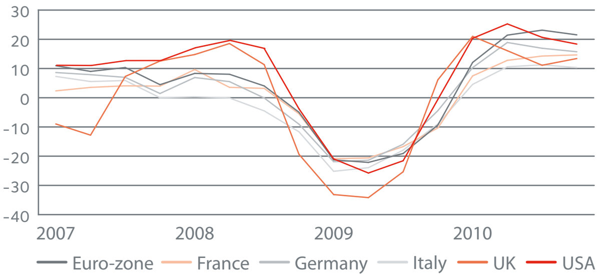


Since falling by a cumulative 10% during the downturn, global trade rebounded strongly in 2010 and, with annual growth of around 15% in Q2 of 2010 – more than twice the average rate over the last 40 years, international shipments are almost back to their 'pre-crisis' peak. Exports from the Eurozone, Germany, France, Italy and the UK, which fell at an annual rate of 20-35% during the first half of 2009, have also recovered sharply. However, in contrast to the global picture, their exports remain around 25-30% below their pre-recession highs as most of the global improvement is the result of activity in emerging economies. Similar shortfalls can also be seen in those markets where international trade plays a much larger role in driving overall activity: such as Belgium, which is down 30%, and the Netherlands, down 20%. On the other hand, shipments from the US, where economic growth is far less sensitive to trade flows, have recovered to within 10% of their previous peak. The most recent data for Q3 of 2010 shows that the recent pace of the turnaround in the advanced economies has moderated, which will further lengthen the time for these shortfalls to be eliminated.

Global trade growth
(annual percentage change in global trade volumes)

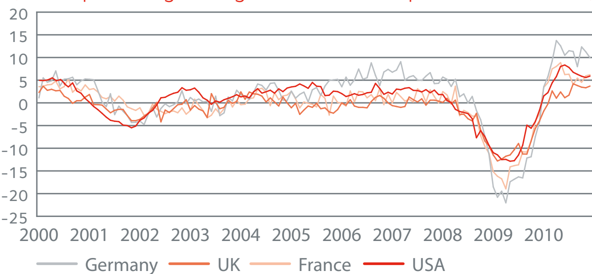


Real export growth
(annual percentage change in real export volumes)



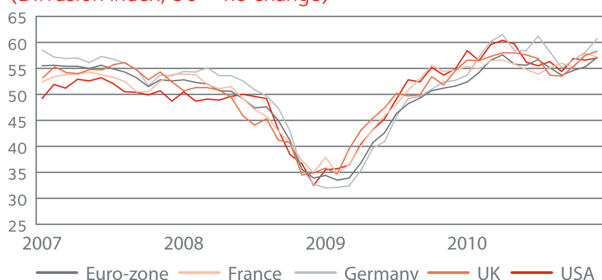
Other drivers of the recovery over the first half of 2010 also lost some momentum in the second half of the year. After plunging at annual rates of up to 13% in the US and UK, 19% in France and over 20% in Germany during the first half of 2009, industrial production growth had recovered to above trend rates by Q2 of 2010. This turnaround partly reflected temporary Government schemes and support in the form of production subsidies to boost sales and trade: such as the 'cash for clunkers' schemes for motor vehicles; housing market tax credits; and cuts in consumption taxes introduced in late 2008 and 2009. In principle, such programmes can maintain business and consumer confidence and also serve as an impetus to other more durable components of aggregate demand, such as household spending and investment, which can, in turn, sustain the recovery. But it is also possible that such schemes may simply serve to bring forward production and spending, which will then fall back again once such interventions have run their course. These considerations may help to explain why industry output growth slowed during the second half of 2010 in several key markets.

Industrial production growth
(annual percentage change in real industrial production volumes)



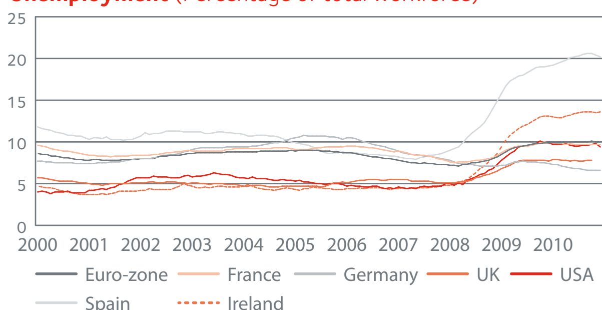
The recent pickups in the forward-looking monthly Manufacturing Purchasing Managers' Index suggest that this easing momentum may be fairly short lived. But with capacity utilisation rates across Europe and the US still around 5 percentage points below their pre-downturn averages, this suggests that companies will continue to adopt a highly cautious approach to capital expenditures which could otherwise help to put the recovery on a firmer footing.

Manufacturing purchasing managers index (Diffusion index, 50 = no change)



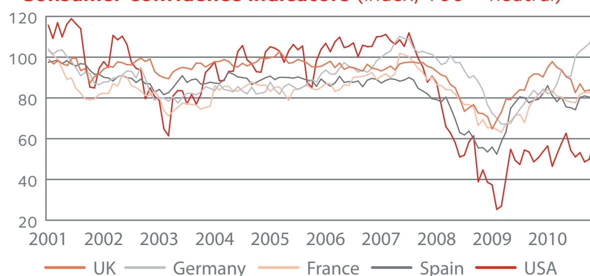
The general improvement in activity since mid-2009 has fed through to the labour market, with unemployment rates stabilising over the last few months at around 10% in the US and Eurozone, and 8% in the UK. But the Eurozone aggregate masks sizeable country variations among its member states. In particular, Irish, Spanish and Greek labour markets continue to deteriorate markedly. This partly reflects unsustainable sovereign debts which have pushed up interest rates, overstretched banking sectors, and weak fundamentals such as excessively high wages relative to productivity. On the other hand, countries such as Germany and the Netherlands, with more flexible labour markets and the fiscal headroom to intervene to subsidise short-time working and job creation, have outperformed their peers. Even in those countries where the labour market is showing improvement, this will remain tentative for some time while firms are still hesitant to create employment slots amid ongoing uncertainties about the near-term strength of the economic recovery.

Unemployment (Percentage of total workforce)



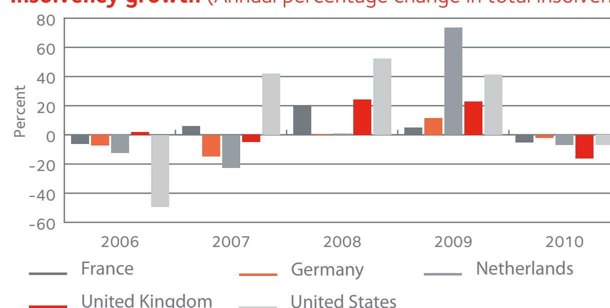
Such labour market concerns, together with the prospects of further downward pressure from tightening public budgets, help to explain the general retrenchment in consumer confidence since the start of the year. This weakening of household sentiment can be expected to feed through to domestic consumption growth, which has played the dominant role in driving activity across our markets over the last decade.

Consumer confidence indicators (index, 100 = neutral)



The 2007-09 downturn led to a surge in company failures across our main markets as tumbling trade flows, alongside drastic and unanticipated credit shortfalls, squeezed corporate performance. Company failure rates peaked in early 2010 and have since started to fall back, although insolvencies are generally still way above their 'pre-crisis' readings. For example, 2010 has seen around 60,000 failures in the US: 67% higher than the 2000-06 average. Defaults in Germany, where the corporate sector received extensive support in the form of production and output subsidies, did not rise as aggressively as in other countries.

Insolvency growth (Annual percentage change in total insolvencies)



Outlook 2011

The outlook for 2011 remains one of a continuing recovery in world output. However, current consensus forecasts envisage momentum slowing to 3.5% from 4.0% in 2010, due in part to tightening monetary conditions across the fastest growing emerging markets, where upward risks to inflation have picked up. Many advanced economies will also be affected by any slowdown in world trade but their own internal dynamics also support moderating growth in 2011. In particular, Eurozone and Japanese growth rates are expected to ease to 1.6% and 1.5% respectively. Among our other major markets, GDP growth is expected to pick up only in the UK and Spain, albeit at below trend rates of 1.9 and 0.6% respectively. US GDP growth is expected to remain robust at 3.2%.

This anticipated 2011 moderation partly reflects the ending of the stock rebuilding cycle which strongly underpinned the 2009-10 US and European recoveries. In typical cyclical upswings, private sector domestic demand can be relied upon to generate sufficient momentum to offset an eventual easing in inventory restocking. But the private sector has remained subdued throughout 2010 and total domestic spending will face further headwinds in Europe during 2011, as Governments raise taxes and cut expenditures to bring down public deficits. While there will be knock-on effects throughout the Euro area, there are good reasons to expect the impacts, and downside growth risks, to be in Portugal, Ireland, Greece and Spain, where sovereign funding strains have caused most concern. Not only have these nations announced the sharpest budgetary adjustments, but their economies are particularly dependent on public sector spending for growth. Even in those markets where private sector activity has shown relative vigour throughout 2010, such as the UK and France, it is still possible that these forthcoming cuts could undermine 2011 growth without a significant pickup in consumption and investment.

Meanwhile, conventional monetary policy, which has seen US, Eurozone, and UK policy rates at record lows for well over a year, is likely to have peaked in terms of its effectiveness in supporting growth and staving off deflation. While further quantitative easing may be introduced, such as the plan to purchase an extra USD 600bn in Government bonds announced by the Federal Reserve Board in November, it is highly uncertain whether this will provide a significant boost to private sector spending by reducing borrowing costs, raising wealth and increasing the funds available for bank lending. This uncertainty is exacerbated by the incomplete recovery of the global banking sector, where US and European banks in particular face accumulating losses associated with deflating real estate markets and downside risks from their exposures to sovereign debt.

Business performance

Atradius N.V. (in EUR million)*	2010	2009	%
Insurance revenues	1,449.7	1,589.3	-8.8%
Gross insurance claims and loss adjustment expenses	(559.6)	(1,356.8)	-58.8%
Gross insurance operating expenses	(498.8)	(524.7)	-4.9%
Reinsurance result	(244.1)	134.4	-281.6%
Technical (insurance) result	**147.2**	**(157.8)**	**-193%**
Service result	(0.7)	15.0	-104.9%
Group service expenses**	(13.5)	(11.9)	13.2%
Restructuring costs	(0.3)	(41.3)	-99.4%
Net income from investments	22.7	68.3	-66.8%
Operating result before amortisation of goodwill and finance costs	**155.4**	**(127.7)**	**-221.7%**
Profit before tax	**152.7**	**(140.7)**	**-208.5%**
Profit for the year	**124.9**	**(113.3)**	**-210.3%**

*Overview includes inter-segment revenues and - expenses
**Includes stewardship expenses

	Gross		Net	
Technical ratios	2010	2009	2010	2009
Claims ratio	38.6%	85.4%	44.6%	77.1%
Expense ratio*	35.4%	36.4%	39.3%	45.6%
Combined ratio*	74.0%	121.8%	83.9%	122.7%

*2009 ratios impacted by restructuring expenses

Atradius returned to profitability in 2010, supported by the gradual recovery of the global economy and the ongoing positive effects of measures taken in 2008 and 2009.
The result for the year is a profit of EUR 124.9 million compared to a loss after tax of EUR 113.3 million in 2009. The main factor contributing to this was the significant improvement of the claims result.

Insurance income decreased by 8.8% compared to 2009. The risk mitigating actions of previous years resulted not only in a reduced claims cost, but also in a low level of new business and a reduced declared turnover. In 2010 actions have been taken to reverse this trend, and to increase the level of new business and reduce the cancellation rate. We are beginning to see positive results from these actions.

Another area of focus has been to increase risk acceptance, within the limits of our risk governance. As a result, Atradius' total potential exposure (TPE) has increased by 5.8%, from its lowest point in 2010 – EUR 396.8 billion in March – to EUR 419.7 billion in December. We have increased prices in 2010 to better align with the attached risk, and this has had only a limited effect on the level of business.

During 2010, Atradius has participated in schemes in various countries, introduced by their respective Governments to help customers cover credit risks in excess of those that can reasonably be covered by private insurers alone. As well as proving supportive to customers, this has led to a modest additional income for Atradius, acting as facilitator for these Government schemes.

The revenues of our operations in the Nordic countries and New Markets teams in Oceania and Asia increased, supported by foreign exchange rate developments. Credit insurance units in the other regions reported a decrease in insurance revenues. In Spain and Portugal, the biggest market for Atradius, the reduction was 14%, reflecting the difficult economic situation in these countries.
Germany – the second largest market for Atradius – showed a reduction of only 2.9%, thanks largely to the strong recovery of the export oriented German economy.

The results for other Atradius insurance products showed a diverse pattern. While the non-standard solutions of Special Products reported lower revenues, due to the residual effects of the risk mitigating actions and lower risk appetite, the assumed reinsurance business showed strong growth throughout 2009. Instalment credit protection revenues dropped steeply, due mainly to the decision to wind down the instalment credit protection business in France with effect from 2010. Our bonding unit reported stable revenues, in line with 2009.

Following the challenging years of 2008 and 2009, the **gross claims** position developed very favourably in 2010, with the gross claims ratio, on a financial year basis, improving to 38.6% in 2010 from 85.4% in 2009. This financial year claims result was supported by a positive development on previous underwriting years. The claims ratio for underwriting year 2010

was 46.8%. The trend of improved gross claims ratios is apparent in all regions. This reflects our ongoing actions to improve the quality of the buyer portfolio and optimise policy conditions in 2010. At the time of writing this report, 2010 is still a 'young' underwriting year, which may have positive or negative run-off in the coming year(s).

For 2011, we expect a continuation of the current underwriting year claims level. However, with a limited development of previous underwriting years, the claims level for the financial year will return to a 'pre-crisis' level, underlining the fact that Atradius continues to have the financial strength and the dedication to help our customers grow their business.
Following our cost containment actions that began in 2009, the challenge for Atradius was to further reduce our cost base in 2010. The **gross insurance operating expenses** in 2010 decreased by 4.9%, to EUR 498.8 million, due to our cost reduction measures in 2009 and reduced business volume.
The cost ratio decreased to 35.4%, compared to 36.4% in 2009. However it should be noted that the 2009 cost ratio was impacted by the restructuring expenses. Over a two years period, operating expenses have fallen by 20%, confirming that our cost containment targets have been met. The cost reduction measures are driven mainly by a lower number of FTEs (full time equivalent employees), which reduced from 3.470 in December 2009 to 3.165 in December 2010. Compared to year end 2008, the FTEs have decreased by 17.8%, in line with the target of the cost containment programme.

The **reinsurance result** in 2010 is a net loss of EUR 244.1 million compared to a net gain in 2009 of EUR 134.4 million, reflecting the substantially improved claims situation.
Via the reinsurance quota share programme, reinsurers participated in Atradius' good technical result in 2010, and the improved claims performance resulted in higher received reinsurance commission for Atradius.
Under our main quota share treaty, in 2010 we ceded 47.5% of our gross written premium.

In 2009, additional reinsurance cover was provided for the business of Crédito y Caución in Spain by the Consorcio de Compensacíon de Seguros. This reinsurance included a payback obligation based on the performance of the Spanish insurance business. Due to the improving results we are experiencing in Spain it was necessary to increase the provision under this payback obligation, to EUR 45.9 million as per the end of 2010.

The **service result** decreased sharply from EUR 15.0 million in 2009 to a negative EUR 0.7 million in 2010. While Atradius Dutch State Business showed a steady performance and Iberinform further developed its third party credit information service in 2010, Atradius Collections saw a decrease in revenues of 38.1% compared to 2009, with a global decrease of collection cases compared to the record inflow of 2009. The trend of lower insured levels of claims also led to lower insured debt placed with Atradius Collections, demonstrating that the collections business is counter cyclical to credit insurance, with Atradius' success in reducing its claims level having a consequent impact on the level of demand for recovery action by Atradius Collections. Additionally, the difficult economic climate resulted in businesses taking a more conservative approach and reducing their risk by tightening their credit terms.

The **investment result**, including income from associated companies, is EUR 22.7 million. This is significantly lower than 2009's result, due to three main factors. Firstly, a reduction in the size of the investment portfolio due to cash outflows for claim payments in 2009 has resulted in a smaller investment portfolio in 2010. Secondly, some losses have been realised. Finally, interest rates remained persistently low during the year, impacting interest income as the conservative Atradius portfolio is largely invested in bonds and cash.

Financial Year and Underwriting Year

The annual report gives an overview of the (financial) performance of a company in its accounting or financial year. For Atradius, this is the calendar year. However, although the revenues and expenses relating to activities performed in the calendar year give a good overview of the performance in the financial year, they don't provide a full insight into the quality of the underlying credit insurance business. For this, we need to look at the underwriting year performance.

The underwriting year is the year in which Atradius has accepted the risk for a shipment from a customer to its buyer. Claims following the buyer's insolvency or default may arrive in the same financial year, or may arrive in a following financial year.
The financial year assessment of underwriting performance takes into consideration the results of the current underwriting year but also any deviations in the outcome of earlier underwriting years. These deviations arise if there is a delay between the occurrence of the risk and the final closure of a claims case, during which time estimates are made of the final outcome. Any changes to these earlier year estimates are captured with the current financial year results.

An underwriting year assessment of underwriting performance can show the evolution of a particular underwriting year until the claims and recoveries on open cases are finally settled. This underwriting year perspective provides both managers and underwriters with an important insight into the underwriting performance; in particular it allows them to assess the most recent underwriting year performance without any impact, positive or negative, from the run-off of earlier underwriting years.

Business segments

Credit Insurance

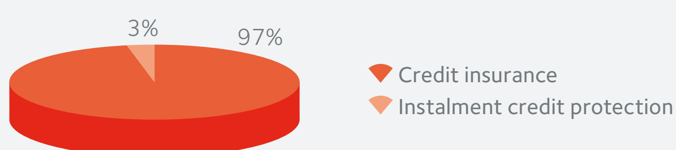
Since 2009, Atradius has adopted IFRS 8 Operating Segments. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group. These are regularly reviewed by the Management Board in order to allocate resources to the segment and to assess its performance. As a result, the segment 'Assumed Reinsurance' has been added to the Group's reportable segments in 2010. For more information, see note 6 of the consolidated financial statements of the Annual report 2010.

Business segment

Credit insurance

(EUR million)	2010	2009	%
Gross earned premium	1,157.8	1,285.7	-9.9%
Information income	103.4	120.1	-13.9%
Gross insurance claims and loss adjustment expenses	(459.0)	(1,263.0)	-63.7%
Gross insurance operating expenses	(425.1)	(455.8)	-6.7%
Result before reinsurance	**377.1**	**(313.0)**	**-220.5%**
Reinsurance result	(234.3)	151.8	-254.4%
Result after reinsurance	**142.8**	**(161.2)**	**-188.6%**
Credit insurance gross claims ratio	36.0%	91.2%	-60.6%
Instalment credit protection gross claims ratio	45.4%	48.0%	-5.4%
Total credit insurance gross claims ratio	**36.4%**	**89.8%**	**-59.5%**
Full-time equivalents	**1,643**	**1,764**	**-6.9%**

Insurance revenues



Insurance in this section includes credit insurance and instalment credit protection.

Credit insurance is Atradius' core product and comprises traditional credit insurance, covering both domestic and export trade, and the structured credit and political risk business of our Special Products team.

The credit insurance result, after reinsurance, has shown a strong improvement: from a loss of EUR 161.2 million in 2009 to a profit of EUR 142.8 million in 2010. Despite a slow recovery of the global economy in 2010, credit insurance revenues fell by 10.3% compared to 2009. While foreign exchange rate developments had a positive impact on revenues of EUR 17.5 million, the drop in revenues can be largely attributed to the ongoing effects of our risk mitigating actions of 2009. And, although the situation has improved since 2009, important revenue drivers – such as new business and cancellation rate – are still a long way from their 'pre-crisis' level. Price increases to align with increased risk only partially countered the effect of falling revenues in 2010.

However, throughout the year we have seen a positive development in various areas. The risk acceptance rate shows a steady increase, reflected in the development of Atradius' total potential exposure (TPE). In March, the TPE, after a long period of steady decrease, reached a low of EUR 373.5 billion, but by December it had increased 5.9% to EUR 395.7 billion. New

business improved in the second half of the year – especially in the Nordics, Central and Eastern Europe, New Markets and Australia – and the cancellation rate is reducing. We are therefore confident that revenues will grow again in 2011.

The total revenues from traditional credit insurance for both small and large companies, which is offered by our local sales teams and represents by far the biggest part of the Atradius product portfolio, fell by 11.6% compared to 2009, reaching EUR 952.7 million. Most Atradius markets experienced reduced income levels, with the larger markets of the United Kingdom, Italy and the USA showing greater than average revenue reductions, while Germany – as Atradius second largest market – managed to close the year with a revenue reduction of just 2.9%. The Nordic markets, supported by the economic growth in the region, have shown an increase in revenues of 6.5% compared to 2009. Australia, supported by favourable FX-development, reported 11.3% higher revenues.

In 2010, our Global offering to multinationals and the operations in emerging markets of our New Markets teams performed better than the local country sales teams, with almost stable revenues compared to 2009 and an income of EUR 246.3 million.

During the latter part of 2010, the marketplace gradually changed across the globe, allowing both private credit insurers and export credit agencies – the latter mainly in emerging markets – to become more active. Atradius maintains a strong proposition in the business segment for multinationals and has positioned itself to benefit from the economic recovery.
Our Special Products Unit, which offers solutions other than standard whole turnover product, showed a loss of revenues, with its income dropping 8.9% from 2009 levels to EUR 29.8 million. This reduction was due primarily to the residual effects of our risk mitigation actions during 2008 and 2009. As this unit writes longer tenor business, the residual effects of business contraction persists for longer than for our mainstream whole turnover business. The unit has also discontinued certain non-core products, with an adverse effect on revenue.
Persistent lower levels of economic activity and lower levels of investment in infrastructure projects – a substantial source of business for this unit – have continued throughout 2010, although there have been positive signs of new business in the last two quarters of 2010, indicating that the overall trend is now improving.

Claims development for the standard short term credit insurance segment in 2010 has improved considerably compared to 2009, with the total gross claims – of EUR 444.5 million – 64.2% below their 2009 level. Most countries show a significantly improved claims situation for the 2010 underwriting year and report positive development from previous underwriting years. The only market that shows a noticeable increase in its claims ratio is Greece, and this is clearly a reflection of that country's own financial crisis. The claims development of the current underwriting year is expected to continue in the financial year 2011. This will bring the claims ratio back to a normal 'pre-crisis' level, providing a sound basis for the Atradius' result and enabling the Group to continue to assist our customers in growing their business.

By continuing to share our market expertise, by helping our customers to focus on buyers that represent an acceptable credit risk, and by further promoting the value of efficient credit management, we will continue to build on our customer relationships.

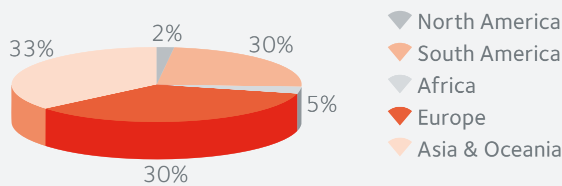
Instalment credit protection (ICP) covers the short and medium-term risks involved in multiple instalment agreements with private individuals and businesses for financial and corporate policyholders, and is available in Belgium and Luxembourg. In 2010, total revenues were 25.9% down on the previous year, reaching EUR 31.9 million, due mainly to the decision to wind down the instalment credit protection business in France with effect from 2010. In addition, the worsened economic situation in Belgium and the implementation of the EU Consumer Credit Directive had a negative impact on the issued premium. A positive development is that our main competitor has decided to exit from this type of business. 2010 saw a decreased gross claims ratio for ICP of 45.4%, from 48.0% in 2009. This takes into account the switch to a 'best estimate' approach to recoveries provisioning. The change will lead to less volatility and to results that are more in line with the long term horizon of the business. For 2010, it results in a positive impact of EUR 6.5 million before tax.

Business segment

Assumed reinsurance

(EUR million)	2010	2009	%
Gross earned premium	104.2	97.3	7.1%
Gross insurance claims and loss adjustment expenses	(62.5)	(70.6)	-11.4%
Gross insurance operating expenses	(42.0)	(40.1)	4.7%
Result before reinsurance	**(0.3)**	**(13.4)**	**-97.7%**
Reinsurance result	0.5	1.8	-75.3%
Result after reinsurance	**0.2**	**(11.6)**	**-101.3%**
Gross claims ratio	**60.0%**	**72.5%**	**-17.2%**
Full-time equivalents	**17**	**17**	**0.6%**

Reinsurance revenues



Atradius Re, a leading global credit and bonding reinsurer, offers assumed reinsurance to third parties, mainly in emerging markets where Atradius does not itself have a presence. Atradius Re's reinsurance portfolio is split 55/45 between credit and bonding reinsurance for the current underwriting year and assumes business from over 70 countries.

Revenues for assumed reinsurance in 2010 totalled EUR 104.2 million: a 7.1% increase on 2009. This revenue growth was due to a combination of new business and organic growth on existing business.

The gross claims ratio decreased to 60% in 2010 from 72.5% in the previous year. The reduction in the claims ratio is due to the risk mitigation initiatives of earlier years, with the negative trends of the 2008 and 2009 underwriting years outweighed by more positive results for the 2010 underwriting year.

Commission fees were EUR 36.5 million for 2010, an increase of 5% on 2009 and in line with the increase of reinsurance revenues. Commission fees make up approximately 87% of the total operating expenses of EUR 42 million for the year.

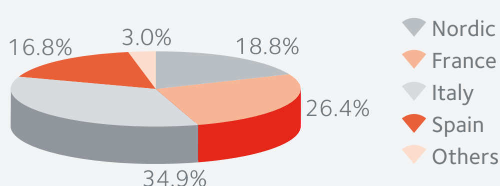
The outlook for the assumed reinsurance business in 2011 is for the underwriting year claims ratio to return to more normal levels as a result of the risk management measures taken. Atradius Re's strategy is to continue to diversify the portfolio in region, country and business type, concentrating on Asia and South America as key development regions.

Business segment

Bonding

(EUR million)	2010	2009	%
Gross earned premium	83.6	85.6	-2.4%
Information income	0.6	0.6	6.1%
Gross insurance claims and loss adjustment expenses	(38.0)	(23.3)	63.3%
Gross insurance operating expenses	(31.6)	(28.7)	10.1%
Result before reinsurance	**14.6**	**34.2**	**-57.4%**
Reinsurance result	(10.3)	(19.2)	-46.4%
Result after reinsurance	**4.3**	**15.0**	**-71.4%**
Gross claims ratio	**45.5%**	**27.2%**	**67.3%**
Full-time equivalents	**111**	**117**	**-5.1%**

Bonding per region



Bonding is offered in Italy, France, Spain and the Nordic countries. The bonding business is closely linked to the local law environment, and products are specific to each country. However, products offered in all geographic areas are administrative bonds (e.g. excise bonds, customs bonds and authorization bonds) and market bonds (e.g. bid bonds, performance bonds and maintenance bonds).

Revenues from bonding in 2010 totalled EUR 84.2 million slightly below the previous year. Revenue in France was maintained at around the same level as in 2009. In our main market, Italy – where we registered decreased revenue as a result of reduced activity in public works recent years – we saw a notable increase in new business, despite aggressive competition from new entrants. Additional new revenue in Italy was generated by enhancing the use of our agents' networks and developing direct sales with a re-focus on public works. Revenue from our bonding operation in the Nordic region increased by 11% in 2010, largely due to good customer relationships and intensive prospecting, with the best results seen in Sweden.

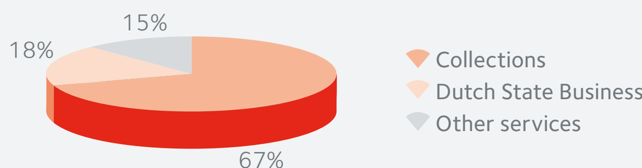
Bonding avoided the worst of the crisis in Italy and France, with successful recovery actions on old claims in these countries. However, large claims in 2010 – related to Italy's previous underwriting years – resulted in an increase in the claims ratio to 45.5% from the exceptionally low 27.2% in 2009. This depleted the overall profitability of bonding, despite the stabilisation of our costs.

Business segment

Services

(EUR million)	2010	2009	%
Service income	56.7	84.2	-32.7%
Operating expenses	(57.4)	(69.2)	-17.1%
Segment result	**(0.7)**	**15.0**	**-104.9%**
Full-time equivalents	**348**	**373**	**-6,7%**

Services revenues



The services segment comprises debt collection operations, the Export Credit Agency fees that Atradius receives from the Dutch State, and service revenues from Iberinform's buyer information services.

Debt collection

Debt collection complements credit insurance as it is counter cyclical in nature: i.e. it tends to pick up as the economy deteriorates and vice versa. This service supports the product and risk diversification of our business, as it is free of insurance risk and thus reduces profit volatility.

The debt collection business is offered to both Atradius' insured customers and third parties. In 2010, Atradius Collections revenues decreased 38.1% from 2009, with the unit experiencing a global decrease compared to the record inflow of the previous year. The trend of lower insured levels of claims has led naturally to lower insured debts placed with Atradius Collections. Additionally, the difficult economic climate resulted in businesses taking a more conservative approach and reducing risk by tightening their credit terms.

Despite the difficult economic situation, Atradius Collections has been able to expand its service reach in 2010. The number of large accounts has increased, with several multi-national corporations becoming new customers. Moreover, the channel partner programme has grown, with many new channel partners now selling Atradius Collections' services.

Dutch State Business

Atradius Dutch State Business N.V. (DSB) issues export credit insurance policies and guarantees to business on behalf of – and for risk of – the State of the Netherlands. It provides cover for risks related to export on medium term credit and for services with buyers in countries outside the Netherlands, and for non-commercial risks related to investments in other countries. The relationship between Atradius and the Dutch Ministry of Finance dates back to 1932, and the risk of this business was 100% reinsured by the State of the Netherlands until the end of 2009, with our income generated by our business fee. DSB developed broadly in line with expectations throughout 2010.

The contract with the State of the Netherlands was renewed in 2009 in line with the amended law facilitating Export Credit Insurance by the State of the Netherlands. This law came into force on 1 January 2010, allowing the State of the Netherlands to act as insurer while DSB continues to manage these export credit insurance policies and guarantees on the State's behalf. Under this agreement, DSB also continues to undertake other services, including those related to debt agreements with countries that are determined by the Paris Club. Since mid November, DSB has also managed the loan portfolio of the 'Nederlandsche Investeringsbank voor Ontwikkelingslanden N.V.'. This portfolio is in run-off and consists of 128 concessional loans on behalf of the Dutch State with a total outstanding amount of EUR 803 million.

Other services

Iberinform Internacional, S.A. specialises in gathering financial and other credit information on Spanish buyers. For many years, information was provided only for the benefit of Crédito y Caución's risk underwriters but, since 2009, Iberinform also offers a comprehensive and state-of-the-art web-based credit information service on Spanish buyers to non-insured customers. This service includes buyer ratings and investigated reports, as well as financial and public information.

Geographical review

Spain, Portugal and Brazil

Portugal

Spain

Brazil

(EUR million)	2010	2009	%
Gross earned premium	427.6	498.8	-14.3%
Information services and fees	36.0	43.5	-17.3%
Other service income	5.3	6.8	-22.8%
Total income	**468.9**	**549.1**	**-14.6%**
Gross insurance claims and loss adjustment expenses	(255.9)	(565.5)	-54.7%
Operating expenses	(118.3)	(127.2)	-7.0%
Result before reinsurance	**94.7**	**(143.6)**	**-165.9%**
Reinsurance result	(87.7)	110.3	-179.5%
Result after reinsurance	**7.0**	**(33.3)**	**-120.9%**
Gross claims ratio	**55.2%**	**104.3%**	**-47.1%**
Full-time equivalents	**466**	**463**	**0.7%**

This section covers the activities of Crédito y Caución and the relatively small operations of the former Atradius stand-alone organisation in Spain and Portugal.

Economic developments

The Spanish economy contracted by 3.7% in 2009 and a further 0.1% in 2010, while unemployment continued its steady rise towards 21%. Much of Spain's impressive growth in the decade preceding the downturn was fuelled by a construction boom which masked relatively high labour costs and uncompetitive industries. But the construction sector is now burdened by excess capacity, which, along with a weak banking sector, continues to constrain private demand. This pressure will be aggravated by the ongoing austerity programme, involving wage cuts and tax rises aimed at reducing the deficit to 6% of GDP in 2011 from 11.1% in 2009.
Portugal, where activity effectively came to halt in 2008, experienced a 2.6% decline in activity during 2009. Output has recovered somewhat in 2010 with the economy expanding by 1.3%, largely thanks to a pickup in net exports which are heavily reliant on Spanish demand.
While forward-looking production indicators suggest that both Spain and Portugal will struggle to generate solidly positive economic dynamics in 2011, Brazil will be looking to slow down after 7.5% growth in 2010. Overheating fears have led the authorities to significantly tighten monetary policy, which should help to ease the pace of expansion towards the 4-5% experienced in the five years before the 2009 global contraction.

Business review

This is the Atradius Group's largest region, representing almost one third of its total income. Spain is the dominant of the three constituent markets, with Portugal and Brazil still relatively small. Credit insurance is Atradius' main product offering in the region. Bonding is offered only in Spain, and represents just over 2% of insurance revenues.

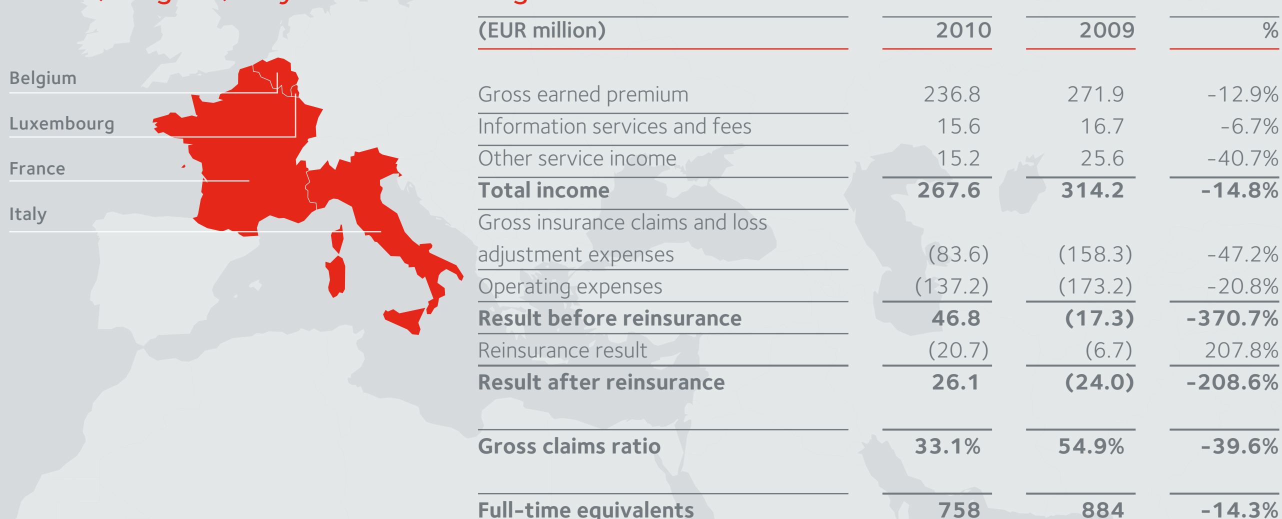
The result after reinsurance for the region improved considerably, from a loss of EUR 33.3 million in 2009 to a profit of EUR 7.0 million in 2010, supported by the significant improvement in the claims result, which is partly offset by a decrease of the total income.

Premium income decreased from EUR 498.8 million in 2009 to EUR 427.6 million in 2010, as a result of various aspects of the changing economic environment. Income from the increase in average premium rates, to reflect the worsening credit risk of many companies, was tempered by a reduction in new business and the reduced commercial activity of our customers. However, risk acceptance, based on a rigorous buyer analysis, has increased slightly. Checking fee income also reduced, in line with premium income.
The improvement in our claims ratio, already seen in 2009, continued during 2010. The economic downturn struck Spain earlier and harder than most other countries and, in response, Crédito y Caución had already put in place risk management measures in the second half of 2008. These measures took effect during 2009 and even more so in 2010, resulting in a positive technical result for the financial year.

Our reinsurance agreement with the Spanish Government, implemented during 2009 – consisting of a participation in the quota share reinsurance programme and a 'stop loss' treaty covering the Spanish insurance business of CyC – was cancelled on 31 December 2009. This reinsurance agreement included a payback obligation based on the performance of the Spanish insurance business. Due to the improving results Crédito y Caución experiences in Spain it was necessary to increase the provision under this payback obligation to EUR 45.9 million as per the end of 2010.

For bonding business, which covers mainly bid and performance bonds for public contracts, the economic downturn and slowdown in public expenditure meant a drop in premium income in 2010. Nevertheless, the claims ratio remained favourable in 2010.
The service revenues of EUR 41.3 million represent 8.8% of the total revenues in this region. More than half of these revenues were generated by the debt collection business and the remainder from sales of credit information to third parties.

France, Belgium, Italy and Luxembourg



(EUR million)	2010	2009	%
Gross earned premium	236.8	271.9	-12.9%
Information services and fees	15.6	16.7	-6.7%
Other service income	15.2	25.6	-40.7%
Total income	**267.6**	**314.2**	**-14.8%**
Gross insurance claims and loss adjustment expenses	(83.6)	(158.3)	-47.2%
Operating expenses	(137.2)	(173.2)	-20.8%
Result before reinsurance	**46.8**	**(17.3)**	**-370.7%**
Reinsurance result	(20.7)	(6.7)	207.8%
Result after reinsurance	**26.1**	**(24.0)**	**-208.6%**
Gross claims ratio	**33.1%**	**54.9%**	**-39.6%**
Full-time equivalents	**758**	**884**	**-14.3%**

Economic developments

All the countries in this region recorded positive GDP growth in 2010 after contracting in 2009. Following two years of negative growth in 2008 (-1.3%) and 2009 (-5.1%), Italy showed the weakest pickup, of 1% in 2010, followed by France at 1.6% (-2.6% in 2009), Belgium at 1.7% (-2.7%) and Luxembourg at 3.4% (-4.1%).

The Italian and Belgian recoveries were driven largely by exports, while robust private sector demand underpinned the French recovery. But forward-looking indicators point to some slowing of activity in 2011, as austerity programmes, weak confidence and high unemployment continue to impart downward pressure on domestic demand, while the regional export recovery, which is highly dependent on Eurozone markets, is expected to be slow.

Business Review

All countries in this region offer short term credit insurance, the non-standard credit insurance products of our Special Products team and debt collection. Italy and France also manage a bonding portfolio, while Belgium and Luxembourg include the offering of Instalment Credit Protection (ICP).

The result after reinsurance in the region was a profit of EUR 26.1 million, a significant improvement compared to the loss of EUR 24.0 million in 2009, supported by the significant improvement in the claims result, which is partly offset by a decrease of the total income.

The actions that began in 2009, designed to structurally lower the cost base and ensure the sustainable profitability of our credit insurance offering in Southern Europe, have continued in 2010. We also rationalised and increased the quality of our portfolio. This, however, also had a negative impact on our revenue, with a decrease in credit insurance revenue of 12.9% in 2010. On the plus side, our revenue in France was positively affected by the Government schemes that were introduced.

The improved quality of our portfolio led to a sharp decrease of claims, by 56%, for standard credit insurance, compared to 2009. Overall, our performance has improved significantly in 2010 compared to 2009, although the low claims ratio resulted partly from the positive development of previous underwriting years. The claims ratio for underwriting year 2010 is 55.4%.

Bonding revenue in France was maintained at around the same level as in 2009. In our main market, Italy, we registered a revenue decrease as a result of reduced activity in public works in recent years, but recorded a notable increase in new business despite aggressive competition from new entrants. Bonding avoided the worst of the crisis in Italy and France, with successful recovery actions on old claims in these countries. However, large claims in 2010, related to Italy's earlier underwriting years, depleted the overall profitability of bonding, despite the stabilisation of our costs.

ICP has been wound down in France in 2010, consequently reducing revenues. In addition, the impact of the EU Consumer Credit Directive on our Belgian customers has resulted in further revenue reductions. In total, revenues decreased by 25% year-on-year in 2010. However, the withdrawal from the Belgian market in 2010 of our main competitor has given us real opportunities to further increase our customer base and generate future revenue growth. Further product development and Basel III are also expected to deliver opportunities for growth in Belgium for ICP.

Despite Belgium having been hit by a worsening economic situation and an increase in the unemployment rate to more than 8%, ICP recoveries were maintained at a high level. Those recoveries contributed significantly to the overall profitability of ICP, although the time taken to recover from consumers is considerably longer than for traditional credit insurance.

Atradius Collections relies heavily on insured business, and the low level of claims has almost halved collections revenue in 2010 compared to 2009.

Germany, Central and Eastern Europe

(EUR million)	2010	2009	%
Gross earned premium	195.4	186.8	4.7%
Information services and fees	24.5	28.0	-12.4%
Other service income	9.2	12.5	-26.3%
Total income	**229.1**	**227.3**	**0.8%**
Gross insurance claims and loss adjustment expenses	(71.7)	(185.8)	-61.4%
Operating expenses	(91.7)	(105.1)	-12.7%
Result before reinsurance	**65.7**	**(63.6)**	**-203.3%**
Reinsurance result	(22.2)	25.7	-186.4%
Result after reinsurance	**43.5**	**(37.9)**	**-214.8%**
Gross claims ratio	**32.6%**	**86.5%**	**-62.3%**
Full-time equivalents	**601**	**632**	**-4.8%**

Economic developments

The turnaround in world trade, which began in Q4 of 2009, underpinned the improvements in the export oriented economies such as Germany, which grew by 3.3%, Austria by 1.9%, Switzerland by 2.8%, Slovakia by 3.9% and the Czech Republic by 1.9% – with the German recovery the most surprising after its 4.7% contraction in 2009. Turkey recorded the highest growth rate of 7.1% on the back of a solid recovery in consumer spending.

Poland, which was the only country in this group to record positive growth in 2009, saw activity strengthen further to 3.3% in 2010, due largely to rising domestic demand. Although Hungary formally emerged from recession after an output drop of over 6% in 2009, the fallout from its credit bubble and the depreciation of the forint, which raised the domestic burden of foreign-denominated debt, lingered throughout 2010. Moreover, with domestic demand still falling, this moderate recovery was highly dependent on net exports to Germany, which absorbs around 25% of Hungarian shipments.

The notable exception was Greece, where the fallout from severe economic imbalances and the sharp fiscal consolidation dragged GDP into a second consecutive year of decline.

Business review

This region covers Germany, the second largest Atradius market, together with the Central and Eastern European countries of Austria, Switzerland, Greece, Poland, Hungary, the Czech Republic, Slovakia and Turkey. The product offering comprises standard and non-standard credit insurance provided by the local and Global commercial organisations, and the Special Products Unit. Service income is generated by Atradius Collections, offering debt collection to third parties and from the recovery of credit insured debt.

The result after reinsurance for the region improved considerably, from a loss of EUR 37.9 million in 2009 to a profit of EUR 43.5 million in 2010, supported by the significant improvements in the claims result.

In Germany, total revenues from standard credit insurance were 2.9% below 2009. However, after the sharp drop in income in 2009 and early 2010, resulting from the global economic crisis, the short term credit insurance business began to recover in the second half of 2010. If not for the significant increase in bonus surcharges for German customers, due to generally low claims levels, we would have seen a respectable growth for the full year. Revenue is expected to continue to improve in 2011 as a result of higher risk acceptance rates. With the exception of the Atradius businesses in Austria, Turkey, Poland and Hungary, all other countries in the region demonstrated a growth in their insurance revenues.

In contrast to 2008 and 2009, the claims charges in this region decreased sharply, because of a positive development in previous underwriting years, to EUR 71.7 million in 2010. The gross ratio of claims to insurance revenues in the region fell from 86.5% in 2009 to 32.6% in 2010. With the notable exception of Greece, which is expected to continue to suffer from its domestic economic crisis, claims levels in all markets improved substantially, partly because of our risk mitigating measures during the crisis, and also because of strong positive claims development from earlier underwriting years. For most countries in the region, non-payment issues and claims receipts have returned to low or moderate levels since the crisis. The claims ratio for the underwriting year 2010 of 55.4% also shows a return to normal levels.

Our cost containment measures were fully implemented in 2010, resulting in operating expenses 12.7% lower than in 2009. While our collections operation made a strong impression during the crisis – especially in 2009 – the improving economic conditions meant that they were unable to repeat this performance in 2010. The region as a whole has seen a drop in total revenues, with the exception of Greece, Czech Republic and Slovakia.

The United Kingdom and Ireland

Ireland

United Kingdom

(EUR million)	2010	2009	%
Gross earned premium	207.5	218.2	-4.9%
Information services and fees	4.9	6.2	-20.3%
Other service income	3.5	7.5	-54.1%
Total income	**215.9**	**231.9**	**-6.9%**
Gross insurance claims and loss adjustment expenses	(75.4)	(112.3)	-32.8%
Operating expenses	(93.2)	(101.2)	-7.9%
Result before reinsurance	**47.3**	**18.4**	**157.1%**
Reinsurance result	(52.1)	(50.6)	3.1%
Result after reinsurance	**(4.8)**	**(32.2)**	**-85.1%**
Gross claims ratio	**35.5%**	**50.0%**	**-29.1%**
Full-time equivalents	**447**	**524**	**-14.7%**

Economic developments

After shrinking by almost 7% over the preceding six quarters, the UK economic recovery began in Q4 of 2009 and GDP has grown again, led by strong turnarounds in the inventory cycle and construction output. But the impetus from both of these factors is expected to fade over 2011 and, in the face of the fiscal consolidation which is projected to squeeze net spending by around 2.7% next year, maintaining the current growth trajectory will depend heavily on a strengthening of household spending and corporate investment.

After contracting by over 7.5% in 2009, the Irish economy was boosted in the first half of 2010 by the weak Euro and falling prices and wages, which strengthened exports and industrial production. But these positive developments have been offset by weak domestic demand, as well as fresh capital injections into a troubled banking sector which, having intensified pressure on its huge public sector deficit, raised further concerns about Ireland's creditworthiness. Economic growth in 2010 has been a negligible 0.2% and, with a rise in unemployment to over 14%, the ongoing deterioration of the housing market and further fiscal tightening bearing down on domestic demand, another year of sub-par activity looks inevitable.

Business review

The region offers credit insurance both through the local sales organisation and the Global teams, the non-standard solutions of our Special Products unit, and debt collection services. Atradius Re, based in Ireland, offers credit and bonding reinsurance to third parties, mainly in emerging markets where Atradius itself does not have a presence.

The result after reinsurance for the region improved considerably, from a loss of EUR 32.2 million in 2009 to a loss of EUR 4.8 million in 2010, supported by the improvement in the claims result.

The United Kingdom saw a significant growth in competition in 2010, as major underwriters sought to increase their market share after a period of contraction due to the recession. This resulted in pressure on both price and risk acceptance. Overall, this has meant lower than anticipated revenues, with increased self insurance another contributing factor. While we are now able to significantly increase our risk acceptance, this will take time to translate into new business. In terms of risk management, the improved profitability before reinsurance, delivered in 2009, has continued, with the UK a strong contributor to overall Group profitability in 2010.

The second part of 2010, and especially Q4, has seen improvements in business activity, with both the number of propositions and the value of deals increasing noticeably. In addition, 2010 has seen the launch of a number of new products and distribution deals, aimed particularly at SMEs, which have generated a considerable number of new customers. A major communication initiative has also been launched in the UK to support and encourage our broker partners, who remain the primary customer distribution channel. These developments promise an improving outlook for growth in 2011.

The gross claims ratio in the region decreased to 35.5% in 2010 from 50.0% in 2009. This reduction is the result of the risk mitigation initiatives of earlier years, with limited run-off from the 2008 and 2009 underwriting years and a positive result for the 2010 underwriting year, with a claims ratio of 30.7%. Although the appreciation of the GBP in 2010 compared to 2009 resulted in an increase in revenues, this was tempered by an increase in costs, as Atradius incurs a relatively large share of its central function expenses in the UK.

Atradius Re's revenues in 2010 totalled Euro 104.2 million: a 7% increase on 2009. This was due to a combination of new business and organic growth from existing business. The strategy for assumed reinsurance is to remain constant and continue to diversify the portfolio in both region/country and business type, concentrating on Asia and South America as key development regions.
In 2010, the third party (i.e. uninsured) collections business exceeded its 2009 level, while the collection of insured business fell by almost two thirds from its 2009 level.

The Netherlands and the Nordic countries

Finland
Norway
Sweden
Denmark
The Netherlands

(EUR million)	2010	2009	%
Gross earned premium	168.2	183.0	-8.1%
Information services and fees	19.6	22.8	-14.1%
Other service income	20.5	27.0	-24.0%
Total income	**208.3**	**232.8**	**-10.5%**
Gross insurance claims and loss adjustment expenses	(28.0)	(215.1)	-87.0%
Operating expenses	(108.4)	(115.2)	-5.9%
Result before reinsurance	**71.9**	**(97.5)**	**-173.7%**
Reinsurance result	(41.6)	54.4	-176.5%
Result after reinsurance	**30.3**	**(43.1)**	**-170.4%**
Gross claims ratio	**14.9%**	**104.5%**	**-85.7%**
Full-time equivalents	**618**	**665**	**-7.1%**

Economic developments

The relative openness of the economies in this region means that the 2009 collapse in global trade and 2010 rebound account for much of the regional growth dynamics over the last two years. But the composition of their exports was also important.

For example, Swedish and Finnish shipments, which are dominated by the highly cyclical production sector, contributed strongly to the sizeable GDP swings of -8% and -5.1%, respectively, in 2009, followed by 4.2% and 2.6% in 2010. On the other hand, Danish and Dutch exports, such as pharmaceuticals and agricultural products have been more stable and helped to ameliorate the negative impacts of the troubled housing and banking sectors. Consequently both economies have seen more moderate output swings in 2009 and 2010, with falls of 4.7% and 3.9% in 2009 followed by pickups of 2% and 1.8% in 2010.

An anticipated slowdown in exports is expected to feed through to more moderate 2011 growth rates across the region.

Business review

This region consists of the Netherlands and the four Nordic countries of Sweden, Finland, Norway and Denmark. The Netherlands is the largest market in the region, comprising 62% of the region's total revenues. The product offering in the region consists of credit insurance provided by our local and Global teams, the non-standard solutions of Special Products, and bonding. Service income is generated by Atradius Collections in the Netherlands and Denmark and by Export Credit Agency fees from Atradius Dutch State Business in the Netherlands.

The result after reinsurance for the region improved considerably, from a loss of EUR 43.1 million in 2009 to a profit of EUR 30.3 million in 2010, supported by the significant improvement in the claims result.

The Netherlands' positive economic development in 2010 was not fully reflected in the standard credit insurance results, since the portfolio has a relatively large share of the construction sector, which has lagged behind other sectors of the Dutch economy.

Atradius and other credit insurers have participated in Government schemes to enable risks to be insured that can not be insured solely by private credit insurers. For instance, in Denmark the EKF Government scheme has contributed positively to our revenue during 2010, and total revenue from credit insurance in the Nordic region grew by 7% in 2010. However, due to the decrease in revenue in the Netherlands, the region recorded a decrease in revenue from standard credit insurance of 8.1% in 2010, compared to 2009.

Improvements in the quality of our buyer portfolio and adjustments to our policy conditions have had a positive effect on the claims situation, with the overall claims ratio decreasing sharply in 2010 to 14.9%. The decrease has, however, been fuelled by a positive development of previous underwriting years. The claims ratio for the current underwriting year is 37.4%.

Revenue from our bonding operation increased by 11% in the Nordic region in 2010, despite the continuing poor economic environment and an increase in prices necessary to reflect the increased level of risk. This was due largely to good customer relationships and intensive prospecting, with the best results seen in Sweden. The level of bonding claims in the Nordics was kept at a low level – an improvement on 2009 – and confirmed the resistance of this business to adverse economic conditions.

Dutch State Business, our Export Credit Agency for the Netherlands, continues to make a positive contribution to Atradius' revenue and profitability.

The difficult economic climate in both 2009 and 2010 resulted in businesses generally taking a more conservative approach and reducing risk by tightening their credit terms. This, combined with the low inflow of claims in 2010, resulted in a significant decrease in revenue for Atradius Collections: down by a third, year-on-year, in 2010.

North America

(EUR million)	2010	2009	%
Gross earned premium	52.8	59.8	-11.7%
Information services and fees	1.7	1.8	-6.1%
Other service income	1.9	3.3	-41.5%
Total income	**56.4**	**64.9**	**-13.0%**
Gross insurance claims and loss adjustment expenses	(0.8)	(34.5)	-97.7%
Operating expenses	(27.4)	(30.0)	-8.8%
Result before reinsurance	**28.2**	**0.4**	**> 1,000%**
Reinsurance result	(14.1)	1.6	-955.5%
Result after reinsurance	**14.1**	**2.0**	**602.6%**
Gross claims ratio	**1.4%**	**56.0%**	**-97.4%**
Full-time equivalents	**146**	**169**	**-13.5%**

Economic developments

After a 2008 of flat growth followed by a 2.6% contraction in 2009, the US economy finally returned to growth in 2010 with a return of 2.7%. Canadian output slightly outpaced its southern neighbour last year, rising by 2.9% after contacting by 2.5% in 2009, while Mexican output rose by 5.4% after a precipitous 6.5% decline the year before. Several large-scale Government programmes, such as the first-time homebuyer tax credit, have helped to shore up US demand over the last two years.

But many of these schemes have now expired, leading to renewed domestic weakness and the widespread downgrading of near-term prospects for both growth and inflation. Such intensified downside risks, illustrated by the sharp slowdown in industrial output since mid-2010, have led the Federal Reserve Board to introduce a second round of quantitative easing aimed at boosting domestic spending.

Nonetheless, consensus forecasts still envisage US growth slowing to around 1.5% next year. With Mexico and Canada having strong industrial, trade, and financial exposures to the US economy, any slowdown will also weaken their own 2011 growth paths.

Business review

This region consists of the USA, Mexico and Canada. The USA is the biggest market, accounting for more than 75% of the region's revenues. In the USA, Atradius offers traditional credit insurance, the non standard credit insurance products of our Special Products team, and debt collection services.

The result after reinsurance for the region improved considerably from a profit of EUR 2.0 million in 2009 to a profit of EUR 14.1 million in 2010, supported by the significant improvement in the claims result.

While total potential exposure of mainstream credit insurance was reduced by 50% in 2009, as we brought our portfolio in line with the changing economic environment, in 2010 we were able to increase exposure modestly. The decrease in exposure and consequently of our customers' insured turnover inevitably resulted in a decline in revenue: a trend that continued, particularly in the first half of 2010. As a result, this regions' revenue shrank by 11.7% year-on-year. Revenue from our Global proposition in the region reduced only marginally. Overall, USA revenue in 2010 fell by 14%, while in Canada and Mexico revenue fell by 3% and 12% respectively.

Revenue from Special Products also decreased, by 7% year-on-year, mainly as a result of internal organisational changes. Low levels of claims also had an impact on our collections activity, for which revenue fell by 41% in 2010 compared to 2009.

Thanks to our actions to mitigate risk in 2009, our claims have reduced significantly, with the claims ratio decreasing from 56.0% in 2009 to 1.4% in 2010. This result has been significantly supported by the positive development of previous underwriting years. The current underwriting year claims ratio is 38.6%.

The appreciation of the currencies in the region against the Euro resulted in upward pressure on costs. However, due to strict cost containment, the total costs in the region decreased by 8.8% in 2010 compared to 2009.

The difficult economic climate in both 2009 and 2010 resulted in businesses generally taking a more conservative approach: reducing risk by tightening their credit terms and improving their own account receivable management. This, combined with the low inflow of claims in 2010, resulted in a decrease in revenue for Atradius Collections in the region.

Oceania and Asia

(EUR million)	2010	2009	%
Gross earned premium	57.2	50.2	13.9%
Information services and fees	1.8	1.8	0.8%
Other service income	1.2	1.5	-24.0%
Total income	**60.2**	**53.5**	**12.4%**
Gross insurance claims and loss adjustment expenses	(14.8)	(48.7)	-69.7%
Operating expenses	(25.2)	(27.6)	-8.6%
Result before reinsurance	**20.2**	**(22.8)**	**-188.6%**
Reinsurance result	(6.5)	4.1	-259.8%
Result after reinsurance	**13.7**	**(18.7)**	**-173.2%**
Gross claims ratio	**25.0%**	**93.6%**	**-73.3%**
Full-time equivalents	**129**	**133**	**-3.1%**

Economic developments

Australia, which escaped economic recession in 2009, saw a rise in economic growth of 3.4% in 2010 as rising commodity export prices reinforced a domestic construction boom which again has necessitated a tighter policy position.

India and China, whose economies grew by 6.8% and 9.1% respectively in 2009, despite the 2009 global fall in output, both saw GDP accelerating further to 10.3% and 8.2% in 2010 as domestic consumption and investment added to the boost from the recovery in global trade. Indeed, both countries have had to tighten monetary policy during 2010 to head off potential overheating and forward-looking indicators point to easing, but still very robust levels of growth of around 8% in India and 8.6% in China during 2011.

The other countries in the region also benefited from rising global demand: especially Singapore, which has an export-to-GDP ratio of around 220%, and New Zealand, which benefited from the jump in agricultural prices. Although Japanese exports also recovered strongly in 2010 – especially manufacturing shipments which drove annual industrial production to around 30% in Q1 – weak private sector demand and expiring fiscal stimulus measures restricted growth to around 2.7%, while Dubai's ongoing property price correction and restructuring of major international obligations continue to detract from its recovery.

Business review

The products offered in this region are credit insurance, including credit insurance for Global customers, the non-standard services of Special Products, and debt collections. In a considerable number of Asian countries, Atradius uses cooperation agreements for strategic reasons and to benefit from those fast growing markets.

The result after reinsurance for the region improved considerably, from a loss of EUR 18.7 million in 2009 to a profit of EUR 13.7 million in 2010, supported by the improvement in the claims result.

Credit insurance revenues increased by 9% year-on-year in 2010. The increase was, however, driven largely by the appreciation of the currencies against the Euro and the increase in revenue in the new emerging markets. Our Special Products unit is still quite small in the region but our Global operation increased revenue by 63% in 2010 versus 2009.

Strict underwriting has reduced the claims ratio from 93.6% in 2009 to 25.0% in 2010. This result has been helped by the positive development of previous underwriting years. The current underwriting year claims ratio is 60.9%.

Focusing on efficiencies has reduced our cost ratio from 51.8% to 41.9% and, in spite of the appreciation of the currencies in the region against the Euro, costs in absolute terms decreased by 8.8% in 2010 year-on-year. If not for the adverse change in exchange rates, the cost saving would have almost doubled.

Atradius Collections revenues remain well down on the 2009 performance, as a result of a strong recovery in the Australian economy. In recognition of this, Atradius has put in place a cost containment programme and, as a result, our collections business remained profitable.

Risk and capital management

As a global insurance company, Atradius is exposed to many and varied risks. These are partly linked to the nature of our business and partly to the external environment. We also recognise the importance of risk management in the context of the fundamental connection between risk and capital, and this is reflected in our risk governance framework.

For more information about Atradius' risk management structure and governance, please see Note 4 in the consolidated financial statements of the Annual Report.

Risk management

This section details the risks to which Atradius is exposed, developments in 2010 in the areas of risk management and the outlook for 2011.

Relevant risk factors

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

Insurance risk

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

Financial risk

Movements in financial market factors, such as equity prices, interest rates, credit spreads and currency exchange rates, may have a positive or negative impact on the value of Atradius' assets and liabilities.

Operational risk

Operational risk includes the risk of loss resulting from inadequate or failed internal processes, human and system errors or external events. We use a definition in line with industry practice as well as the Solvency II Framework Directive.

For more information about these risks, please see Note 4 in the consolidated financial statements of the Annual Report.

Atradius Compliance Codes

Atradius' compliance practices support our business, our reputation and our integrity. These elements are of importance to our customers, suppliers, staff and other stakeholders. Complying with relevant laws, rules and regulations and maintaining a high standard in terms of ethics and integrity, leads to lower operational risk and more stable business processes. The Atradius Compliance Codes, reflecting general rules for the Atradius organisation, were introduced in 2009. The progress of embedding these Compliance Codes into day-to-day practices has been monitored by means of self assessments for all units and countries. In addition, an e-learning programme was developed in-house and made available to all employees through Atradius' web-based learning management system, to increase awareness of compliance and its importance. Compliance risk monitoring and reporting activities were further developed during 2010 and will be incorporated in our overall governance, risk and compliance approach.

Developments in 2010

Economic capital model

The economic capital model for the Group is essentially complete, with the exception of risks arising from obligations towards staff pension funds. Results are reported to the Atradius Risk Strategy Management Board on a quarterly basis.

Solvency II

During the year, Atradius carried out a Group-wide self assessment against the regulatory requirements contained in the Solvency II Framework Directive and CEIOPS (The Committee of European Insurance and Occupational Pensions Supervisors) advice on the Level 2 implementing measures (the technical details of the new regulatory regime, which comes into effect in January 2013). The Group also took part in Quantitative Impact Study 5 to assess the impact of the latest regulatory proposals on its 2009 balance sheet and contributed to the internal model pre-application process of its ultimate parent company Grupo Catalana Occidente, S.A.

The outlook for 2011

In 2011, Atradius expects to use the insights gained in 2010 to put in place the necessary processes and internal structures to become Solvency II-compliant in accordance with the regulatory timeline. A business-driven programme has been established, consisting of a number of projects, each directly relevant in this context. It aims to support all necessary activities in the Solvency II framework.

Capital management

Atradius seeks to maintain a strong capital position and to capitalise its operating entities efficiently. This helps us to support the evolution of our insurance business, withstand financial stress in adverse business and financial markets, as we have proven in recent years, meet our financial obligations in a sufficiently wide range of circumstances, and ultimately help to deliver shareholder value.

Capital management guidelines

Capital management is guided by the following principles:
- to ensure Atradius can meet its financial obligations, with a high level of confidence;
- to meet the legal and regulatory capital requirements of the operating entities of Atradius;
- to manage Atradius' capital adequacy, from the various perspectives of credit rating, economy and accounting;
- to allocate funds efficiently across the Group and minimise the overall cost of funding, while maintaining financial flexibility.

In 2010, Atradius capital has been managed according to the Group guidelines and in close cooperation with the units involved in managing the different factors related to capital. Atradius entities were able to meet their financial obligations efficiently and to comply with local legal and regulatory requirements.

Regulatory environment

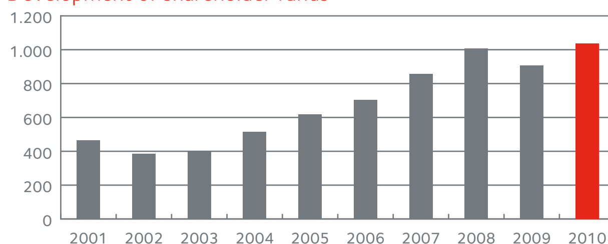
The solvency position of the regulated entities of the Group is strong, with the regulatory capital held exceeding the minimum regulatory capital requirements.

For a more detailed overview of the main regulatory capital requirements we refer to Note 4 of the consolidated financial statements of the Annual report 2010.

Capital position

Shareholder funds at year end 2010 (EUR 1,035.2 million) increased by 14.4% compared to year end 2009 (EUR 905.0 million) due mainly to positive results after tax and a recovery in the value of financial investments.

Development of shareholder funds



We consider the company capitalisation to be strong, and expect shareholder funds to continue to grow in 2011 and beyond.

Credit ratings

At the time of adopting this Annual Report, the core entities of Atradius (Atradius Credit Insurance N.V., Atradius Reinsurance Ltd., Atradius Trade Credit Insurance, Inc., and Compañía Española de Seguros y Reaseguros de Crédito y Caución, S.A.) are rated 'A- negative outlook' by Standard and Poor's (S&P).

As from 2009, the main Atradius entities are considered to be core operating entities of Grupo Catalana Occidente S.A. (GCO). Based on the group-rating approach of S&P, the credit rating of the main Atradius entities is aligned with the rating assessment of the GCO Group and it is reasonable to expect S&P to follow similar approach in future.

In December 2010, the local S&P rating for the Mexican entity Atradius Seguros de Crédito, S.A. has been confirmed at 'mxAA, stable outlook' and in the USA the rating of Atradius Trade Credit Insurance, Inc. has been confirmed at 'A-, negative outlook' by A.M. Best.

Human resources

To support our recent and ongoing restructuring and organisational changes, we in Atradius Human Resources are intent on playing a pivotal role in delivering excellence in all our products and services. With more emphasis given to our country organisation, our staff can actively make a difference and build strong relationships with customers. Atradius will ensure that our people receive the training and motivation that they need to enable them to provide the best possible service to our customers.

Staff development

Our people's knowledge and skills remain our key differentiating factor, and our training facility – Atradius Academy – supports the continuous improvement of our competencies. A major milestone for Atradius Academy in 2010 was the transition to a new version of the Learning Management System (LMS): E-Learn Plus. This new version of LMS contains a far broader range of e-learning courses for all our staff. Moreover, the technical content has been extended, with several new e-learning courses, and further extensions are planned. This enhancement has led to an increase in the number of e-learning hours and a decreased number of hours required for classroom training. This development, and the creation of more e-learning modules, is expected to continue in the coming years.

The Atradius Academy has also re-vitalized the 'train-the-trainer' concept for local class room training, whereby staff members in our various locations are coached to become competent to train their colleagues on various topics in their local language. We plan to use this methodology more often in future, as it is more accessible and reduces the need for travel away from the students locality.

In 2010, all three Management Development programmes – On the Move, Stepping Forward I and Stepping Forward II – were run, with a total of 69 participants from all levels of the Atradius organisation. As personal development and networking are highly valued within the Atradius organisation – and especially by senior management – we plan to continue these programmes in 2011.

Compensation and Benefits

In 2010, a new structure for variable pay was introduced, to achieve further Group alignment and to continue our focus on profitable growth and customer service. Its introduction was preceded by a review to ensure that the new structure is robust, takes related risk into account, and has the desired motivational effect, in the context of our regulatory environment. This new variable pay structure has already been introduced in some countries and will be extended to others in 2011, in co-operation with and after the approval of works councils, where necessary.

Our future initiatives

Through Atradius Academy, we are continuing to developing a number of change management and training initiatives to develop and maintain best practices within the Atradius organisation, and these initiatives will be introduced to all our country bases throughout the course of 2011.

Key statistics, as per 31 December	2010*	2009*	2008	2007	2006	2005
Headcount	3,318	3,627	4,106	3,604	3,545	3,452
Full-time equivalents (FTE)	3,165	3,470	3,854	3,366	3,304	3,256
Retention rate	85.8%	88.6%	88.8%	82.9%	84.3%	78.4%
Sickleave	3.6%	3.4%	3.0%	3.4%	3.6%	4.0%
Development and training						
Expenses as percentage of salaries	1.3%	1.4%	2.5%	2.6%	2.4%	2.0%
Number of participants	1,236	1,943	4,455	n/a	n/a	n/a

* Including Crédito y Caución since January 2008

Atradius and corporate responsibility

It was back in 2008 that Atradius first signed up to the United Nations Global Compact: an initiative that commits its signatories to align their operations to ten universally accepted principles covering human rights, labour standards, the environment and anti-corruption.

It was not a difficult decision for Atradius to make: we have always ensured that we run our business on ethical principles. But in recent years, as Corporate Social Responsibility (CSR) has increasingly entered the consciousness, vocabulary and strategy of commerce and industry worldwide, there is also an expectation for businesses to 'stand up and be counted': to demonstrate their CSR credentials.

The essence of our commitment to Corporate Responsibility (CR) – we feel that it is not just a case of 'Social' responsibility but encompasses all our touchpoints, both social and business focused – is encapsulated in our CR vision and mission statements:

Our Vision: *We are a responsible global company offering credit management solutions worldwide. As such, in our pursuit of profit, we aim to manage the ethical, environmental and social risks of the way we do business. Our vision is to ensure that our decisions and actions benefit our employees, our customers, our shareholders and the communities in which we work – and that those decisions should be tempered by an understanding of their impact on the environment.*

Our Mission: *As a business, our purpose is to make a worthwhile contribution to successful national and international trade and to our customers' prosperity. In doing so, we place a high regard for the environment and for human rights at the heart of our corporate strategy and act with absolute integrity towards our employees, our customers, our shareholders and indeed to all those with whom we interact.*

We aim to instil this spirit throughout our organisation, so that we will always treat our colleagues, business and social contacts honestly and decently, and each understand our responsibility to behave in a way that protects the environment in which we work and live.

Our vision and mission are founded on our ethical principles, but we also firmly believe that corporate responsibility is meaningful to our customers and beneficial to the financial health of our business, resulting in cost savings, improved customer service, the motivation of our employees and enhanced brand value. This is very evident in the many and varied initiatives that our people across the globe are taking. These include a wide range of energy saving projects in our offices to reduce our use of electricity and water; the reprogramming of printers to halve our use of paper; incentives to lower our carbon footprint when travelling; recycling to avoid the unnecessary wastage of scarce resources; the ethical disposal of materials; and the procurement of energy from sustainable sources.

You can find details of Atradius' participation in the UN Global Compact at **www.unglobalcompact.org/participant/980-Atradius-NV**, and more details of our commitment to Corporate Responsibility at **www.atradiusdutchstatebusiness.nl/dsben/cr**

Striving for success by working closely together

Report of the Supervisory Board

Ignacio Álvarez (Chairman)

The uncertainty of the recovery in many of the world's economies has caused enormous volatility in financial and credit markets during the past financial year.

Keeping a balance between the differing interests of our stakeholders has been an exceptional challenge, but we are satisfied with the results. The risk mitigating actions taken in earlier years have enabled Atradius to improve its solvency, while its initiatives to reduce costs mean that it can now face the future with more competitive products and services. Atradius' customer service approach, reinforced by structural changes, allows it to continue to accurately assess risks while at the same time improving its proximity to its customers.

Moreover, we are particularly pleased that the last year has seen Atradius move back into profit, with a net profit for 2010 amounting to EUR 124.9 million.

In terms of corporate governance, the first half of 2010 saw the completion of the transaction between the shareholders of Atradius N.V., with Grupo Catalana Occidente taking a majority interest. As a result, Charlotte Gubler, Chris McKechnie and Axel Wieandt stepped down as members of the Supervisory Board. The Supervisory Board would like to thank Charlotte Gubler, Chris McKechnie and Axel Wieandt for their valuable contribution.

The full Supervisory Board convened four times during 2010, the Audit Committee six times and the Risk and Finance Committee three times, while the Strategy and Performance Committee met five times and the Remuneration, Selection and Appointment Committee twice.

In September 2010 it was decided to simplify the Committee structure of the Supervisory Board. The Audit Committee and the Remuneration and Appointment Committee of the Supervisory Board have remained in place. Personally, I have had the honour of succeeding Paul-Henri Denieuil as Chairman of the Supervisory Board. In recognition of Paul-Henri Denieuil's valuable contribution over many years, he was granted the title of Honorary Chairman of the Supervisory Board. Paul-Henri Denieuil too remains a member of the Supervisory Board.

In August 2010, there were also changes in the composition and division of tasks of the Management Board, following the departure of two Management Board members: CMO Peter Schmidt, who decided to take up new challenges outside Atradius, and CMO Tommie Sjödahl, who retired. The Supervisory Board would like to thank both Peter Schmidt and Tommie Sjödahl for their invaluable contributions. The Management Board then decided on the re-allocation of its tasks, which the Supervisory Board approved. The Supervisory Board wishes to thank CEO Isidoro Unda, CFO and CRO Delfin Rueda and CMOs Peter Ingenlath and David Capdevila, for directing their efforts, expertise and experience to meet the objectives of Atradius during 2010.

Atradius N.V.'s annual report contains the financial statements for the financial year 2010, as audited by Deloitte Accountants B.V., and has been presented to the Supervisory Board by the Management Board. The Supervisory Board has approved the annual report and advises the General Meeting of Shareholders to adopt the financial statements of 2010 and to grant the Management Board members discharge from their management duties during 2010 and to grant the Supervisory Board members discharge from their supervision duties during 2010.

The Supervisory Board would like to thank the Management Board and all Atradius employees for the positive results achieved in 2010. Finally, the Supervisory Board is confident that the Atradius management team and the employees will contribute to another successful year in 2011.

The Supervisory Board,

Ignacio Álvarez

Corporate governance

Atradius endorses the importance of sound corporate governance. Key elements of independence, accountability and transparency create a relationship of trust between Atradius and all of its stakeholders – employees, customers, suppliers, shareholders and the general public. Atradius N.V. is a limited liability company organised under the laws of the Netherlands with a Management Board and a Supervisory Board.

The Management Board is responsible for achieving the Company's objectives, strategy, policy and results and is guided by the interests of the Company and its stakeholders. The Supervisory Board supervises the Company's general affairs and the policy pursued by the Management Board as well as the performance of the management duties by the Management Board members, taking into account the interests of the Company and the business connected with it.

The Management Board

Composition

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

Isidoro Unda
(1952, Spanish nationality)
Isidoro Unda was appointed Chairman of the Management Board and Chief Executive Officer (CEO) of Atradius N.V. with effect from 4 July 2007.

As CEO, Isidoro Unda is responsible for the units Strategy and Corporate Development, Human Resources and Facilities, Legal and Compliance, Internal Audit and IT Services. He has worked in the financial and insurance sector for more than 20 years. Before joining the Management Board of Atradius, he served as CEO of the leading Spanish credit insurer Crédito y Caución from 2001 and as member on the Supervisory Boards of Atradius N.V. (from 2003), Inverseguros S.A. and Mutua Madrileña Automovilista. He has a degree in law and economics from Deusto University in Bilbao, Spain.

Peter Ingenlath
(1958, German nationality)
Dr. Peter Ingenlath is Vice-Chairman of the Management Board. He held the position of Chief Market Officer (CMO) from 22 December 2003 until 10 June 2008; Chief Risk Officer (CRO) from 10 June 2008 until 2 August 2010; and Chief Market Officer from 2 August 2010.

As CMO, Peter Ingenlath is responsible for credit insurance throughout Europe (excluding Spain, Italy and Portugal) and the NAFTA region, as well as the units Global, New Markets and Oceania, Special Products, Outward Reinsurance and Dutch State Business and the unit Corporate Communications and Marketing, Group Claims and Recoveries and Business Development. He has worked for Atradius and its predecessor companies since 1990. Before joining Atradius, he was a practising lawyer. He has a degree and a PhD in Law from Bonn University in Germany.

David Capdevila
(1966, Spanish nationality)
David Capdevila was appointed Chief Market Officer (CMO) with effect from 9 July 2008.

As CMO, David Capdevila is responsible for Crédito y Caución, through which Atradius operates in Spain, Portugal and Brazil. He is also responsible for Instalment Credit Protection, Bonding and Atradius' operations in Italy and the units Collections and Atradius Reinsurance. He had joined Grupo Catalana Occidente, S.A. in 1992, and from 2003 to 2006 he was a member of the Executive Committee of Grupo Catalana Occidente, S.A. From February 2007 to October 2010 he was the General Manager of Crédito y Caución, of which he is now the Managing Director. He has an actuarial economist degree from the University of Barcelona and an MBA from IESE Business School in Barcelona.

Delfín Rueda
(1964, Spanish nationality)
Delfín Rueda held the position of Chief Financial Officer (CFO) from 24 January 2005 until he was designated Chief Financial and Risk Officer (CFO and CRO) with effect from 2 August 2010.

As CFO and CRO, Delfín Rueda is responsible for the units Finance, Financial Control, Corporate Finance, Group Risk Management, Group Buyer Underwriting and Risk Services. He started his career in Madrid in 1987 as Junior Consultant in the Information Technology Unit of Andersen Consulting, where he later became Senior Consultant in the Strategic Management Services Group. From 1993 he worked for UBS in London as Executive Director in Corporate Finance until he joined JP Morgan in 2000 as Senior Vice President in the Financial Institutions Group. He has a degree in Economic Analysis and Quantitative Economics from the Complutense University of Madrid and an MBA with a major in Finance from the Wharton School, University of Pennsylvania, where he also held the position of Teaching Assistant of Macroeconomics.

Role and procedures

The Management Board as a whole is responsible for the management and the general affairs of Atradius and is supervised by the Supervisory Board. The General Meeting of Shareholders has the authority to appoint, suspend or dismiss a Management Board member on the recommendation of the Remuneration, Selection and Appointment Committee of the Supervisory Board. The Articles of Association stipulate that the Management Board must consist of at least one member and that, in the event of a vacancy, the management of Atradius N.V. will be conducted by the remaining members or sole remaining member. The Management Board rules describe the duties and the procedures of the Management Board.

In accordance with the Articles of Association, the Management Board formulates Atradius' operational and financial objectives and the strategy designed to achieve these objectives. The budget plan of Atradius is submitted to the Supervisory Board for approval.

Remuneration

The Supervisory Board determines the remuneration and further employment conditions of each member of the Management Board, based on the recommendation of the Remuneration, Selection and Appointment Committee of the Supervisory Board and in accordance with the remuneration policy adopted by the General Meeting of Shareholders. Options have been granted to the members of the Management Board and senior management and are conditional to meeting determined performance criteria. Information regarding the amount of remuneration received by Management Board members can be found in the explanatory notes to the Consolidated financial statements of the Annual report 2010.

Conflict of interest

A member of the Management Board with a conflict of interest with the Company will immediately report this to the Chairman of the Management Board who in turn will immediately report to the Chairman of the Supervisory Board. In the event of a conflict of interest between a member of the Management Board and the Company, the Company shall be represented by such member of the Management Board or the Supervisory Board as the Supervisory Board shall designate for this purpose or by such person(s) as the General Meeting of Shareholders shall have designated.

The Supervisory Board

Composition

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

Ignacio Álvarez (Chairman)
(1960, Spanish nationality)
Mr. Álvarez was initially appointed to the Supervisory Board on 4 October 2007.

Ignacio Álvarez has more than 20 years' experience in the insurance and financial sector. Currently, he is General Manager of Seguros Catalana Occidente and a member of the Management Board of Grupo Catalana Occidente. He is also Chairman of Grupo Compañía Española de Crédito y Caución S.L. and Chief Executive Officer of Seguros Bilbao (a subsidiary of Grupo Catalana Occidente) and its affiliates involved in credit and finance. Before joining Seguros Bilbao in 1991 he worked at Banesto and at Arthur Andersen. From 2006 to 2010 he was Chairman of ICEA (the Spanish Institute for Cooperation and Investigation between Insurance and Pension Fund Management Companies). He graduated in business administration with a major in finance and co-major in law from Deusto University in Bilbao, Spain.

Francisco Arregui (Vice-Chairman)
(1957, Spanish nationality)
Mr. Arregui was initially appointed to the Supervisory Board with effect from 1 October 2009.

Francisco Arregui has more than 25 years' experience in the insurance and financial sector. Currently, he is the General Manager of Grupo Catalana Occidente and member and secretary of the Board of Grupo Catalana Occidente and Seguros Catalana Occidente. Other current positions include: member of the board of Nortehispana de Seguros, Seguros Bilbao and Grupo Compañía Española de Crédito y Caución, S.L. Before joining Seguros Catalana Occidente he worked as lawyer in Barcelona. He has been the Chairman of UCEAC (Union of Catalan insurance and reinsurance societies) since 2007. He graduated in Law from the University of Barcelona, Spain (1979).

Paul-Henri Denieuil (Honorary Chairman)
(1941, French nationality)
Mr. Denieuil was initially appointed to the Supervisory Board on 1 May 2004.

Paul-Henri Denieuil has more than 30 years experience in Investment Banking and Financial Institutions. Until 2003 he was managing partner at Deloitte & Touche Corporate Finance. Before joining Deloitte & Touche Corporate Finance he was the Chief Executive Officer of the Euler Group. Currently, Paul-Henri Denieuil is the Mayor of Saint-Jean d'Angély and member of the Board of Sélène Patrimoine. On 14 July 2004 he was awarded Officier de la Légion d'Honneur. He graduated in law from Paris University (1962) and earned a degree in business administration from Ecole des Hautes Etudes Commerciales (1965).

Jan H. Holsboer
(1946, Dutch nationality)
Mr. Holsboer was initially appointed to the Supervisory Board on 22 December 2003.

Jan Holsboer has more than 35 years international experience in (re)insurance, banking and asset management. He is member of the Supervisory Boards of Delta Lloyd N.V., PartnerRe Ltd., TD Waterhouse Bank N.V., Yura International B.V. and YAM Invest N.V. Other current positions include: member of the boards of Stichting Imtech and Stichting Corporate Express and (not for profit) chairman of Stichting Vie d'Or and Pro Senectute. In addition, he is honorary president and member of the Geneva Association. Former positions include: member of the Executive Board of ING Group N.V. and Univar N.V. He graduated in economics at the Amsterdam University (1971).

Jesús Huerta de Soto
(1956, Spanish nationality)
Dr. Huerta de Soto was initially appointed to the Supervisory Board on 9 July 2008.

Jesús Huerta de Soto has extensive experience in financial services. He is Chairman of the Board of España S.A., Compañia Nacional de Seguros, a life insurance company, as well as Vice-Chairman of the Board of Grupo Compañía Española de Crédito y Caución, S.L. He is also a member of the Swiss and Spanish Societies of Actuaries, and professor of Political Economy at King Juan Carlos University, Madrid. He earned a Ph.D. in Economic Science (1992) and a Ph.D. in Law (1984) from Complutense University of Madrid and an MBA from Stanford University, California (1983).

Bernd H. Meyer
(1946, German nationality)
Mr. Meyer was initially appointed to the Supervisory Board on 22 December 2003.

Bernd Meyer worked for 25 years in Gerling-Konzern in Germany where his main assignment for 22 years was credit insurance business. He is currently member of the Supervisory Board of Carl Spaeter GmbH. Former positions include: Chairman of the Management Board of Gerling NCM Credit and Finance AG. He graduated in law from Hamburg University (1973) and passed his second state examination in law also in Hamburg (1976).

José Ruiz
(1946, Spanish nationality)
Mr. Ruiz was initially appointed to the Supervisory Board with effect from 1 May 2009.

José Ruiz has more than 30 years experience in the reinsurance sector. Since June 2009 he has been Chairman and CEO of Nacional de Reaseguros, S.A. Other current positions include: Chairman of Calculo S.A., Chairman of Audatex España, S.A. and member of the Board of Gesnorte S.A., Corporación Europea de Inversiones S.A. and UNESPA. He graduated in law with a degree in Tax Law from the Complutense University of Madrid.

Dick Sluimers
(1953, Dutch nationality)
Mr. Sluimers was initially appointed to the Supervisory Board on 22 December 2003.

Dick Sluimers has been Chairman of the Board of Directors of APG N.V. (formerly ABP Pension Fund) since 2007. He joined the Board of Directors in 2003 as Chief Financial Officer. Before that he held various positions at the Ministry of Finance, ultimately as Director-General of the Budget. Other positions include: member of the Board of Trustees of the University of Maastricht and member of the Board of Governors of the State Academy of Finances and Economics. He studied economics at Erasmus University in Rotterdam and read politics for a number of years at Amsterdam University.

Role and procedures

The Supervisory Board supervises the Company's general affairs and the policy pursued by the Management Board. The General Meeting of Shareholders has the authority to appoint the members of the Supervisory Board on the recommendation of the Remuneration, Selection and Appointment Committee of the Supervisory Board. A Supervisory Board member may be suspended or dismissed by the General Meeting of Shareholders at any time. The Supervisory Board rules describe the duties, the procedures and the committees of the Supervisory Board. A Supervisory Board member will retire early in the event of inadequate performance or in other instances in which resignation is deemed necessary by the other members of the Supervisory Board.

The expertise of the Supervisory Board

The composition of the Supervisory Board is such that the combined experience, expertise and independence of its members ensure that the Supervisory Board is able to carry out its duties as competently as possible. The current members of the Supervisory Board have extensive experience in insurance and reinsurance, investment banking, strategic consulting and regulatory matters.

Role of the Chairman and the Company Secretary

Among other things, the Chairman of the Supervisory Board draws up the agenda of the Supervisory Board meetings, chairs the Supervisory Board meetings and the General Meetings of Shareholders, monitors the functioning of the Supervisory Board and its committees, ensures that there is sufficient time for decision making, and acts on behalf of the Supervisory Board in serving as the principal contact person for the Management Board. The Chairman of the Supervisory Board is assisted in his role by the Company Secretary.

Committees of the Supervisory Board

The committees of the Supervisory Board are set up to reflect both the Dutch corporate standards and the specific interests of the business of Atradius.

Following completion of the acquisition by Grupo Catalana Occidente, S.A. and INOC, S.A. of the shares in Atradius N.V. previously owned by Swiss Reinsurance Company, DB Equity S.à.r.l. and Sal. Oppenheim jr. & Cie. KGaA, it was decided to reduce the number of committees of the Supervisory Board. As a result the Risk and Finance Committee and the Strategy and Performance Committee have been discontinued. In 2010, the Risk and Finance Committee met three times and the Strategy and Performance Committee met five times.

Audit Committee

The Audit Committee supports the Supervisory Board in fulfilling its supervisory and monitoring duties with respect to the assurance of the integrity of the Company's financial statements, the external auditor's qualifications, and the performance of internal and external auditors. The Audit Committee monitors, independently and objectively, the financial reporting process within Atradius and the system of internal controls. The Audit Committee also facilitates the ongoing communication between the external auditor, the Management Board, the internal audit department and the Supervisory Board on issues concerning the Company's financial position and financial affairs. In 2010, the Audit Committee met six times. Since September 2010, the Audit Committee consists of Francisco Arregui (Chairman), Ignacio Álvarez and Paul-Henri Denieuil.

Remuneration, Selection and Appointment Committee

The Remuneration, Selection and Appointment Committee supports the Supervisory Board to fulfil its supervisory and monitoring duties with respect to proposals for the appointment of members of the Management Board and the Supervisory Board, the remuneration policy, the remuneration of senior management and other corporate governance matters. In 2010, the Remuneration, Selection and Appointment Committee met two times. Since September 2010, the Remuneration, Selection and Appointment Committee consists of Francisco Arregui (Chairman), Ignacio Álvarez and Paul-Henri Denieuil.

Remuneration

The General Meeting of Shareholders determines the remuneration of the members of the Supervisory Board based on the recommendation of the Remuneration, Selection and Appointment Committee and in accordance with the remuneration policy adopted by the General Meeting of Shareholders. Members of the Supervisory Board are reimbursed for their expenses. Information regarding the amount of remuneration received by Supervisory Board members can be found in the explanatory notes to the Consolidated financial statements of the Annual report 2010.

Conflict of interest

A member of the Supervisory Board with a conflict of interest with the Company will immediately report this to the Chairman of the Supervisory Board. A member of the Supervisory Board who has a conflict of interest with the Company will not participate in discussions and/or decision making processes on any issues or transactions affected by the conflict of interest.

General Meeting of Shareholders

Shareholders are able to exercise their rights at the General Meeting of Shareholders. The General Meeting of Shareholders is also authorised to approve important decisions regarding the identity or character of Atradius, as well as major acquisitions and divestments.

The internal and external auditor

External auditor

The General Meeting of Shareholders appoints the external auditor on the recommendation of the Audit Committee of the Supervisory Board. The Audit Committee evaluates the performance of the external auditor and also pre-approves the fees for audit and permitted non-audit services to be performed by the external auditor. The Audit Committee ensures that the external auditor is not appointed to render non-audit services that are listed explicitly as prohibited services in the Atradius Compliance Code on Auditor Independence. The General Meeting of Shareholders appointed Deloitte Accountants B.V. as the Company's external auditor for the financial year 2010 on 29 June 2010.

Internal auditor

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

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Consolidated financial statements

Consolidated statement of financial position

Assets	Note	31.12.2010	31.12.2009
Intangible assets	6	**163,947**	**169,415**
Property, plant and equipment	7	**124,812**	**131,000**
Investment property	8	**22,668**	**23,231**
Investments in associated companies and joint ventures	9	**29,821**	**22,611**
Financial investments	10	**1,267,375**	**1,286,080**
Reinsurance contracts	11	**606,634**	**689,791**
Deferred income tax assets	22	**127,734**	**117,647**
Current income tax assets	22	**39,663**	**25,180**
Receivables	12	**216,019**	**259,988**
Accounts receivable on insurance and reinsurance business		173,815	207,329
Other accounts receivable		42,204	52,659
Other assets		**335,010**	**323,761**
Deferred acquisition costs	13	59,847	54,623
Miscellaneous assets and accruals	14	275,163	269,138
Cash and cash equivalents	15	**341,303**	**150,669**
Total		**3,274,986**	**3,199,373**
Equity			
Capital and reserves attributable to the equity holders of the Company	16	1,035,229	905,041
Non-controlling interest	16	(16)	0
Total		**1,035,213**	**905,041**
Liabilities			
Subordinated loans	18	**117,367**	**116,649**
Employee benefit liabilities	19	**89,917**	**82,947**
Insurance contracts	20	**1,311,846**	**1,508,084**
Provisions	21	**24,293**	**53,203**
Deferred income tax liabilities	22	**119,552**	**104,502**
Current income tax liabilities	22	**20,717**	**13,357**
Payables	23	**222,233**	**163,938**
Accounts payable on insurance and reinsurance business		188,695	134,604
Trade and other accounts payable		33,538	29,334
Other liabilities	24	**333,441**	**251,066**
Borrowings	15	**407**	**586**
Total		**2,239,773**	**2,294,332**
Total equity and liabilities		**3,274,986**	**3,199,373**

Consolidated income statement

	Note	2010	2009
Insurance premium revenue	25	1,345,615	1,468,582
Insurance premium ceded to reinsurers	25	(619,544)	(658,340)
Net premium earned		**726,071**	**810,242**
Service and other income	26	155,105	197,790
Share of income of associated companies	27	10,203	8,335
Net income from investments	27	12,485	59,978
Total income after reinsurance		**903,864**	**1,076,345**
Insurance claims and loss adjustment expenses	28	(554,965)	(1,351,003)
Insurance claims and loss adjustment expenses recovered from reinsurers	28	189,249	640,648
Net insurance claims		**(365,716)**	**(710,355)**
Net operating expenses	29	(382,746)	(493,679)
Total expenses after reinsurance		**(748,462)**	**(1,204,034)**
Operating result before finance costs		**155,402**	**(127,689)**
Finance income and expenses	30	(2,659)	(13,036)
Result for the year before tax		**152,743**	**(140,725)**
Income tax (expense)/income	31	(27,795)	27,459
Result for the year		**124,948**	**(113,266)**
Attributable to:			
Equity holders of the Company		124,966	(113,257)
Non-controlling interest		(18)	(9)
		124,948	**(113,266)**
Earnings per share for (loss)/profit attributable to the equity holders of the Company during the year (expressed in EUR per share):			
- Basic	32	1.58	(1.43)
- Diluted	32	1.58	(1.43)

Consolidated statement of comprehensive income

	Note	2010	2009
Result for the year		**124,948**	**(113,266)**
Other comprehensive income:			
Net fair value gains/(losses) on available-for-sale financial investments	16.3	10,421	22,804
Effect of the asset ceiling on defined benefit pension plans	16.5	(7,816)	182
Actuarial gains/(losses) on defined benefit pension plans	16.5	(1,984)	(11,375)
Exchange differences on translating foreign operations and associated companies	16.4	7,576	638
Other comprehensive income for the year, net of tax		**8,197**	**12,249**
Total comprehensive income for the year		**133,145**	**(101,017)**
Attributable to:			
Equity holders of the Company		133,161	(101,008)
Non-controlling interest		(16)	(9)
Total comprehensive income for the year		**133,145**	**(101,017)**

Consolidated statement of changes in equity

	Attributable to the equity holders of the Company									
	Subscribed capital	Share premium reserve	Revaluation reserve	Currency translation reserve	Pension reserve	Share option reserve	Revenue reserve	Total	Non-controlling interest	Total equity
Balance at 1 January 2009	**79,122**	**870,265**	**(35,430)**	**(30,299)**	**(66,217)**	**2,391**	**185,635**	**1,005,467**	**9**	**1,005,476**
Issue of share capital	–	–	–	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–	–	–	–
Dividends	–	–	–	–	–	–	–	–	–	–
Value of employee services	–	–	–	–	–	582	–	**582**	–	**582**
Total comprehensive income for the year	**–**	**–**	**22,804**	**638**	**(11,193)**	**–**	**(113,257)**	**(101,008)**	**(9)**	**(101,017)**
Result for the year	–	–	–	–	–	–	(113,257)	**(113,257)**	(9)	**(113,266)**
Other comprehensive income	–	–	22,804	638	(11,193)	–	–	**12,249**	–	**12,249**
Balance at 31 December 2009	**79,122**	**870,265**	**(12,626)**	**(29,661)**	**(77,410)**	**2,973**	**72,378**	**905,041**	**0**	**905,041**
Balance at 1 January 2010	**79,122**	**870,265**	**(12,626)**	**(29,661)**	**(77,410)**	**2,973**	**72,378**	**905,041**	**0**	**905,041**
Issue of share capital	–	–	–	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–	–	–	–
Dividends	–	–	–	–	–	–	–	–	–	–
Value of employee services	–	–	–	–	–	(2,973)	–	**(2,973)**	–	**(2,973)**
Total comprehensive income for the year	**–**	**–**	**10,421**	**7,574**	**(9,800)**	**–**	**124,966**	**133,161**	**(16)**	**133,145**
Result for the year	–	–	–	–	–	–	124,966	**124,966**	(18)	**124,948**
Other comprehensive income	–	–	10,421	7,574	(9,800)	–	–	**8,195**	2	**8,197**
Balance at 31 December 2010	**79,122**	**870,265**	**(2,205)**	**(22,087)**	**(87,210)**	**0**	**197,344**	**1,035,229**	**(16)**	**1,035,213**

Consolidated statement of cash flows

	2010	2009
I. Cash flows from operating activities		
Result for the year before tax	152,743	(140,725)
Adjustments for:		
Realised capital (gains) and losses on investments	11,597	(26,389)
Unrealised capital (gains) and losses on investments	168	(3,751)
Other dividends received	(13,079)	(7,356)
Impairment loss	2,073	1,381
Share of income of associated companies	(10,766)	(8,325)
Depreciation and amortisation	23,483	25,576
Interest expense	7,050	7,050
Interest income	(22,699)	(31,089)
Other non-cash items	(24,751)	(6,097)
Changes in operational assets and liabilities:		
Insurance contracts	(196,238)	(658,787)
Reinsurance contracts	83,157	279,972
Derivative assets held for risk management	298	89
Deferred acquisition costs	(5,224)	2,286
Accounts receivable and payable on insurance and reinsurance business	87,605	45,886
Changes in other assets and liabilities	59,299	(36,528)
Income tax paid	(29,616)	(40,684)
Interest paid	(3,984)	(5,598)
Net cash (used in)/generated by operating activities	**121,116**	**(603,089)**
II. Cash flows from investing activities		
Investments and acquisitions (cash outflows):		
Loans and receivables	(37,408)	–
Financial investments available-for-sale	(724,091)	(1,238,666)
Property, plant and equipment and intangible assets	(7,352)	(16,284)
Divestments, redemptions and disposals (cash inflows):		
Associated companies	–	197
Investment property	600	2,064
Loans and receivables	–	32,632
Financial investments available-for-sale	775,715	1,810,423
Financial investments fair value through profit or loss	15,567	19,018
Property, plant and equipment and intangible assets	219	1,042
Dividends received from associated companies	4,985	11,898
Other dividends received	13,079	7,356
Interest received	28,551	40,290
Net cash (used in)/generated by investing activities	**69,865**	**669,970**
III. Cash flows from financing activities		
Interest paid	(7,050)	(7,050)
Net cash (used in)/generated by financing activities	**(7,050)**	**(7,050)**
Changes in cash and cash equivalents (I + II + III)	**183,931**	**59,831**
Cash and cash equivalents at the beginning of the year	150,083	86,722
Effect of exchange rate changes on cash and cash equivalents	6,882	3,530
Cash and cash equivalents at the end of the year	**340,896**	**150,083**

The cash and cash equivalents are presented net of bank overdrafts (see Note 15).

Notes to the consolidated financial statements

1 General information

Atradius N.V. ('the Company'), with its statutory seat in Amsterdam, the Netherlands, and its subsidiaries (together referred to as 'the Group') provide credit management services to their clients. These services include credit insurance, bonding and guarantees, assumed reinsurance, information services, collection services and instalment credit protection. The Group has a direct presence in 42 countries and employed 3,318 people as at 31 December 2010 (2009: 3,627). The parent is Grupo Compañía Española de Crédito y Caución, S.L., which owns 64.23% of the Company's shares. The ultimate parent of the Group is Grupo Catalana Occidente, S.A., which holds 73.84% of the shares in Grupo Compañía Española de Crédito y Caución, S.L. and 26.66% 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.

These Group consolidated financial statements have been authorised for issue by the Management Board on 2 March 2011 and have been reviewed by the Supervisory Board. On 2 March 2011 the consolidated financial statements have been adopted at the Annual General Meeting of Shareholders of Atradius N.V.

2 Summary of significant accounting policies

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

2.1 Basis of presentation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. They have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial investments, and financial investments and financial liabilities (including derivative instruments) at fair value through profit or loss.

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

The income statement of Atradius N.V. for 2010 is incorporated in the consolidated financial statements, which allows for a presentation of a condensed company income statement in the company financial statements in compliance with Book 2, Article 402 of the Netherlands Civil Code.

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

2.2 Change in accounting estimates

In 2010 the Group has changed its estimating process for the recoveries related to the instalment credit protection business. This business covers the risk of non-payment of loans and financing arrangements and upon payment of a claim the Group is subrogated into the rights of the customer and assumes the recovery actions. The recovery process is a key component for this business; estimated undiscounted recoveries can exceed estimated claims paid since recovery cash flows include the principal, costs, interest (incurred post claim) and penalties.

The previous estimating process did not fully take into consideration the actual ultimate recovery expectation. The new process takes into account the anticipated ultimate recovery cash flow and removes from this interest and charges that are considered to be future profits. The provision for ultimate recoveries is estimated using a statistical methodology. Included in this new process are also the external and internal claims handling costs.

This change has had the effect of an increase in the net provisions for recoveries of EUR 13.9 million (before taxes) with a related impact to the income statement (change in recoveries provisions as part of the net insurance claims) before allocation.

In conjunction with the above change in the estimating process, the Group has started discounting the recoveries provisions for the instalment credit protection business since the recoveries are anticipated to be received over a long term.

The total effect of the above changes resulted in an additional profit of EUR 6.5 million before taxes, reported as part of the net insurance claims (total effect of EUR 4.4 million after taxes).

2.3 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 adopted by the Group require retrospective application.

2.3.1 Standards, amendments and interpretations effective in 2010

The Group has not adopted any standards, amendments or interpretations in 2010 which had a material impact on the consolidated financial statements of the Group.

The following new and revised standards, amendments and interpretations have been adopted in 2010, but have had no material effect on the consolidated financial statements:

- amendments to IFRS 1, 'Additional Exemptions for First-time Adopters' (effective 1 January 2010). The amendment introduces additional exemptions for first time adopters in the oil and gas exploration industry and for the accounting for leases. The amendments have had no impact on the Group's consolidated financial statements as the Group already prepares financial statements under IFRS;
- amendments to IFRS 2, 'Group Cash-settled Share-based Payment Transactions' (effective 1 January 2010). This amendment clarifies the scope and the accounting for group cash-settled share-based payment transactions, but did not impact the Group's consolidated financial statements as there is no issue with the accounting as all the goods and services that are related to the share-based payment plan are received by the issuing legal entity (Atradius N.V.);
- amendments to IFRIC 14, 'Prepayments of a Minimum Funding Requirement' (effective 1 January 2011). The amendment applies when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendments permit such an entity to treat the benefit of such an early payment as an asset. The amendments have had no impact on the Group's consolidated financial statements as no early contributions were effected;
- revised IAS 24, 'Related Party Disclosures' (effective 1 January 2011). The standard has been revised by simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. It also provides a partial exemption from the disclosure requirements for government-related entities. In making those revisions, the fundamental approach to related party disclosures contained in IAS 24 has not been reconsidered. The standard had a minor impact on the disclosures to the consolidated financial statements;
- IFRIC 19, 'Extinguishing Financial Liabilities with Equity Instruments' (effective 1 July 2010). IFRIC 19 provides guidance on the accounting of so called 'debt for equity swaps'. This interpretation is at the moment not applicable, since there is no practice of swapping debt for equity by the Group;
- improvements to IFRSs (April 2009). In April 2009 the IASB issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate provisions for each standard. The adoption of these amendments did not impact the Group's consolidated financial statements.

2.3.2 Standards, amendments and interpretations not early adopted

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

- amendments to IFRS 1, 'Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters' (effective 1 July 2011). In respect of the removal of fixed dates, the amendments will provide relief for first-time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRS. The amendments in respect of severe hyperinflation will provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time. The amendments will have no impact on the Group's consolidated financial statements as the Group already prepares financial statements under IFRS;
- amendments to IFRS 7, 'Financial Instruments: Disclosures' (effective 1 July 2011). The amendments will help users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position and will promote transparency in the reporting of transfer transactions, particularly those that involve securitisation of financial assets. These amendments are not expected to impact the Group's consolidated financial statements but we will further review the impact of these amendments;
- IFRS 9. 'Financial Instruments' (effective 1 January 2013). This standard will replace the current standard, IAS 39, and aims to reduce complexity in the accounting and reporting of financial instruments. The standard might have a minor impact on the disclosures to the consolidated financial statements;
- amendments to IAS 12, 'Deferred Tax: Recovery of Underlying Assets' (effective 1 January 2012). The amendment provides an exception to the general measurement principle of deferred tax assets and liabilities in respect of investment property measured

using the fair value model in accordance with IAS 40. Under the exception, the measurement of deferred tax assets and liabilities is based on a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. This amendment will not impact the Group's consolidated financial statements as investment property is not measured using the fair value model;
- improvements to IFRSs (May 2010). In May 2010 the IASB issued an omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate provisions for each standard. The adoption of these amendments will have a minor impact on the Group's consolidated financial statements.

2.4 Changes in presentation

The presentation of, and certain terms used in, the statement of financial position, income statement, cash flow statement, statement of changes in equity and certain notes have been changed in 2010 to provide additional and more relevant information. Certain comparative amounts have been reclassified to conform to the current period presentation. These changes are not significant in nature, except those detailed below.

The presentation of cash and cash equivalents has changed to reflect that under the Group's cash-pooling arrangement cash balances of branches within the same legal entity are netted. This resulted in a reclassification of EUR 180.1 million between cash and cash equivalents and (short term) borrowings, decreasing both the borrowings and the cash and cash equivalents as presented on the face of the statement of financial position.

2.5 Consolidation

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

2.5.1 Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally presumed to exist when the Group owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

2.5.2 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 the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group 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:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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 of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds 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 interest in the acquiree (if any), the excess is recognised immediately in the income statement as a bargain purchase gain.

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 basis 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 the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of 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 corresponding adjustments against 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. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured 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, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in the income statement. Amounts arising from interests in the acquiree prior to 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, the Group 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.

Business combinations that took place prior to 1 January 2010 were accounted for in accordance with the previous version of IFRS 3.

Intra-group transactions, balances and unrealised gains on intra-group transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Subsidiaries' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group except for the accounting for insurance contracts (see Note 2.19).

2.5.3 Associated companies and joint ventures

Associated companies are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies, generally accompanying a shareholding of between 20% and 50% of the voting rights. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associated companies and joint ventures are accounted for using the equity method and are initially recognised at cost. The Group's investment in associated companies includes goodwill (net of any accumulated impairment loss). Associated companies and joint ventures are further both referred to as 'associates'.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate.

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

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

2.6 Segment reporting

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

2.7 Foreign currencies

2.7.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in thousands of Euro (EUR), which is the Group's presentation currency.

2.7.2 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 in other comprehensive income.

2.7.3 Group companies

The results and financial position of all the Group 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 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 the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. 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 most relevant functional currencies for the Group are presented below:

Currency	End Rate		Average Rate	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
GBP	1.162	1.126	1.166	1.118
USD	0.748	0.694	0.754	0.720
AUD	0.761	0.625	0.685	0.559
DKK	0.134	0.134	0.134	0.134
HKD	0.096	0.090	0.097	0.093
SGD	0.584	0.495	0.551	0.495

2.8 Purchase accounting, goodwill and other intangible assets

2.8.1 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see Note 2.5.2) less accumulated impairment losses, if any.

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

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

Goodwill on the acquisitions of associates is included in investments in associated companies and joint ventures.

2.8.2 Agent networks

Agent networks acquired in a business combination are recognised at fair value at the acquisition date. The agent networks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the agent networks.

2.8.3 Non-patented technology

Non-patented technology acquired in a business combination is recognised at fair value at the acquisition date. This technology has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the technology.

2.8.4 Trade names

Trade names acquired in a business combination are recognised at fair value at the acquisition date. Trade names and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trade names over their estimated useful lives.

2.8.5 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.

2.8.6 Software

Acquired computer software licenses are capitalised on the basis of costs incurred to acquire and to bring to use the specific software. These costs are amortised on the basis of the expected useful life which is between three and five years.

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

Subsequent expenditure on capitalised intangible assets are capitalised only when they increase the future economic benefits embedded in the specific assets to which they relate. All other expenditure is expensed as incurred.

Computer software is stated at cost less accumulated amortisation and any accumulated impairment losses.

2.9 Property, plant and equipment

Land and buildings comprise offices occupied by the Group ('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 the lower of historical cost less accumulated depreciation.

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 the Group and the cost of the item can be reliably measured. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The depreciation period is based on the estimated economic useful life of the asset. Land is not depreciated. All other assets are depreciated using the straight-line depreciation method over the estimated economic useful lives presented below:

Asset categories	Years
Land	Nil
Property for own use	50
Fixtures and fittings	3 to 10
Information systems hardware	3 to 5

2.10 Investment property

Property held for long-term rental yields that is not occupied by the companies of the Group, 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. 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. Investment property is depreciated using the straight-line depreciation method over the estimated economic useful life of the property, being 50 years.

2.11 Fair values of financial investments

The fair values of financial instruments traded in active markets (such as publicly traded available-for-sale securities) are based on quoted market prices at the balance sheet date. The quoted market price used for financial investments held by the Group is the current bid price.

The fair values of financial instruments in markets that are no longer active are determined using valuation techniques. The Group uses a variety of methods and assumptions that are based on market conditions existing at the balance sheet date. See Note 4.3.1.1 for the basis of the determination of the fair value of financial instruments.

2.12 Recognition and derecognition of financial investments

All purchases and sales of financial investments classified as fair value through profit or loss and available-for-sale that require delivery within the time frame established by regulation or market convention ('regular way' purchases and sales) are recognised at trade date, which is the date that the Group commits to purchase or sell the asset. Loans and receivables are recognised at settlement date, which is the date the Group delivers the asset.

Financial investments are derecognised when the rights to receive cash flows from the financial investments have expired or where the Group has transferred substantially all the risks and rewards of ownership. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial investment, it derecognises the financial investment. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement. The extent of continuing involvement is determined by the extent to which the Group is exposed to changes in the value of the asset.

2.13 Classification of financial instruments

The Group classifies its financial investments into three categories: investments available-for-sale, loans and receivables and financial investments at fair value through profit or loss. The classification depends on the purpose for which the investments were acquired. The Group determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

2.13.1 Available-for-sale financial investments

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

Regular way purchases and sales of financial investments are recognised on trade date which is the date on which the Group commits to purchase or sell the asset. Financial investments are initially recognised at fair value plus transaction costs that are directly attributable to their acquisitions. Financial investments are no longer recognised when the rights to receive cash flows from the assets have expired or when they have been transferred and the Group has also transferred substantially all risks and rewards of ownership. Unrealised gains and losses arising from changes in the fair value of financial investments classified as available-for-sale are recognised in equity net of deferred 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 realised gains/losses on financial investments.

2.13.2 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 the Group intends to sell in the short term, or that it has designated as at fair value through income or 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 and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Interest income is recognised by applying the effective interest rate, except for short term receivables where the recognition of interest would be immaterial.

2.13.3 Financial investments at fair value through profit or loss

This category has two sub-categories: financial investments held for trading and other financial investments designated at fair value through profit or loss by management at inception. A financial investment is classified into this category at inception if acquired principally for the purpose of selling it in the short term, if it forms part of a portfolio of financial investments in which there is evidence of short term profit-taking, or if so designated by management. This also includes hybrid (combined) contracts. Designation by management will only take place if the related assets and liabilities are managed on a fair value basis. Derivatives are classified as held for trading unless they are designated as hedges. Transaction costs on initial recognition are expensed as incurred. Interest income from debt securities classified as at fair value through profit or loss is recognised as interest in the income statement using the effective interest method. Dividend income from equity instruments classified as at fair value through profit or loss is recognised as dividends in the income statement generally when the dividend has been declared. For all financial investments classified as at fair value through profit or loss changes in fair value are recognised in unrealised gains or losses in the income statement.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently carried at their fair value. Changes in the fair value of such derivative instruments are recognised immediately in the income statement. Those derivative instruments that are not designated as hedges are classified under held-for-trading and included in financial instruments at fair value through profit or loss.

The fair value of derivatives is based on their listed market price if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

2.14 Impairment of assets

2.14.1 Financial assets – general

The Group assesses at each balance sheet date 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.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group 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 collectively assesses them 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.

2.14.2 Financial investments – carried at amortised cost

If there is objective evidence that an impairment loss has been incurred on loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of 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, the Group 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.

2.14.3 Financial investments – carried at fair value

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

Where such evidence exists for available-for-sale financial investments, the cumulative net loss that has been previously recognised directly in equity is recycled from other comprehensive income (the revaluation reserve) and recognised in the income statement. Impairment losses recognised in the income statement on equity securities are not subsequently reversed.

For debt securities classified as available-for-sale, the impairment loss is reversed through the income statement, but only to the amortised cost price if in a subsequent period the fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement. Subsequent increases above the amortised cost price are credited against the revaluation reserve as a component of other comprehensive income.

2.14.4 Impairment of other non-financial assets

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

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, but so 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 prior years. The amount of the reversal is recognised in the income statement, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.15 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is only reported in the balance sheet 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.

2.16 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts which are repayable on demand form an integral part of the Group's cash management and are included as a component of cash and cash equivalents. On the face of the statement of financial position, bank overdrafts which do not meet the criteria for offsetting are presented separately as liabilities under borrowings.

2.17 Capital and reserves

2.17.1 Subscribed capital

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

Where any group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly related incremental costs (net of income tax), is deducted from equity attributable to the Company's equity holders. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the Company's equity holders, net of any directly related incremental transaction costs and the related income tax effects.

2.17.2 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.

2.17.3 Revaluation reserve

The revaluation reserve comprises the unrealised gains/losses of the securities available-for-sale after the deduction of deferred tax, except for impairments that are charged directly to the income statement. Reversals of impairment losses in shares and other variable yield securities are also credited directly to this revaluation reserve. For debt instruments and other fixed income securities, any reversals of impairments above the original cost are included in the revaluation reserve.

2.17.4 Currency translation reserve

The net exchange difference 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 balance sheet date, which is the case for recognised assets and liabilities; and
- in respect of the opening balance of equity (excluding the currency translation reserve), the difference between translating these items at the rate used at the balance sheet date at the end of the previous period and using the rate at the balance sheet date at the end of the current period.

2.17.5 Pension reserve

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

- actuarial gains and losses that arise in calculating the Group's 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 de-recognition of assets that can occur when the plan assets are higher than the projected benefit obligation and the Group cannot recover any surplus through refunds from the pensions vehicle due to solvency and/or control requirements.

2.17.6 Share option reserve

The share option reserve is the amount related to the equity-settled share-based compensation plans. This amount represents the vested part of the fair value of the option plans at grant date. At each balance sheet date, the entity revises its estimates of the number of outstanding options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in equity through the share option reserve.

2.17.7 Revenue reserve

Revenue reserve is the accumulated amount of profits and losses at the balance sheet date, which have not been distributed to shareholders.

2.17.8 Non-controlling interest

Non-controlling interest represents the proportion of shareholders' equity that is attributable to minority shareholders. Non-controlling interests are initially measured as 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 interests 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 comprehensive income presents total income and expenses for the period showing separately the amounts attributed to the equity holders of the Company and non-controlling interests.

2.18 Subordinated loans

Subordinated loans are recognised initially at fair value, net of transaction costs incurred. Subordinated loans are subsequently stated at amortised cost. The difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the fixed period of the loans using the effective interest method. Accrued interest is included as part of miscellaneous liabilities and accruals.

2.19 Insurance contracts

The Group issues contracts that transfer insurance risk. Insurance contracts are those contracts under which the Group accepts a significant insurance risk – other than a financial risk – from a policyholder by agreeing to compensate the beneficiary on the occurrence of an uncertain event.

Contracts which transfer significant insurance risk are accounted for in accordance with IFRS 4, 'Insurance Contracts'.

Insurance contracts are 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 a debt instrument; and
- bonding contracts: contracts under which the Group provides compensation to the beneficiary of the contract if the Group's bonding customer fails to perform a contractual obligation relative to the beneficiary.

Although the overall accounting principles are the same for the Group, Crédito y Caución continue to apply their existing earnings and provisioning practices in applying these principles as allowed under IFRS 4.25 'Insurance Contracts'. The differences in their application lead to different allocations in the individual lines of the consolidated financial statements. Further reference is made to specific information included on Crédito y Caución in Notes 4.2.8 and 20.

2.19.1 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.

2.19.2 Provision for unearned premium

For credit insurance and bonding contracts, premium is recognised as earned premium proportional to the insurance risk of the contract. The provision for unearned premium represents the unearned share of premium for own account (net of reinsurance), for both the credit insurance and bonding businesses.

2.19.3 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 the Group has taken up to the balance sheet date. The Group does not discount its liabilities given the cycle of the Group's business. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Group 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.

Based on the type of business, the following methods are used to determine the provision for outstanding claims:

- direct insurance business: provision calculated based on statistical methods. For large cases, individual assessments are made. Estimates of expected losses are developed using historical claims experience, actual versus estimated claims experience and other known trends and developments;
- bonding: provisions are calculated on a case-by-case basis; and
- assumed reinsurance business: provisions are determined on a treaty-by-treaty basis, based on premium and loss information supplied by the ceding companies. Estimates of expected losses are developed using historical claims experience, actual versus estimated claims experience and other known trends and developments.

Additional information on the measurement of the provision for outstanding claims is provided in Note 4.2.8 of the risk management chapter.

2.19.4 Liability adequacy test

At each balance sheet date, a liability adequacy test is performed to ensure the overall adequacy of the total insurance contract liabilities. 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 establishing a provision for losses arising from the liability adequacy test.

2.19.5 Reinsurance contracts

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

The benefits to which the Group 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 assets) 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 payables for reinsurance contracts and are recognised as an expense when due.

The Group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the income statement. The Group 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 the same method used for these financial assets.

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

2.19.6 Income from reinsurance contracts

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

2.19.7 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, the Group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the income statement. The Group 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 the same method used for these financial assets.

2.19.8 Salvage and subrogation reimbursements

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

Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims. The allowance is the amount that can reasonably be recovered from the disposal of the goods acquired.

Subrogation reimbursements are also considered as an allowance in the measurement of the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

2.20 Provisions

Provisions for restructuring and redundancy costs, onerous contracts and litigation are recognised when the Group 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 and redundancy provisions include employees' termination payments. 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.

2.21 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 recognition of interest would be immaterial.

2.22 Employee benefits

2.22.1 Post employment benefits

Group companies operate various pension schemes. The schemes are determined by periodic actuarial calculations and are generally funded through payments to state plans, insurance companies or trustee-administered funds. The Group has both defined benefit plans and defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity and the Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

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

The amount recognised as a defined benefit liability is the net total of the present value of the defined benefit obligation at the balance sheet date minus the fair value at the balance sheet date 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 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 to maturity that approximate the terms of the related pension liability.

Actuarial gains and losses that arise in calculating the Group's obligations and fair value of the plan assets in respect of a defined benefit plan are recognised in the period in which they occur. These actuarial gains and losses are recognised outside the income statement and are presented in the statement of comprehensive income.

The derecognition of assets can occur when the plan assets are higher than the projected benefit obligation and the Group cannot recover any surplus through refunds from the pensions vehicle due to solvency and/or control requirements. These de-recognitions are presented in the statement of comprehensive income.

Past service costs are recognised immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group 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 and booked in the income statement.

2.22.2 Other long-term employee benefits

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

The Group has several kinds of post employment plans. The main plans are lump sum payments 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.

2.22.3 Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options that are expected to vest. For equity-settled share-based compensation plans it recognises the impact of the revision of original estimates, if any, in the income statement with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are to be credited to subscribed capital (nominal value) and share premium reserve when the options are exercised.

For the cash-settled share-based compensation plan it recognises the impact of the revision of original estimates, if any, in the income statement with a corresponding adjustment to provisions.

2.22.4 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. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. The Group liability is included as part of the provisions.

2.22.5 Profit sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit sharing based on a formula that takes into consideration, amongst others, individual targets and the profit attributable to the Company’s shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.23 Income tax

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 balance sheet date 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 taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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 balance sheet date, and any adjustment to tax payable in respect of previous years.

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

2.24 Consolidated income statement

2.24.1 Income

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

Premium earned

Written premium includes both direct and assumed reinsurance business and is defined as all premium and policy related fees invoiced to third parties and the premium assumed, excluding tax, in respect of:

- credit insurance
- instalment credit protection
- bonding

Written premium includes an estimate of not yet invoiced premium for which the Group is at risk. Accruals for premium refunds and cancellations are charged against premium written. Premium earned includes an adjustment for the unearned share of premium (matching risks and rewards).

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

Service and other income

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

Share of income of associated companies

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

Net income from investments

Investment income comprises interest income on funds invested (including available-for-sale financial investments), dividend income, gains on the disposal of available-for-sale financial investments, increases in the fair value of financial investments at fair value through profit or loss, and gains on derivatives 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 the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Investment expenses comprise interest expense on borrowings, decreases in the fair value of financial investments at fair value through profit or loss, impairment losses recognised on financial investments, and losses on derivatives that are recognised in the income statement. All borrowing costs are recognised in the income statement using the effective interest method.

Foreign currency gains and losses are reported on a net basis and consist of transaction and translation results.

2.24.2 Expenses

Net insurance claims

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

Net operating expenses

Net operating expenses comprise administrative expenses, gross acquisition costs, gross change in deferred acquisition costs, commission received for business ceded to reinsurers and the change in the reinsurer's share of deferred acquisition costs. Commissions received for business ceded to reinsurers is recognised over the life of the underlying policies.

Finance income and expenses

Finance costs include interest, amortisation of expenses for subordinated loans and foreign exchange results. Interest income and expense is calculated using the effective interest rate method based on market rates rather than nominal, at the date that the instrument is recognised initially or modified.

Income tax

The total sum of income tax recognised in the income statement is the sum of current tax expense (or recovery) plus the change in deferred tax assets and liabilities during the period, net of tax amounts recognised directly in equity or arising from a business combination.

2.25 Leases

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

2.25.1 The Group as lessor

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

2.25.2 The Group as lessee

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

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

2.26 Consolidated cash flow statement

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

- *cash* comprises cash on hand and on demand deposits;
- *cash equivalents* are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value;
- *cash flows* are inflows and outflows of cash and cash equivalents;
- *operating activities* are the principal revenue-producing activities of the Group 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 the Group.

The cash flow statement 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.

3 Critical accounting estimates and judgements in applying accounting policies

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

3.1 (Re-)insurance related estimates

The ultimate liability arising from claims made under insurance contracts

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

Pipeline premium

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

Sliding scale reinsurance commission

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

3.2 Impairment of available-for-sale equity financial investments

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

Had all the declines in fair values below cost been considered significant or prolonged, the Group would have suffered an additional EUR 9.9 million loss before tax in its 2010 financial statements (2009: EUR 23.9 million loss before tax), being the transfer of the total equity reserve for unrealised losses to the income statement.

3.3 Estimated impairment of goodwill

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

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

3.4 Pension and post-retirement benefits

The cost of these benefits, the present value of the pension and other post-retirement liabilities depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net periodic cost (income) for pension and post-retirement benefits include the expected long-term rate of return on the relevant plan assets and the discount rate. Any changes in these assumptions will impact the future net periodic cost (income) recorded for pension and post-retirement benefits and may affect planned funding of the pension plans. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The Group determines the appropriate discount rate at the end of each year, which represents 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 and post-retirement benefit obligations.

As an indication of the assumption sensitivity on the management's estimates, a one percent fluctuation of the expected return on assets and of the discount rate used as at the balance sheet date would have increased / (decreased) the consolidated result for the year by the amounts shown below. The analysis assumes that all other variables remain constant.

Consolidated impact on the result for the year (before taxes)	**2010**	**2009**
Actual expected return on assets +1%	2,777	2,561
Actual discount rate +1%	777	2,501
Actual expected return on assets -1%	(3,720)	(2,897)
Actual discount rate -1%	(1,117)	(2,150)

4 Risk management

4.1 Risk management

As a global insurance provider, the Group recognises the importance of risk management and internal control systems. The Group continues to strengthen its risk management capabilities by broadening the scope of risk management and enhancing the associated internal control systems within the organisation.

The relationship between risk and capital is fundamental for the Group. Understanding how risk taking consumes capital allows management to steer the Group and take strategic decisions based on risk. These decisions are increasingly being informed by Atradius' economic capital model. This model is being used for specific risk assessment activities and allows the Group to better monitor and manage risk levels within the organisation through the allocation of risk based capital. In addition, risk management and the relationship between risk and capital play a central role in the new regulatory regime, Solvency II, which is expected to take effect January 1 of 2013.

4.1.1 Solvency II

The Group has been actively involved in the preparation for Solvency II as part of the framework set out by its ultimate parent company Grupo Catalana Occidente, S.A. Atradius N.V. participated in the CEIOPS Quantitative Impact Studies (QIS) 3 and 4 in 2007 and 2008 respectively. In 2009, the Dutch regulated entity Atradius Credit Insurance N.V. participated in De Nederlandsche Bank's (DNB) Risicogebaseerd Solvabiliteits Kader (RiSK) exercise – effectively a re-run of QIS 4 based on updated financials. During the second half of 2010, Atradius N.V. participated in the CEIOPS QIS 5. The Group continues to monitor the impact of proposed calculation schemes on its balance sheet – noting that implementing measures relating to the new Solvency ll regime have yet to be finalised. The Group remains active in industry working groups on Solvency II and has provided commentary on regulatory proposals.

The Group, as part of the preparation activities of its ultimate parent company Grupo Catalana Occidente, S.A. maintains awareness of developments in order to be well-positioned to progress towards a successful implementation in accordance with the timelines specified by regulatory authorities.

4.1.2 The risk landscape

Our key objective is to achieve profitable and sustainable growth for the Group and our stakeholders. Opportunities to achieve such growth exist in our key market segments and can also be achieved through entering new markets and capturing dominant market share in a manner that is sustainable. It is our aim to offer 'best in class' credit risk management and non-risk related solutions to our customers, coupled with excellent service. The Group's core business is credit insurance. The Group has developed credit insurance products that meet the specific needs of small and medium enterprises (SMEs), large local companies and multinationals.

Although key economic indicators signal an improvement in many of our markets, there is still a risk of the insolvency environment worsening. This would impact the Group in several ways. A renewed increase in insolvency rates may lead to higher than expected claims. In addition, the Group might, in the near term, not be able to make the desired investment returns. The impact may not be limited to our future performance; it may also cause negative run-offs on provisions.

4.1.3 Crédito y Caución

The business model of Crédito y Caución differs from that of the rest of the Group in several ways. To a large extent this is for reasons specific to the Spanish market and Crédito y Caución's customer portfolio. Two important differences are that Crédito y Caución predominantly serves a portfolio of small and medium-sized Spanish customers through a network of tied agents. The rest of the Atradius Group, although serving small customers, mainly targets medium-sized and large companies either directly or through broker channels. The Group intends to keep the business model of Crédito y Caución intact as it believes this to be critical to the profitability and development of the Spanish portfolio.

As a consequence, the Group maintains a different steering model for Crédito y Caución. For the Crédito y Caución operations, their staff have their formal reporting line to the General Manager of Crédito y Caución, who reports to the Chief Markets Officer in the Management Board responsible for the activities in Spain, Italy, Portugal and Brazil, as well as for the group-wide activities of Bonding and Instalment Credit Protection and the units Collections and Atradius Reinsurance of Atradius N.V. In the rest of the Group, functions like policy underwriting, buyer underwriting and risk management have reporting lines into different Management Board members of Atradius N.V.

In addition to the reporting lines within Crédito y Caución, the scope of the Group's risk governance framework, consisting of the committees that are responsible for taking the risk decisions most material to the Group, includes the Crédito y Caución business. Further details on risk governance can be found in the sections on risk mitigating procedures and controls below.

In addition, centre of expertise underwriting has been in place since the last quarter of 2009. By centre of expertise underwriting the Group refers to buyer underwriting performed by the centres that are closest to the buyer. This implies that, as per end of 2009, all Crédito y Caución buyers in markets outside Spain, Portugal, Andorra and Brazil are underwritten in the respective centres of the rest of the Group. Conversely, all buyers of the rest of the Group in Spain, Portugal, Andorra and Brazil are underwritten by Crédito y Caución. This greatly improved risk control and efficiency. In addition, it helps ensure a consistent stance on risk per buyer, as well as robust control over exposure accumulations across the Group. These underwriting processes are supported by data links between the core buyer underwriting systems.

The sections below are structured in a way that, where possible, risk related aspects are presented in an integrated manner. Where this is not appropriate, information related to Crédito y Caución is presented separately. The section titles make it apparent where this is the case.

4.1.4 The risk management and internal control framework

The Management Board is ultimately responsible for risk management and internal control within the Group. Without affecting this responsibility in any way, the authority to take decisions in this context has been delegated to the Risk Strategy Management Board (RSMB), of which the entire Management Board are members. The membership further includes the Director of Group Risk Management, the Director of Strategy and Commercial Development and the Director of Finance. This structure ensures that the RSMB is properly informed of all relevant technical aspects related to risk, strategy and accounting when taking decisions. The RSMB's responsibility includes the development of the framework to manage risk as well as the ongoing overview of the largest risks. The RSMB establishes the internal risk control system by determining risk control policies and prescribing risk mitigation activities. In addition, the RSMB ensures that there are processes and systems to review the effectiveness of risk management and the internal control system.

The Supervisory Board is responsible for overseeing that the Management Board implements, amongst other things, a suitable risk management and internal control system. In this respect, the Management Board, along with the risk management functions, periodically present results, developments and plans to the Supervisory Board and relevant committees thereof.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, 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 the Group's activities. Through its training and management standards and procedures, the Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in this supervisory 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.

4.1.5 Risk classification

The Group has classified its risks as insurance, financial and operational. Insurance risks are the risks of financial loss as a direct result of providing insurance; these are predominantly arising from the risk of non-payment by a buyer covered by a policy (credit insurance) or the risk of non-performance of a customer (bonding). Financial risks are the risks associated with the balance sheet positions and include market risk, credit risk and liquidity risk. Operational risks are the risks of direct or indirect loss resulting from fraud, inadequate or failed internal processes, people, systems or external events.

4.2 Insurance risk

4.2.1 Insurance products, their characteristics and sensitivity to insurance risk

The Group distinguishes two main direct insurance products: credit insurance and bonding. In addition, the Group writes credit and surety business as a reinsurer. Credit insurance can be divided into three subcategories: traditional credit insurance, instalment credit protection and special products. Each of these categories has particular risk characteristics.

Traditional credit insurance

In traditional credit insurance, the Group insures its customers against the risk of non-payment of trade receivables. The causes of loss covered differ by policy. They usually include all forms of legal insolvency. Policies can also cover so-called political causes of loss which, amongst others, include the risk of non-payment due to payment transfer problems, cancellation of export/import licenses and contract frustration. This enumeration is not exhaustive. Traditional credit insurance does not cover non-payment of trade receivables due to commercial disputes. Each policy has a maximum credit period that the policyholder can offer to their buyers without prior approval from

the Group. In traditional credit insurance, the Group usually only covers portfolios of buyers to mitigate the risk of adverse selection. Here, as below, 'buyers' are the customers of the insured customers of the Group, i.e. the parties that the Group insures credit risk on.

For traditional credit insurance, there are two underwriting processes: the policy underwriting and the buyer underwriting. Policy underwriting is the process by which the Group decides which customers to accept as policyholders and which terms and conditions for cover are offered. Buyer underwriting is the process by which the Group sets risk limits per buyer and issues credit limits. Buyer underwriting allows us to manage risk on the portfolio of existing policies. The policy underwriting takes place in the commercial units, the buyer underwriting in the risk service units.

Policies are issued for a fixed period, usually no longer than three years. Customers mostly have a self-retention to protect the Group from the risk of moral hazard. Self-retention can take the form of, amongst others, a cover percentage, per claim deductibles, aggregate first losses and combinations thereof. Virtually all policies have a maximum liability. A customer is covered for the credit risk on one of his buyers only after a credit limit on the buyer has been established. Most policies allow customers to establish credit limits for smaller amounts themselves under conditions specified in the policy. Larger credit limits have to be issued by the Group. Credit limits are an important risk management instrument for the Group as they limit the amount that the Group would have to pay out to a customer for a claim but also as the Group can, in principle, withdraw credit limits on any buyer at any moment. The Group uses this right to reduce exposure where it is no longer comfortable with its aggregate exposure on a buyer. This is typically the case when, in the Group's judgement, the buyer will likely no longer be able or willing to pay its trade payables. Credit limits can be issued subject to specific conditions. The Group can also impose conditions for cover on a country, or even withdraw cover on an entire country altogether. These are important tools in managing the Group's political risk exposure.

Within credit insurance, one can roughly identify three classes of customers: small and medium companies, large local companies and multinationals. Most customers, irrespective of their size, are served with our core Modula product. This product offers flexibility in a structured, modular and controllable manner, allowing it to be tailored to most customers' needs, where the level of flexibility will be greater for larger customers. The normal flexibility does not materially affect our ability to manage and control risks under the policies. When a change is required that may materially affect this ability, it needs to be formally approved by the Group Product Committee.

For small and medium companies, we offer additional products based on the Modula concept that specifically cater for the needs of a small or medium sized company. For most, the risk characteristics do not materially differ from a traditional credit insurance product.

Multinationals will typically have the most tailored policies. It is generally in the nature of large customers that they require larger credit limits on their buyers, potentially leading to larger severity losses. This is offset by the fact that often the policies include larger (sometimes annual aggregate) deductibles and by the fact that, all other things being equal, larger buyers have a lower probability of default, reducing the frequency.

Instalment credit protection

The Instalment Credit Protection (ICP) unit insures its customers against non-payment of scheduled instalment payments. The exposure in 2010 was approximately 56% retail and 44% corporate, where retail exposure originates from consumer credit extended by financial institutions. Corporate exposure typically relates to the leasing of equipment (cars, computer hardware, etc.) to corporations and insurance of corporate loans provided by banks.

The retail exposure is by nature highly diversified. In the corporate sector, no single risk exceeds EUR 5 million.

Special products

The Group's special products business offers a range of tailor-made policies to insure against a number of credit and political risks. These include, amongst others, policies that cover single transactions, single trade relationships and asset confiscation. One distinguishing feature of the special products policies is that most of the time it is restricted in withdrawing credit limits, contrary to traditional credit insurance. On the other hand, for special products, more conditional policy wordings are commonly used that place a more significant burden of risk monitoring and diligent behaviour on the insured. TPE associated with this business at the end of 2010 was EUR 6.5 billion (2009: EUR 5.6 billion).

As the single transaction cover allows the customer to select which exposure they want covered, there is a higher risk of being adversely selected against than with traditional credit insurance. This is mitigated in part by tighter restrictions on the business Atradius accepts. As a result of which, the acceptance rate is low, with more than 70% of all enquiries being rejected outright. There is significant emphasis placed on policy underwriting, especially in relation to the quality and experience of the customer and its ability to react to changing circumstances. In addition, the analysis of the nature and terms of the underlying contract plays an important role in the underwriting process.

Bonding

The Group issues surety bonds for customers in Italy, France, Spain and the Nordic region. Surety bonds insure beneficiaries against our customer not meeting contractual, legal, or tax obligations. Beneficiaries range from (local) governments and tax authorities to companies.

The main risk for the Group in Bonding is the risk of our customers not meeting these obligations. Our customers may fail to meet these obligations either because they are not able to perform to the agreed or required level, or because they become insolvent. Next to this, there is the risk of fraud on the part of the customer, where the customer intentionally does not perform. The assessment of both the customer's financial strength and his ability to perform play an important role in the underwriting process. Unlike traditional credit insurance, the exposure cannot be unilaterally cancelled by the Group.

When a bond is called by the beneficiary, Atradius mediates to resolve conflicts and aims to avoid payment through working with both customer and beneficiary. If a payment is finally made, recovery action is taken against the customer. Consequently, the situations in which the Group incurs an irrecoverable loss nearly always relate to financial distress of the customer, making the triggers for losses similar to those for traditional credit insurance.

The spread of customers over industry sectors varies by country as a result of differing legal and market environments. As a consequence, the type of bonds issued are spread between bid bonds, performance bonds, maintenance bonds, advance payment bonds and various types of administrative bonds; they are issued with tenors ranging from a few weeks to years, where we only exceptionally issue bonds with tenors in excess of five years.

Assumed reinsurance

The Group underwrites reinsurance programmes for the credit insurance and bonding business written by primary insurers. It does so from Atradius Reinsurance Ltd. (Atradius Re), which is based in Ireland.

Atradius Re provides reinsurance capacity for primary insurance companies from both the developed and developing credit insurance and bonding markets. Atradius Re currently assumes business from over 70 countries worldwide maintaining a balanced portfolio from each continent. The underlying business consists approximately 60% credit insurance and 40% bonding, based upon premium volume.

The type of credit insurance and bonding products Atradius Re reinsures is similar to those issued directly as described above.

The majority of the business assumed is on a quota share basis, where there is a close relationship between insurer and Atradius Re on monitoring and controlling the volume of business ceded within prescribed underwriting guidelines. The remainder of the portfolio predominantly consists of excess of loss cover, typically connected to the quota share business. The number of stop loss treaties is limited.

4.2.2 Risk mitigating procedures and controls – insurance risk

4.2.2.1 Atradius, excluding Crédito y Caución

Authorities and risk governance

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. The risk governance structure defines the process by which Atradius decides what risks it takes on and how it manages those risks. The main elements of the risk governance structure currently in place are described below.

Staff in commercial units have well-defined authorities specifying who can bind which policies. Authorities typically require the four eyes principle. Conditions are more onerous as policies become larger. The largest policies need sign-off from both the director of a commercial unit and the respective Chief Market Officer.

Most new credit insurance policies and renewals of policies are priced as part of policy underwriting using a structured pricing system. This system is risk and cost based and takes into account Atradius' risk outlook as defined by country, sector and buyer ratings. Parameters are updated on a regular basis. The pricing system is implemented group-wide.

Buyer underwriting takes place in risk services centres that ultimately report to the Chief Risk Officer, thus ensuring a separation of responsibilities with policy underwriting up to the Management Board. Staff in risk services also have well-defined authorities specifying who can set what capacity on a buyer, or who can sign-off what credit limit. As amounts grow, decisions need authorisation from one or more cosignatories, of increasing seniority. But even directors of risk service centres can only sign-off capacities to a certain threshold and individual credit limits up to another lower threshold. In addition the signature of at least one other qualified buyer underwriter is always

required. Beyond these thresholds, the local credit committee of the risk service centres takes decisions. The local credit committees again can only sign-off amounts up to certain thresholds. Beyond these thresholds the group credit committee takes decisions. The group credit committee thus underwrites the largest buyers in terms of exposure, including the top ranked buyers, by exposure, of each of the local credit committees.

In bonding, all bonding facilities and individual bonds are underwritten by technical underwriters who are part of the commercial units. Financial underwriters, who are not part of the commercial units, 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 last two steps in this authority structure are the local credit committee and the group credit committee mentioned above.

Special products is very much embedded within the Atradius risk governance structure described herein. All policies are bound within clearly defined authorities issued to the policy underwriters who report ultimately to the respective Chief Market Officer. All buyer risk is signed off by a dedicated risk services team which has a separate and distinct reporting line to the Chief Risk Officer. In addition, a dedicated risk management team with a functional reporting line to the Group Risk Management unit, ensures adherence to the risk governance model and monitors the portfolio risk and ensures compliance with the terms of the reinsurance treaty.

Additional checks on the largest exposures are imposed by Atradius' reinsurance structure. Exposures beyond a certain threshold are subject to so-called special acceptance by our leading reinsurers. The authority structure takes into account all sources of exposure on a buyer through direct business, i.e. including exposure for special products and bonding, although threshold amounts depend on the source of exposure.

Local credit committees and the Group Credit Committee are bodies in Atradius' risk governance structure. The risk governance structure consists of a number of bodies that act under delegated authority of the RSMB, the highest risk decision body in Atradius. The main bodies in the risk governance structure are:

- RSMB – acts as body of appeal for other bodies in the risk governance structure;
- group and local credit committees – underwrite the largest buyer exposures. An additional check is performed on large exposures that exceed a certain threshold, which are subject to so-called special acceptance by the Group's leading reinsurers;
- Group Product Committee – decides what products the Group will offer. It also decides on deviations from existing products, or variations of existing products. Certain types of deals will only be made on approval of the Group Product Committee;
- Country Committee – sets Atradius' underwriting policy by country, whether Atradius will cover or not and under what conditions. The Country Committee monitors Atradius' exposure to country risk and sets country limits for political risk exposure. Thus, the Country Committee is the prime body through which Atradius manages country risk;
- Provisioning Committee – sets Atradius' claims provisions. It sets provisioning policy, signs off claims provisions set by actuarial models and decides on claims provisions for specific high value cases;
- Group Investment Committee – sets Atradius' investment policy. On an annual basis, it proposes a Strategic Asset Allocation (SAA) which defines limits on asset classes and duration. Throughout the year it decides on a portfolio distribution within those limits on a monthly basis;
- Reinsurance Outwards Committee – supervises Atradius' reinsurance process. It sets the rules for Atradius to obtain and negotiate reinsurance coverage from third party reinsurers. In addition, it approves material commutations;
- Reinsurance Inwards Committee – approves the most material assumed reinsurance;
- Quantitative Model Committee – approves models with which Atradius quantifies risk. This includes credit rating, pricing and capital models.

Instalment credit protection (ICP)

Policy underwriting is performed within the commercial units. Policies are generally issued for a fixed period with tacit renewal. Premium rates are dependent on probabilities of default, expected final loss given default, amount and duration of the loans. Premium is mainly written and invoiced at the time of inception of each covered loan. Indemnification rate can go up to 100%, but recoveries are for the benefit of Atradius.

Risk underwriting is performed by the risk underwriting teams within ICP. Credit decisions are made for each individual operation based on an automated decision model and manual decisions of underwriters. Authorities are granted to underwriters according to their seniority and expertise; escalation occurs according to pre-determined thresholds to the local ICP credit committees, then to the ICP credit committee and finally to the Management Board member responsible for instalment credit protection. In some cases, risk underwriting can be delegated to the policyholder, within a frame of underwriting criteria (including a mandatory consultation of the relevant national bank databases). The underwriting criteria are reviewed and formally signed off by ICP and such policies always include a form of risk sharing to ensure alignment of interest.

Assumed reinsurance

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

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

All assumed reinsurance business is reviewed regularly in detail for past underwriting years performance, triangulation development, individual buyer exposure development, aggregate total potential exposure management and market and country exposure. Risk and policy limit setting is monitored to ensure credit quality and performance of the underlying insurance products to reinsurance terms agreed with third party clients. An annual Statement of Actuarial Opinion is produced as per the Society of Actuaries of Ireland's Guidelines and Regulatory requirements, providing an independent best estimate comparison to the company's reserves provided to support the business.

4.2.2.2 Crédito y Caución

Authorities and risk governance

The starting point for the management of insurance risk is that all procedures are set in writing and describe in detail staff authorities, specifying the level of risk they can accept and under what conditions. Governance is typically set along hierarchical principles and organisation.

Staff in branches (policy underwriting staff and branch managers) have well-defined authorities specifying how to underwrite new business and maintain existing policies. Large policies and extraordinary conditions or premium rates need to be approved by Crédito y Caución's Chief Business Officer, responsible for technical policy underwriting, who has no commercial interest.

New credit insurance policies are priced as part of policy underwriting using a pricing system. The system is risk and cost based and takes into account Crédito y Caución's risk outlook as defined by country, sector, tenor and other technical factors. Parameters are updated on a regular basis.

Policy renewals are analysed on a case-by-case basis by the Business Unit, in order to allow the policies to be tacitly renewed or to set the necessary new conditions for renewal or to decide that the policy will not be renewed.

Risk services are fully centralised. Staff in risk services also have well-defined authorities specifying who can set what capacity on a buyer, or who can sign-off what limit. As amounts grow, decisions need authorisation from more senior officials. Higher amounts require the authorisation of Crédito y Caución's Credit Committee. Exposures that meet the conditions with respect to combined exposure at Group level are subject to review and approval by the Group Credit Committee.

In bonding, all bonding facilities and individual bonds are centrally underwritten by technical underwriters, who are part of the business unit. Bonding facilities (lines) are established by specialised underwriters in the large risks department.

Additional checks on the largest exposures are imposed by Crédito y Caución's reinsurance structure. Exposures beyond a certain threshold are subject to so-called special acceptance by our leading reinsurers. The authority structure takes into account all sources of exposure on a buyer through direct business, although threshold amounts depend on the source of exposure.

Crédito y Caución's risk governance is an integral part of its quality assurance system which is internally and externally audited by AENOR, the Spanish Association for Standardisation and Certification and is the responsibility of the Crédito y Caución's Executive Team and its General Manager.

In addition to the governance described above, the Group's risk governance structure applies to Crédito y Caución business.

4.2.3 Risk management tools

4.2.3.1 Atradius, excluding Crédito y Caución

Atradius monitors exposure by counterparty, sector and country across all sources of insurance risk. Atradius operates one single database, Symphony, which holds all credit insurance policies, all credit limits and all buyers. Symphony enables Atradius to set global limits per buyer or per buyer group. Management information derived from Symphony allows Atradius to monitor aggregate exposure by country, sector of buyer, or sector of insured and in many other different ways. Information on Italian, French and Nordic bonding portfolios is not held in Symphony however Atradius does monitor the exposure from these portfolios together with exposure from credit insurance. Exposure from the instalment credit protection business is monitored separately.

All buyers with significant exposure are reviewed at least annually. Atradius continually receives information on buyers through on-line connections with business information providers and from customers reporting negative payment experiences. Buyers are reviewed whenever new information requires this. Atradius assigns an internal rating to all buyers on which it has exposure in excess of an internally determined threshold. The review process takes into account all sources of exposure on a buyer through direct business, i.e. including exposure for special products and bonding. The authority structure described in this note applies to buyer reviews.

As part of Symphony, Atradius operates a risk and cost-based pricing system for credit insurance. Most new policies and non-tacit renewals are priced starting from a price suggested by the pricing system. The pricing system is forward-looking in the sense that it takes into account Atradius' risk outlook as captured in country, sector and buyer ratings. It prices policies according to the credit risk under the policy, taking into account the buyers that each customer trades with.

For assumed reinsurance, Atradius Re has a number of risk management tools available which monitor the reinsurance counterparty portfolio for performance, exposure and financial risks. The reinsurance system is used to record the risk profile, ultimate estimate and related accounting information for each assumed treaty. This allows for reporting of performance, total aggregate exposure and accounting reinsurance result. The reinsurance system provides systematically triangulation reporting, earnings estimates, categorisation of risks and market summary details. Performance development and exposures related to each assumed treaty is reviewed quarterly within certain exception reporting and limits. The reinsurance system automatically provides a suite of exception reports which provide the underlying performance data for review by our technical accounts, risk management, actuarial and finance areas. In addition to monitoring and recording TPE per treaty assumed on the reinsurance system, Atradius Re also utilises a buyer database which monitors individual reported buyer exposure limits issued by the original cedent that are in excess of agreed reporting thresholds. These reported limits are reviewed and compared with existing information and reviewed at least annually. The Group uses the economic capital model as a tool to monitor the economic capital required by the assumed reinsurance portfolio. This is calculated and reviewed quarterly.

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 utilises its own internal consumer credit database.

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

4.2.3.2 Crédito y Caución

Crédito y Caución monitors exposure by counterparty, sector and country across all sources of insurance risk. Crédito y Caución operates one single database which holds all credit insurance policies, all credit limits and all buyers.

Crédito y Caución's buyer risk management applications allow it to dynamically set global limits per buyer (including maximum total exposure, maximum exposure per policy or maximum exposure based on a decision by the Automatic Decision System), thus effectively controlling Crédito y Caución's exposure. Management information derived from Crédito y Caución's database allows it to monitor aggregate exposure by country, sector of buyer, or sector of insured and in many other different ways. Information on bonding exposure is stored together with credit exposure, identifiable as being bonding exposure.

All buyers whose exposure exceeds (or has done so at any point in time) a certain amount are separately monitored by a large risks department. It sets and monitors the underwriting strategy for those buyers and is solely responsible for withdrawals or cancellation of credit limits on these buyers.

All buyers with significant exposure are reviewed at least annually. Crédito y Caución continually receives information on buyers through on-line connections with Iberinform Internacional, its subsidiary active in the field of commercial information, and from other information providers. In addition, customers reporting negative payment experiences are a significant source of constantly updated information. Whenever relevant new information appears, the file is automatically flagged for an underwriter to review. Crédito y Caución assigns an internal credit rating to most buyers, which are updated on a monthly basis. The review process takes into account all sources of exposure on a buyer through direct business. The authority structure described in this note applies to buyer reviews.

Crédito y Caución has set up a risk and cost based pricing system for credit insurance. All new policies are priced starting from a price suggested by the pricing system. The commercial units have only a limited capacity to modify the price suggested by the model. The implementation of the pricing system is constantly monitored.

Renewals are analysed and decided on a case-by-case basis by a specialised central department, taking into account policy experience, sector, insured turnover and claims experience. In addition, this analysis includes Crédito y Caución's outlook on the evolution of the economic situation.

4.2.4 Reinsurance

The Group transfers a significant portion of its insurance risk to external reinsurers, through a number of reinsurance arrangements that include quota share, excess of loss and facultative treaties. The reinsurance treaties are normally renewed annually. On renewal, the Group reassesses the structure of the treaties, including for the excess of loss treaties (the attachment points, spread of the layer and the number of reinstatements). There are a number of considerations that go into making these choices. These include the cost of the synthetic capital that reinsurance provides as measured by the economic capital model and the probability of exhausting the excess of loss cover and the impact on capital requirements as per rating agency model.

The Group has two main reinsurance programmes in place, one for Atradius excluding Crédito y Caución and one for Crédito y Caución. Both programmes consist of a quota share treaty and a series of (per buyer and/or buyer group) excess of loss treaties. With regard to the reinsurance panel, it is the Group's policy to select only reinsurers that have a high quality standard of solvency/rating. The normal minimum requirement is an 'A' level rating.

Quota share treaties

For underwriting year 2010, the main programme for Atradius, excluding Crédito y Caución, has a quota share with 52.5% (2009 52.5%) own retention. This programme covers Atradius' direct business, with the exception of the Italian bonding business, the French excise bond business and part of instalment credit protection. Atradius has a separate quota share treaty for the Italian bonding business, with an own retention of 40% (50% for payment guarantees) for 2010 (2009: 40%, 50% for payment guarantees). For other, older, treaty years Atradius' retention for the Italy bonding business varies by year, between 25% and 35%. The French excise bond business is also protected by a separate excess of loss programme. For 2011, the quota share self retention of this main programme remains at 52.5% and the retention under the Italy bonding treaty has remained at 40% (50% for payment guarantees).

For underwriting year 2010, the main programme for Crédito y Caución, which applies to Spain, Portugal and Brazil, has a quota share with self retention of 55% (2009: 55%). The 2009 programme was enhanced with a specific reinsurance arrangement with Consorcio de Compensación de Seguros that included a stop loss contract based on financial year results. The arrangement contained a pay-back mechanism in case a claim is made, the impact of which is described in Note 20.3. The stop loss arrangement has not been renewed for 2010.

For underwriting years 2009 as well as 2010, the main quota share treaties of both Atradius and Crédito y Caución programmes have a sliding scale ceding commission arrangement under which the ceding commission paid to the Group by the reinsurers depends on the ceded underwriting year loss ratio. As a consequence, risks affecting the loss ratio of the Group will also pose a risk to the level of ceding commission received, enlarging the overall volatility of the net result.

For the 2011 renewal all three quota share programmes of the Atradius Group were oversubscribed; the Group used this opportunity to build a more balanced reinsurer panel thereby reducing the reliance on any one reinsurer. The sliding scale ceding commission arrangement was improved for underwriting year 2011 for both the Atradius main and Crédito y Caución quota share contracts, given the improvements in the results for underwriting year 2009 and forecast for underwriting year 2010. For the Italian bonding business a fixed rate of commission will be paid for 2011 (the same basis applied in 2010 and 2009).

Excess of loss treaties

For underwriting year 2010, for the Atradius reinsurance programme, excluding Crédito y Caución, the attachment point of the excess of loss treaties has been set such that the net retention for business ceded under this treaty structure for any buyer or buyer group does not exceed EUR 15.8 million (2009: EUR 21.0 million). 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, or buyer group, will exceed the top end of the excess of loss coverage of EUR 315.0 million net of quota share. In calculating the loss under the excess of loss coverage, no allowance is made for the reinstatement premium that has to be paid in order to reinstate the excess of loss cover after a claim on the layers. The maximum amount of total reinstatement premium in the event that all layers are fully claimed, as a consequence of a single large buyer (group) default, is in the range of EUR 31.0 million (2009: EUR 31.0 million).

For underwriting year 2010, for the reinsurance programme of Crédito y Caución, the attachment point of the excess of loss treaties has been set such that the net retention for business ceded under this treaty structure of any buyer group does not exceed EUR 6.0 million (2009: EUR 6.0 million). 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, or buyer group, will exceed the top end of the excess of loss coverage of EUR 121.0 million net of quota share. In calculating the loss under the excess of loss coverage, no allowance is made for the reinstatement premium that has to be paid in order to reinstate the excess of loss cover after a claim on the layers. The maximum amount of total reinstatement premium in the event that all layers are fully claimed, as a consequence of a single large buyer (group) default, is in the range of EUR 8.3 million (2009: EUR 8.3 million).

As a result of accumulations of risk between business reinsured under the main treaty structure and business reinsured by other treaties, the Group's overall net retention across all business on some buyer groups can be larger than the sum of the self retention and reinstatement premiums of both programmes. The effective loss may also be enlarged due to a possible impact on the ceding commission received under the quota share treaties.

For the renewal for 2011, the Atradius Group decided to combine the excess of loss programmes of both Atradius and Crédito y Caución and place one joint excess of loss treaty. By having only one excess of loss programme, the Group has mitigated the likelihood of the Group retaining two separate retentions if a buyer in common were to fail.

4.2.5 Reinsurance – National governments supporting economic activity

With the full onset of the credit crisis at the end of 2008, the credit quality of many buyers across Europe and the rest of the world deteriorated quickly and significantly. As a result, it is was no longer prudent for credit insurers operating in the private sector to grant credit limits to the extent they had done previously. For Atradius, the situation was no different.

In many countries where Atradius operates, governments decided to stimulate economic activity. With the exception of the Spanish market, where the Group made use of the reinsurance arrangement offered by Consorcio de Compensación de Seguros as described in the previous section, the arrangements offered by many governments can be divided into two categories: ground-up cover and top-up cover. In the majority of cases these arrangements were contractually setup as reinsurance arrangements.

Top-up cover

Top-up cover is intended for situations where the credit insurer reduced cover on a buyer, or is unable to grant the cover to the extent requested. The facility allows the credit insurer to issue an additional limit on top of the one granted. This additional limit is then reinsured by the government or a government owned company. In most cases, this reinsurance covers the risks for 100%, though in a few cases, the credit insurer has to accept a small self retention. For most arrangements, the top-up limit cannot be larger than the underlying limit granted by the credit insurer.

Ground-up cover

Ground-up cover is intended for situations where the credit insurer withdraws cover on a particular buyer completely, or is unable to grant cover on a buyer. The facility allows a credit insurer to (re)issue the credit limit requested by the customer where the risks are then reinsured by the government or a government owned company. In most cases, this reinsurance cover is for 100%, though in a few cases, the credit insurer has to accept a small self retention.

For both types of cover the credit insurer receives a commission as it manages the entire process.

The details of the facilities granted by governments vary in several respects. Examples of differences in details include rules regarding sharing of recoveries and claims expenses, rules regarding share of losses between the underlying and top-up limit, premium rates, commissions and buyer criteria for which Atradius is allowed to extend credit limits under the coverage.

In addition, the existence of a top-up limit, depending on the details of the arrangement can affect the risk Atradius runs on the underlying limit. In almost all instances this risk is still controlled by Atradius as it continues to hold the underwriting pen, i.e., it can still decide whether or not to grant the top-up limit.

As contractually most of these facilities are structured as a reinsurance contract, Atradius accounts for them as such. Even though in most cases losses are 100% reinsured, Atradius is in almost all instances still the primary insurance company. Associated claims provisions, therefore, are included in the gross provisions and the reinsurance recoverables are included in the reinsurance assets.

Therefore, in the next section we report exposures granted including limits granted under these arrangements. As at the end of 2010, the granted exposure under these arrangements is EUR 219.1 million (2009: EUR 346.2 million).

4.2.6 Concentration risk

The Group is exposed to concentration risk in a number of ways: by buyer, by sector of buyer, by country of buyer. The tables below illustrate the exposure as per end of 2010 and 2009 in terms of the sum of credit limits on individual buyers registered by the Group. We refer to this exposure as Total Potential Exposure or TPE.

TPE is an approximate upper bound to real exposure, in the sense that a limit that the Group has issued does not necessarily give rise to credit risk at a specific point in time. The Group 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, customers are often allowed to bring exposure under the policy through so-called discretionary limits. Potential exposure resulting from a discretionary limit on any buyer is not held on the Group’s system. Each policy specifies the maximum discretionary limit allowed under the policy. For most policies this maximum discretionary limit is not larger than EUR 20,000 per buyer. This illustrates that TPE is a crude measure of exposure and that, in aggregate, real exposure will be far below TPE.

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

In the following tables, the TPE has been aggregated starting from single operating entities and shows the exposure for credit insurance (including special products and assumed reinsurance) only.

Buyer country	of which	TPE 2010 (EUR million)	%	TPE 2009 (EUR million)	%
Germany, Central and Eastern Europe, Greece	Germany	60,212	15.1%	59,136	15.3%
	Other	26,874	6.7%	25,274	6.6%
Southern Europe	France	36,851	9.2%	36,294	9.4%
	Italy	21,042	5.3%	20,023	5.2%
	Spain, Portugal	107,099	26.9%	109,845	28.5%
	Belgium, Luxembourg	11,616	2.9%	11,763	3.0%
The Netherlands and the Nordic countries (Denmark, Finland, Norway, Sweden)	The Netherlands	24,978	6.3%	28,095	7.3%
	Other	17,814	4.4%	18,102	4.7%
United Kingdom, NAFTA, Australia, Asia	United Kingdom	23,736	6.0%	20,705	5.4%
	North America	20,026	5.0%	15,691	4.1%
	Other	48,648	12.2%	40,745	10.5%
Total		**398,896**	**100%**	**385,673**	**100%**

Of the increase in TPE compared to 2009, EUR 7.2 billion is linked to changes in foreign exchange rates (see also Note 2.7.3).

Exposure for bonding and for instalment credit protection has entirely different characteristics and therefore has not been included in these tables. At Group level, including Crédito y Caución, the Group has EUR 18.2 billion (2009: EUR 19.1 billion) in bonding exposure, of which EUR 8.3 billion (2009: EUR 9.0 billion) is for customers based in Italy. Exposure for instalment credit protection amounts to EUR 2.6 billion (2009: EUR 3.2 billion).

Industry sector	TPE 2010 (EUR million)	TPE 2009 (EUR million)
Consumer durables	50,211	49,679
Metals	45,232	39,469
Electronics	36,064	32,139
Construction	32,576	37,168
Chemicals	42,210	37,101
Transport	28,217	26,793
Machines	29,026	28,807
Food	40,556	42,105
Construction materials	24,858	22,522
Services	20,317	21,497
Textiles	13,825	13,982
Finance	12,142	11,567
Agriculture	14,527	13,759
Paper	9,135	9,085
Total	**398,896**	**385,673**

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

Value band	Number of Buyers	TPE (EUR million)	Number of Buyers	TPE (EUR million)
	2010		2009	
0 – 20	2,292,074	244,024	2,460,941	243,741
20 – 100	1,541	62,226	1,424	56,742
100 – 250	253	38,726	240	37,055
250 – 500	71	23,986	60	20,667
500 – 1000	24	17,041	22	14,576
1000 – and more	6	12,893	7	12,892
Total	**2,293,969**	**398,896**	**2,462,694**	**385,673**

The table above shows TPE aggregated by group of buyers. This is the way of aggregating that is relevant for the Group's excess of loss treaties. Assuming real outstanding exposure of 20% of TPE, only buyers with TPE in excess of about EUR 150 million (EUR 50 million for Crédito y Caución) could give rise to hits to an excess of loss treaty.

4.2.7 Factors affecting the frequency and severity of claims

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

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

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

The factors that affect frequency and severity of claims at Crédito y Caución are similar to those of the rest of the Group. Crédito y Caución has no material exposure to political risk. Claims sizes on average are smaller than for the other Atradius entities. Because of its customer portfolio composition, with a lower weight of very large companies, Crédito y Caución will be less sensitive to severity risk than the rest of Atradius.

4.2.8 Sources and assumptions

4.2.8.1 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 frequency and severity of claims in general, as described in Note 4.2.7. Estimates for future claims payments are the basis of the recognised insurance liabilities, the claims provisions (split between claims reported and claims incurred but not reported) and unearned premium.

The insurance liabilities that will cover claims experience after the balance sheet date for risks that have been accepted prior to the balance sheet date consist of two parts: the provision for unearned premium (UPR) and the Claims Provisions for claims ‘Incurred but not reported’, the IBNR. The accounting polices, and estimation methods, for setting UPR and IBNR vary by product and in part also by entity within the Group:

- 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 it relates to risks that have not started. IBNR is the Group’s estimate for future claims payments that will result from risks taken on, but for which no claims notification has been received;
- for the credit insurance business of Crédito y Caución 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 Crédito y Caución’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 balance sheet date. As per the 2009 annual accounts, premium invoiced in advance for future shipments is presented as part of UPR, in line with the practice of the rest of the Group. For 2010, this amount is EUR 20.8 million;
- for bonding, instalment credit protection and assumed reinsurance the UPR relates to risk taken on.

As a consequence one should take the release in the provision for unearned premium into account for bonding, instalment credit protection and assumed reinsurance when using the risks attaching claims development tables in Note 20 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 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 that policyholders brought risk under the cover of the policy (the period that the insured shipment took place). Large cases, outside Crédito y Caución, are provisioned separately, at expected loss.

For traditional credit insurance, outside Crédito y Caución, the main method for setting claims reserves produces estimates for future claims payments by country of customer, split between bulk claims and large claims. Sources of uncertainty for these estimates include the following:

- for reported claims: the amounts that will be paid out as a fraction of the pro-forma liability under the claim;
- for claims that have not yet been reported: sources of uncertainty include the speed with which customers submit claims, as measured from the moment that the insured shipment took place, the expected average claims payment for these claims, and the expected fraction of cases that do not lead to a payment. These parameters are reviewed at least twice a year, and they are adjusted as is required by the statistical evidence available at the time. Factors other than strict statistical evidence may lead to an adjustment of parameters as well, e.g. knowledge of changes in business processes, changes in portfolio composition, and the Group’s view of economic developments;
- by the nature of the product, very few claims will have been reported for the most recent four to six months (depending on the country of the customer). Consequently, the expected number of claims for risks taken on during the most recent months is a separate source of uncertainty in the estimation of future claims payments, one that is sensitive to the development of claims experience after the balance sheet date; and;
- the inflow by number and size of large cases.

The Crédito y Caución claims reserves not only have a different definition of IBNR, but also a different definition of recoveries. Outside Crédito y Caución provisions for expected recoveries for traditional credit insurance relate to recoveries after indemnification, i.e. recoveries after Atradius has made the claims payment. At Crédito y Caución the expected recoveries are set as expected recoveries on incurred loss amounts. Only part of those recoveries will be realised as recoveries after indemnification, the remainder will reduce the amount of claims payments. As a consequence, the expected recoveries for Crédito y Caución are substantially higher, as a fraction of claims provisions gross of recoveries, than those for traditional credit insurance for the rest of Atradius. In addition, due to, among others, the absolute size and the long period over which these recoveries are realised, there may be a higher degree of uncertainty in the estimated recoveries. Atradius presents its claims reserves net of expected recoveries, and in this presentation the claims provisions for traditional credit insurance at Crédito y Caución and the other Group companies are comparable, although they are set based on different methodologies.

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 for traditional short term credit insurance. For example, most credit insurance covers credit periods up to 180 days; around half the number of bonds written has tenors of over two years. After receipt of a bond call, it will take longer to settle the claim and litigation is not uncommon, either following the bond call or when trying to realise recoveries. Especially in Italy, litigation tends to be a lengthy process. Outcomes of litigation cannot be predicted with certainty.

4.2.8.2 Assumptions, change in assumptions and sensitivity

The risks associated with credit insurance and bonding are complex, as will be clear from the above and are subject to a number of influences that are not very amenable to quantitative sensitivity analysis. This section describes the quantitative sensitivity analysis that is feasible.

The most important assumption used in the main method for reserving for traditional credit insurance to set the estimate for the ultimate number of claims for the most recent months of shipment is that the claims inflow in early 2011 will be around 10%-20% above the level of end 2010. An indication of the sensitivity to projected ultimate number of claims would be the following: if the estimated ultimate number of claims for the most recent six months of risk were to change by 10%, the claims provisions would change by EUR 15 million, gross of reinsurance (2009: EUR 22 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.

The assumption used for Crédito y Caución is that the claims inflow in early 2011 will be at the same level of end 2010.

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

Realised recoveries can deviate from expected recoveries. The largest component (EUR 306 million, 2009: EUR 469 million) of the expected recoveries are the expected recoveries for the credit insurance book of Crédito y Caución. Of these expected recoveries 51% relate to claims declared in 2008 or 2009. A 1% point change in expected recovery rates for claims declared for 2008 and 2009 amounts to some EUR 20 million gross of reinsurance.

For bonding the part of the outstanding claims reserve with the largest uncertainty is that for bonding Italy. Out of EUR 250 million (including Crédito y Caución; 2009: EUR 238 million including Crédito y Caución) of outstanding claims reserves for bonding, EUR 166 million (2009: EUR 159 million) is for direct bonding Italy. In management's judgement this reserve, together with the remaining unearned premium for these risks, is adequate and has an uncertainty in the order of EUR 23 million gross of reinsurance (approximately EUR 7.5 million net of reinsurance).

4.3 Financial risk

The Group is exposed to financial risk mainly through its statement of financial position. The core components of the financial risk are market risk, credit risk and liquidity risk.

- Market risk is the risk of loss from adverse movements in market variables such as interest rates, equity prices and currency exchange rates;
- Credit risk is the risk of loss resulting from client or counterparty default or downgrade and arises on credit exposure in all forms, including settlement risk;
- Liquidity risk is the risk that the Group is unable to meet its payment obligations, when due, at a reasonable cost.

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

4.3.1 Market risk

Market risk is the risk that the value of the Group will be adversely affected by movements in market variables such as interest rates, equity prices and currency exchange rates.

The Group uses Asset Liability Management (ALM) approach to analyse the impact of market risk on its assets and liabilities. The outcome is used in structuring the Strategic Asset Allocation (SAA). The SAA is reviewed at least annually by the Group Investment Committee, the Risk and Strategy Management Board and the Supervisory Board.

In the portfolio positioning process, the investments are allocated within the SAA ranges by deviating, when appropriate, from the SAA benchmark allocation on a short term horizon with the aim to increase the economic value of the Group. In the event that the risk is perceived to be unfavourable, the SAA allocation ranges permit the Group to tactically reduce its exposure in undesired assets. In addition, interest rate sensitivity can be minimised by matching the duration of the liabilities with the duration of the assets by the use of fixed income and cash instruments. The Group Investment Committee reviews the portfolio positioning related to risk and performance at least on a monthly basis by, amongst others, verifying that asset classes remain within expected boundaries and by assessing the investment portfolio against the SAA benchmark. On a quarterly basis, the composition performance and risk profile of the investments portfolio is presented and discussed in the Risk and Strategy Management Board and in the Supervisory Board.

4.3.1.1 Fair value of financial investments and liabilities

The following table presents the estimated fair values of the Group’s financial investments and liabilities. Certain balance sheet items are not included in the table, as they do not meet the definition of a financial asset or liability. The aggregation of the fair values presented below does not represent, and should not be construed as representing, the underlying value of the Group.

2010	Available-for-sale	Fair value through profit or loss	Loans and receivables	Total estimated fair value	Carrying value
Investment portfolio					
Equity securities:	**647,535**	**–**	**–**	**647,535**	**647,535**
Shares	2,809	–	–	2,809	2,809
Investment funds	644,726	–	–	644,726	644,726
Debt securities:	**512,108**	**9,408**	**–**	**521,516**	**521,516**
Government bonds	458,723	–	–	458,723	458,723
Corporate bonds	24,867	–	–	24,867	24,867
Structured debt	28,518	9,408	–	37,926	37,926
Loans	–	–	95	95	95
Short term investments	–	–	98,227	98,227	98,227
Derivatives	–	2	–	2	2
Subtotal	**1,159,643**	**9,410**	**98,322**	**1,267,375**	**1,267,375**
Other assets[1]	–	–	551,029	551,029	551,029
Cash and cash equivalents	–	–	341,303	341,303	341,303
Total financial assets	**1,159,643**	**9,410**	**990,654**	**2,159,707**	**2,159,707**
Subordinated loans	–	–	103,800	103,800	117,367
Other liabilities[2]	–	–	483,222	483,222	483,222
Deposits received from reinsurers	–	–	72,452	72,452	72,452
Borrowings	–	–	407	407	407
Total financial liabilities	**–**	**–**	**659,881**	**659,881**	**673,448**

2009	Available-for-sale	Fair value through profit or loss	Loans and receivables	Total estimated fair value	Carrying value
Investment portfolio					
Equity securities:	**634,500**	**–**	**–**	**634,500**	**634,500**
Shares	2,340	–	–	2,340	2,340
Investment funds	632,160	–	–	632,160	632,160
Debt securities:	**565,536**	**24,830**	**–**	**590,366**	**590,366**
Government bonds	444,261	–	–	444,261	444,261
Corporate bonds	84,812	–	–	84,812	84,812
Structured debt	36,463	24,830	–	61,293	61,293
Loans	–	–	97	97	97
Short term investments	–	–	60,817	60,817	60,817
Derivatives	–	300	–	300	300
Subtotal	**1,200,036**	**25,130**	**60,914**	**1,286,080**	**1,286,080**
Other assets[1]	–	–	583,749	583,749	583,749
Cash and cash equivalents	–	–	150,669	150,669	150,669
Total financial assets	**1,200,036**	**25,130**	**795,332**	**2,020,498**	**2,020,498**
Subordinated loans	–	–	106,900	106,900	116,649
Other liabilities[2]	–	–	342,658	342,658	342,658
Deposits received from reinsurers	–	–	72,346	72,346	72,346
Borrowings	–	–	586	586	586
Total financial liabilities	**–**	**–**	**522,490**	**522,490**	**532,239**

1) *Other assets do not include (deferred) tax assets, reinsurance contracts and pension assets.*

2) *Other liabilities do not include (deferred) tax liabilities, insurance contracts, share-based payment plans, other provisions and other taxation and social security contributions.*

Compared to the end of 2009, both the available-for-sale and the fair value through profit or loss investments have been reduced due to maturities and calls in the debt securities portfolio.

The fair values correspond with the amounts at which the financial instruments at our best estimate could have been traded at the balance sheet date between knowledgeable, willing parties in transactions at arm’s-length. The fair values, whenever possible, are based on quoted market prices. If there is no quoted market price available, valuation techniques are used which are based on market prices of comparable instruments or parameters from comparable active markets (market observable data). If no observable market inputs are available, valuation models are used (non-market observable data). These valuation techniques are subjective in nature and involve various assumptions about the relevant pricing factors. Changes in these assumptions could significantly affect the estimated fair values. Consequently, the fair values presented may not be indicative of the net realisable value. In addition, the calculation of the estimated fair value is based on market conditions at a specific point in time and may not be indicative of future fair values.

The fair values are subject to a control framework designed to ensure that they are either determined, or validated, by a function independent of the risk taker. To this end, the Group establishes the accounting policies and processes governing valuation and is responsible for ensuring that these comply with all relevant accounting standards. Within this governance structure, non-quoted investments or illiquid investments in which the Group invests are valued by an external independent valuation company. This company mainly uses generic Monte Carlo simulation systems or their 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 the Group’s Corporate Finance department.

Debt and equity securities available-for-sale

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

Debt and equity securities and derivatives fair value through profit or loss

The fair values of securities at fair value through profit or loss are based on quoted market prices, where available. For those securities not actively traded, fair values are provided by an external independent valuation company.

Loans and short term investments

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

Other assets

The carrying amount of other assets is not materially different to their fair value given their short term nature.

Cash and cash equivalents

The carrying amount of other assets is not materially different to their fair value.

Subordinated loans

The fair value of the subordinated loans is estimated using discounted cash flows based on interest rates that apply to similar instruments.

Other liabilities and deposits received from reinsurers

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

The fair values of the financial instruments carried at fair value were determined as follows:

Financial instruments measured at fair value Assets 2010	Quoted prices in active markets – level 1[1]	Valuation techniques based on observable market data – level 2[2]	Valuation techniques incorporating information other than observable market data – level 3[3]	Total
Fair value through profit or loss:				
Debt securities – structured debt	–	–	9,408	9,408
Derivatives	2	–	–	2
Available–for–sale:				
Equity securities	647,535	–	–	647,535
Debt securities:				
Government bonds	458,723		–	458,723
Corporate bonds	24,867	–	–	24,867
Structured debt	–	–	28,518	28,518
Total	**1,131,127**	**–**	**37,926**	**1,169,053**

Financial instruments measured at fair value Assets 2009	Quoted prices in active markets – level 1[1]	Valuation techniques based on observable market data – level 2[2]	Valuation techniques incorporating information other than observable market data – level 3[3]	Total
Fair value through profit or loss:				
Debt securities – structured notes	–	–	24,830	24,830
Derivatives	300	–	–	300
Available–for–sale:				
Equity securities	634,500		–	634,500
Debt securities:				
Government bonds	444,261		–	444,261
Corporate bonds	84,812	–	–	84,812
Structured debt	–	–	36,463	36,463
Total	**1,163,873**	**–**	**61,293**	**1,225,166**

1) *Quoted prices in active markets – level 1*
This category includes financial instruments whose fair value is determined directly by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis.

2) *Valuation techniques based on observable market data – level 2*
This category includes financial instruments whose fair value is determined using a valuation technique (a valuation model), where inputs in the valuation model are taken from an active market or are market observable. If certain inputs in the model are not market observable, but all significant inputs are, the instrument is still classified in this category, provided that the impact of those elements on the overall valuation is insignificant. Included in this category are items whose value is derived from quoted prices of similar instruments, but for which the prices are (more than insignificantly) modified based on other market observable external data.

3) *Valuation techniques incorporating information other than observable market data – level 3*
This category includes financial investments whose fair value is determined using a valuation technique for which more than an insignificant level of the input in terms that are not supported by a current observable market transaction. This category also includes the financial investments whose 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.

Structured debt

The Group holds structured debt which is classified as part of debt securities since the underlying security is a debt instrument. All structured debt contain embedded derivatives. Structured debt that includes an embedded derivative, e.g. based on interest related strategies, which are closely related to the debt instrument, is accounted for as available-for-sale. Structured debt that includes embedded derivates, which are not closely related to the debt instrument, e.g. foreign exchange rate strategies or index related strategies, are accounted for as fair value through profit or loss. One of the main risks on the structured debt is the default risk of the guarantor of the instrument.

Structured debt can be summarised in the following table:

Strategy	Nominal Value	Fair Value	Nominal Value	Fair Value
	2010		2009	
Interest	36,300	28,518	46,300	36,463
Other strategies	11,900	9,408	33,700	24,830
Total	**48,200**	**37,926**	**80,000**	**61,293**

The table below details the changes in the fair value of Level 3 financials assets (valuation techniques incorporating information other than observable market data).

Financial investments Level 3	Debt securities	
	2010	2009
Balance at 1 January	**61,293**	**103,744**
Total gains or losses:		
in income statement (net income from investments)	1,972	10,038
in other comprehensive income	708	3,130
Purchases	–	1,000
Sales	(10,779)	(36,156)
Settlements	(15,268)	(20,463)
Transfers out of level 3	–	–
Balance at 31 December	**37,926**	**61,293**

4.3.1.2 Equity price risk

The Group is exposed to movement in equity markets by its direct equity holdings within its investment portfolio. Potential changes in the Group's holdings due to price fluctuations in the equity markets are measured by Value-at-Risk (VaR) analyses. Equity price risk is mitigated by holding a diversified and liquid portfolio of investments. The Group can at any time reduce its exposure to equity investments if a substantial risk is perceived in the financial markets.

Shares

The shares portfolio is diversified over the following industry sectors on the next table:

Share industry sectors	Exposure			
	2010	%	2009	%
Communications	501	17.9%	418	17.9%
Consumer, cyclical	–	–	–	–
Consumer, non-cyclical	1,098	39.1%	799	34.1%
Energy	–	–	–	–
Financial	355	12.6%	311	13.3%
Industrial	152	5.4%	128	5.5%
Technology	–	–	–	–
Utilities	–	–	–	–
Diversified	703	25.0%	684	29.2%
Total	**2,809**	**100.0%**	**2,340**	**100.0%**

Investment funds

The investment funds in which the Group invests are exposed to market risk, counterparty risk, liquidity risk and currency risk (general investment fund risks). Some markets on which the investment funds invest may prove at times to be illiquid, insufficiently liquid or highly volatile. This may affect the price at which the investment funds may liquidate positions to meet redemption requests or other funding requirements. The investment funds may be invested in securities denominated in a number of different currencies other than the reference currency in which the investment funds are denominated. In this case, changes in foreign currency exchange rates will affect the value of the participations held in such investment funds. The values of fixed income securities held by investment funds generally will inversely vary with the changes in interest rates and such variation may affect the price of the investment funds accordingly. The management company of investment funds may engage in securities lending programmes, in which the underlying securities are lent out to counterparties over a period of time. A default by a counterparty, or fall in the value of the collateral below that of the value of the securities lent may result in a reduction in the value of the fund. Some investment funds may engage in various portfolio strategies to attempt to reduce certain risks of its investments and to attempt to enhance return. These strategies include the use of options, warrants, forward currency exchange contracts, swaps and future contracts and options on futures contracts. The ability to use these strategies may be limited by market conditions and regulatory limits and there can be no assurance that any of these strategies will meet the expected targets. The net asset values of the investment funds are published daily on banking business days of the country in which the investment funds are registered. Indicative intra-day net asset values, in cases applicable, are published by providers of financial data. The investment funds can be traded on banking business days of the country in which the investments are traded.

The investment funds in which the Group invests are managed in accordance with the investment objectives and restrictions as stipulated in the prospectus of these investment funds. The price and income from the Group's investments in investment funds are dependent on the price and income of the underlying securities and the Group may not recover the full amount invested. The Group does not invest or hold any participation in investment funds which requires the Group to invest more than its full amount invested. In addition, there can be no assurance that any of the investment funds in which the Group invests will achieve their investment objective.

The investment funds have the following profiles, which are further detailed below:

		Weight in %		Weight in %
	2010		2009	
Passive fixed income funds	54,307	8.4%	152,704	24.2%
Active fixed income funds	327,961	50.9%	250,398	39.6%
Passive equities exchange traded funds	70,158	10.9%	65,080	10.3%
Active equities funds	–	–	3,353	0.5%
Absolute return funds	70,552	10.9%	66,684	10.5%
Active money market funds	117,645	18.2%	89,793	14.2%
Other funds	4,103	0.7%	4,148	0.7%
Total	**644,726**	**100%**	**632,160**	**100%**

The reduction of passive fixed income funds is due to the reduction in government bond exposure. The proceeds of this reduction has been used to increase the exposure in corporate bonds, i.e. active fixed income funds.

Passive fixed income funds

The passive fixed income fund investments consist of one index tracking fund. The investment objective of this fund is to deliver a return as close as possible to the annual total return of the JPMorgan EMU 1 to 3 year index. The investment fund is restricted to investments in EMU government bonds and is denominated in Euro.

Active fixed income funds

The active fixed income investment portfolio consists of two corporate bond funds which seek to achieve the objectives by investing in a diversified portfolio consisting mainly of investment grade debt securities issued by corporations, public institutions, or governments with a maximum maturity of five years. The investment funds are denominated in Euro.

Passive equities exchange traded funds

The Group participates in three passively managed equity exchange traded funds. These funds have the investment objective to provide investors with a total return, taking into account both capital and income returns, that reflects the return of a designated benchmark, which is the Dow Jones Euro Stoxx 50[SM] Index. The exchange traded funds are denominated in Euro and invest in a portfolio of equity securities that so far as possible and practicable consists of the components of the Dow Jones Euro Stoxx 50[SM] Index.

Absolute return funds

In general absolute return strategies are aimed to produce positive returns in both positive and negative markets, independent of traditional performance benchmarks such as the general indexes. In order to achieve this objective, absolute return funds generally use different investment strategies to generate positive returns, such as multi-asset allocation, long/short strategies, quantitative strategies and technical analysis. In addition, cash return is widely used as a benchmark of these absolute return funds. In terms of riskiness, absolute return funds can be structured with different levels of risk varying from almost 0% to levels exceeding the riskiness of equities.

The Group has invested in absolute return funds. These investment funds are denominated in Euro and are managed with a volatility target between 3% and 7%.

Active money market funds

The Group participates in two active money market funds. Both funds have the investment objective to maximise current income to the extent consistent with the preservation of capital and the maintenance of liquidity by investing in a diversified portfolio of high quality money market securities and a short term debt. The funds are denominated in Euro and have the objective of maintaining a weighted average maturity of no more than 90 days. The investment funds are managed with a view to maintaining a stable net asset value per share.

Other funds

The other funds portfolio is diversified in one real estate fund, one mixed fixed income fund and one private equity fund. These funds are considered to be long-term holdings and are monitored and evaluated on a frequent basis.

4.3.1.3 Interest rate risk

Interest rate risk is the risk that the value of an asset or a liability will change due to the movement in the absolute level of interest rates.

The Group has various positions of which the value is affected by fluctuations in interest rates. The Group measures the interest rate sensitivity of the investment portfolio and certain key liabilities including the subordinated loan and insurance contracts. The Group has a policy of using investments to reduce interest rate risk. The net interest rate sensitivity of the Group is maintained within prudent limits by means of buying or selling interest sensitive securities. Should the need arise, the Group can reduce, within a reasonable time frame, its net exposure to interest rate sensitivity by using investments or other capital market instruments.

The table in Note 4.3.3 summarises the effective interest rate at the balance sheet date by type of interest bearing assets and liabilities as of the balance sheet date. The table indicates the estimated amount and timing of the main cash flows of interest and non-interest bearing assets and liabilities as at the balance sheet date.

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Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

Fixed rate instruments – carrying amount	2010	2009
Financial assets	521,516	590,366
Financial liabilities	(117,367)	(116,649)
Total	**404,149**	**473,717**

Variable rate instruments – carrying amount	2010	2009
Financial assets[1]	439,530	211,486
Financial liabilities[2]	(72,859)	(72,932)
Total	**366,671**	**138,554**

1) *Variable rate financial assets include cash and cash equivalents and short term investments.*

2) *Variable rate financial liabilities include borrowings and deposits received from reinsurers.*

Cash flow sensitivity analyses for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) the profit before tax by the amounts shown below. This analysis instrument assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

Income statement	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
	2010		2009	
Cash flow sensitivity (net) – variable rate instruments	2,526	(2,526)	1,158	(1,158)

4.3.1.4 Value-at-risk

The Group uses Value-at-Risk (VaR) analysis for determining the impact of changes of market risk on its investment portfolio. The VaR indicator represents the simulated maximum loss in value of our investment portfolio due to adverse market events within a specified time frame and probability (confidence level). The calculation of the VaR is based on the variance-covariance methodology and for certain asset classes on the Monte Carlo simulation. The main inputs for this methodology such as volatility and correlation are derived from financial information systems or are provided by external banks and investment management companies. The risk of using the variance-covariance methodology or any other historical methodology in general is that it may underestimate the riskiness of the portfolio as these methodologies assume that returns are well-behaved according to symmetrical normal distribution and that historical patterns will repeat into the future. In addition the VaR may not compensate for factors such as lack of liquidity. Therefore as the VaR is a simulation-based outcome, it is not intended to represent or to guarantee any future performance, but is used as guidance, for informational purposes and comparison of historical developments only.

The VaR provides insight into the maximum expected loss per asset category and on total investment portfolio level. The amounts and percentages presented are calculated with a given reliability level of 99% for a period of 12 months. This implies that there is 1% probability of underestimating the maximum percentage loss for the coming 12 months. The percentages are applied to the market values per asset category and total investment portfolio level to calculate the maximum expected loss in Euro.

The table below shows the VaR of the Group's debt portfolio and the Group's equity portfolio each on a separate basis as well as at the combined position.

Value-at-risk	**EUR million**	**%**	**EUR million**	**%**
	2010		**2009**	
Equity securities:				
Shares (including equity funds)	46.2	61.5%	49.1	72.8%
Investment funds	13.9	15.7%	24.8	26.4%
Debt securities:				
Government bonds (including government bond funds)	23.4	4.5%	20.3	3.4%
Corporate bonds (including corporate bond funds)	16.2	4.3%	17.3	5.4%
Structured debt	8.0	20.6%	12.4	19.9%
Total	**70.9**	**5.6%**	**64.2**	**4.6%**

Total portfolio VaR might not be equal to the sum of the value-at-risk of the individual portfolio components. This is due to the fact that the correlation among them could be lower than one. The VaR has increased in 2010 due to the additions in corporate bonds and equity securities. In addition, the risk on government bonds increased due to the government debt crisis in the Euro-zone.

4.3.1.5 Currency risk

Movements in exchange rates may affect the value of consolidated shareholders' equity, which is expressed in Euro. Exchange differences taken to other comprehensive income arise on the translation of the net investment in foreign subsidiaries, associates and joint ventures. During 2010, the Euro weakened against some of the non-Euro functional currencies (see also Note 2.7.3) resulting in a foreign currency gain in other comprehensive income of EUR 7.6 million. During 2009, we reported a foreign currency translation loss in other comprehensive income of EUR 0.6 million.

The impact of these fluctuations is limited to a significant degree, however, by the fact that revenues, expenses, assets and liabilities within our non-Euro operations are generally denominated in the same currencies.

The Group exposure to foreign currency exchange rate risk arising from monetary assets and liabilities denominated in non-functional currencies as at 31 December 2010 and 31 December 2009, is as follows (only exposures to the GBP and USD and any other currency above EUR 10 million in any given year are presented here):

	Assets	**Liabilities**	**Net position**	**Assets**	**Liabilities**	**Net position**
		2010			**2009**	
EUR	38,747	74,865	(36,118)	182,371	99,057	83,314
GBP	24,999	32,096	(7,097)	10,123	32,042	(21,919)
USD	132,003	131,301	702	96,903	106,807	(9,904)
AUD	30,543	28,327	2,216	60,778	23,794	36,984
DKK	7,357	17,593	(10,236)	2,651	10,463	(7,812)
HKD	2,644	9,647	(7,003)	13,289	1,338	11,951
SGD	1,178	3,816	(2,638)	20,923	4,769	16,154
OTHER	63,375	76,730	(13,355)	56,623	68,521	(11,898)
Total	**300,846**	**374,375**	**(73,529)**	**443,661**	**346,791**	**96,870**

The table above reflects a decrease in the exposure to the Australian Dollar, Hong Kong Dollar and Singapore Dollar. This is due to a change in the view on some of the intercompany loans provided by Atradius Credit Insurance N.V. to its branches. These loans are provided in the functional currency of the related branches, but since settlement is neither planned nor likely to occur in the near future these loans are now treated as part of the net investment in that foreign operation. This means that the related exchange gains and losses are now recognised in other comprehensive income (currency translation reserve). The Euro exposure decreased significantly since the reinsurance flows within the Group are now being expressed in the local functional currencies of the individual insurance carriers.

Sensitivity analysis

As an indication of the currency exposure, a 10 percent strengthening of the above currencies against the Euro as at balance sheet date would have increased (decreased) the result for the year by an amount equal to the net position as presented above calculated against the aforementioned 10 percent. This analysis assumes that all other variables, in particular interest rates, remain constant and is performed on the same basis as for 2009. A 10 percent weakening of the above-mentioned currencies against the Euro as at balance sheet date would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

4.3.2 Credit risk

The Group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Group is exposed to credit risk are:

- reinsurance contracts;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries; and
- counterparty risk with respect to debt securities.

Reinsurance is used to manage insurance risk. This does not, however, discharge the Group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the Group remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. The Group policy is to select only reinsurers that have a well-established investment grade credit rating. The standard minimum requirement is an 'A' level rating. In the event that the reinsurer's rating is found to be below this threshold, the Group has the right to terminate the reinsurance treaty and/or to ask the reinsurer to post a monetary security.

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 the Group includes details of provisions for impairment on loans and receivables and subsequent write-offs. Internal audit makes regular reviews to assess the degree of compliance with the Group procedures on credit exposures to individual policyholders.

Credit risk to business partners, such as the insured and brokers, are monitored closely. Bad debt provisions are reviewed quarterly and updated.

With regard to managing the credit risks of the financial investments, the investment policy of the Group is to hold a principally Euro-centric, internationally diversified portfolio and to avoid large risk concentrations. From a Standard & Poor's rating scale or comparable perspective, the overall fixed income portfolio is almost completely invested in investment grade debt securities which are rated BBB or higher. The Group can decide at any time to tactically reduce its exposure to lower rated bonds should the need arise and implement this decision within a reasonable short time frame.

The ratings of receivables, claims and commissions arising from reinsurance, debt securities and short term investments as at 31 December 2010 and as at 31 December 2009 are as follows:

At 31 December 2010

(EUR Million)	AAA	AA	A	BBB	Non Rated	Total
Receivables, claims and commissions arising from reinsurance	–	198	295	1	16	510
Debt securities:						
Government bonds	310	47	93	4	5	459
Corporate bonds	2	4	10	4	5	25
Structured debt	3	3	5	3	15	29
Short term investments:						
Deposits withheld by ceding companies	–	4	7	11	4	26
Bank deposits under short term investments	–	29	43	–	–	72
Total	**315**	**285**	**453**	**23**	**45**	**1,121**

At 31 December 2009

(EUR Million)	AAA	AA	A	BBB	Non Rated	Total
Receivables, claims and commissions arising from reinsurance	–	197	397	4	18	616
Debt securities:						
Government bonds	287	67	68	21	1	444
Corporate bonds	4	25	44	9	2	84
Structured debt	5	15	11	5	1	37
Short term investments:						
Deposits withheld by ceding companies	–	3	20	3	1	27
Bank deposits under short term investments	–	11	22	–	–	33
Total	**296**	**318**	**562**	**42**	**23**	**1,241**

4.3.3 Liquidity risk

The Group has an ongoing requirement for liquidity to fund such items as claims, reinsurance flows and operational costs. Premium, fees, investment income, incoming reinsurance flows and recoveries are the Group's main sources of liquidity used to service the ongoing liquidity requirements.

The Group is exposed to liquidity risk if there is insufficient cash available to meet its financial obligations, when due, at a reasonable cost. For the Group, 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 Group level, in close coordination with local operations. The Group's 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 Group is liquid with EUR 118 million investments in money market funds, which can be liquidated on a daily basis with settlement on the liquidation date. The Group is able to readily access credit facilities to prevent certain liquidity shortages which may arise due to short term cash flow variances. The Group maintains two uncommitted credit lines of a total amount of EUR 53 million (2009: EUR 53 million) in the form of an overdraft facility. The credit line provides liquidity to cover infrequent peaks in short term liquidity requirements whilst also permitting the Group to reduce its cash balances and to benefit from a more substantial and stable investment portfolio. Finally, the Group has in place a simultaneous claims payment clause in the main reinsurance treaties. This clause allows the Group to request the reinsurers to anticipate on the payment of large claims upon Group request compared to the usual payment terms agreed in the reinsurance treaties.

Liquidity and interest risk tables

The following table indicates the estimated amount and timing of the main cash flows at the balance sheet date of interest and non-interest bearing liabilities and assets. The tables have been drawn up based on the undiscounted expected cash flows of financial liabilities and assets based on the earliest date on which the Group can be required to pay. 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. The contractual maturity is based on the earliest date on which the Group may be required to pay.

At 31 December 2010	Expected cash flows (undiscounted)						
	Weighted average effective interest rate %	On demand	Less than 6 months	6 to 12 months	1 to 5 years	> 5 years	Carrying value
Interest bearing liabilities							
Subordinated loans	6.10%	–	–	7,050	141,150	–	117,367
Bank overdrafts	1.19%	407	–	–	–	–	407
Deposits received from reinsurers	1.96%	–	25,105	47,347	–	–	72,452
Total		**407**	**25,105**	**54,397**	**141,150**	**–**	**190,226**
Non-interest bearing liabilities							
Insurance contracts		–	577,174	384,783	180,592	45,781	1,311,846
Payables		–	222,233	–			222,233
Total		**–**	**799,407**	**384,783**	**180,592**	**45,781**	**1,534,079**

At 31 December 2009	Expected cash flows (undiscounted)						
	Weighted average effective interest rate %	On demand	Less than 6 months	6 to 12 months	1 to 5 years	> 5 years	Carrying value
Interest bearing liabilities							
Subordinated loans	6.68%	–	–	7,050	148,200	–	116,649
Bank overdrafts	2.21%	586	–	–	–	–	586
Deposits received from reinsurers	2.00%	–	26,507	45,839	–	–	72,346
Total		**586**	**26,507**	**52,889**	**148,200**	**–**	**189,581**
Non-interest bearing liabilities							
Insurance contracts		–	608,570	405,713	353,091	49,788	1,508,084
Payables		–	163,938	–	–	–	163,938
Total		**–**	**772,508**	**405,713**	**353,091**	**49,788**	**1,672,022**

At 31 December 2010	Expected cash flows (undiscounted)						
	Weighted average effective interest rate %	On demand	Less than 6 months	6 to 12 months	1 to 5 years	> 5 years	Carrying value
Interest bearing assets							
Debt securities	2.90%	–	83,672	34,461	425,235	82,292	521,516
Deposits withheld by ceding companies	1.96%	–	–	19,085	–	7,053	26,138
Bank deposits under short term investments	2.12%	–	31,963	18,298	1,276	20,552	72,089
Bank deposits under cash and cash equivalents	3.03%	61,606	–	–	–	–	61,606
Cash	1.27%	279,697	–	–	–	–	279,697
Total		**341,303**	**115,635**	**71,844**	**426,511**	**109,897**	**961,046**
Non-interest bearing assets							
Other financial assets		–	647,632	–	–	–	647,632
Reinsurance contracts		–	266,901	177,934	83,511	21,170	606,634
Receivables		–	207,727	8,292	–	–	216,019
Total		**–**	**1,122,260**	**186,226**	**83,511**	**21,170**	**1,470,285**

At 31 December 2009	Expected cash flows (undiscounted)						
	Weighted average effective interest rate %	On demand	Less than 6 months	6 to 12 months	1 to 5 years	> 5 years	Carrying value
Interest bearing assets							
Debt securities	2.88%	–	92,108	54,326	432,404	96,385	590,366
Deposits withheld by ceding companies	2.00%	–	–	19,185	–	8,496	27,681
Bank deposits under short term investments	1.11%	–	33,136	–	–	–	33,136
Bank deposits under cash and cash equivalents	0.41%	23,137	–	–	–	–	23,137
Cash	0.36%	127,532	–	–	–	–	127,532
Total		**150,669**	**125,244**	**73,511**	**432,404**	**104,881**	**801,852**
Non-interest bearing assets							
Other financial assets		–	646,768	4,225	8,953	1,000	652,266
Reinsurance contracts		–	278,357	185,571	161,502	22,773	689,791
Receivables		–	224,505	35,483	–	–	259,988
Total		**–**	**1,149,630**	**225,279**	**170,455**	**23,773**	**1,602,045**

Should the need to liquidate investment positions arise, the Group maintains the ability to do so within a reasonable time frame and at reasonable cost. The large majority of the investments of the Group consist of highly tradable listed securities which can be converted to liquid assets with minimal market impact. Bonds are primarily government bonds or bonds from major public issuers. The maturity profile of the fixed income portfolio is as follows:

Debt securities – Maturity	Exposure			
	EUR million	%	EUR million	%
	2010		2009	
0 – 1	96	18%	129	22%
1 – 3	373	71%	388	65%
3 – 5	24	5%	21	4%
5 – 10	8	2%	21	4%
10 +	21	4%	31	5%
Total	**522**	**100%**	**590**	**100%**
Duration	2.1 years		2.2 years	
Average maturity	2.6 years		2.9 years	

4.4 Operational risk

4.4.1 Operational risk management

Operational risks are the risks of direct or indirect loss resulting from fraud, inadequate or failed internal processes, people, systems or external events. Atradius uses this definition which is in line with industry practice as well as the European Union Solvency II Framework Directive.

Operational risk is inherent in all the Group's key activities. It can never be entirely eliminated; however, there is a fundamental ongoing objective to address this type of risk. Within Atradius, the Operational Risk Management (ORM) unit, which is part of the Group Risk Management department, is responsible for developing methods for the identification, assessment and response to risks, plus monitoring and further enhancing the overall risk management and control framework. The ORM unit works closely with both Internal Audit and the Legal and Compliance unit to help reduce operational risks in their field of work.

The ORM unit uses a framework for identifying, assessing, responding to and monitoring operational risk, which is based in part on the COSO ERM Integrated Framework. The framework used helps to ensure that operational risks are considered within all parts of the entity and that objectives are more likely to be met with fewer surprises along the way. Similar, but evolving, assurance methods have been employed for several years including risk and control self-assessments, risk registers, business continuity plans and forums for review and discussion of operational risks at different levels of the organisation. Since 2009, the unit has been collecting data on operational risk events, which will form the basis of a loss database for future analysis. A separate record of information technology-related risk events has been collected for many years.

Within Atradius, the risk of fraud, whether external or internal, is taken very seriously. A specific department monitors the activity of customers and buyers to detect indicators of possible external fraud and Atradius provides employee training on external fraud awareness to facilitate identification of fraudulent buyers. Internal fraud is addressed via operational controls which aim to prevent the occurrence of fraud e.g. segregation of duties and the application of signing authorities. In addition, internal fraud is specifically addressed within the Atradius Compliance Framework and discussed more fully in Note 4.4.1.5. It is important to note however that no internal control framework can give absolute assurance that fraud or attempted fraud will be prevented or detected.

Atradius continued to embed operational risk management into business-as-usual activities during 2010 enhancing financial reporting controls and further developing business continuity management, the documentation of procedures and the compliance framework. At the same time, Atradius has begun to implement a new software platform to increase the effectiveness and robustness of its governance, risk and compliance (GRC) activities. More details on each of these activities are provided in Notes 4.4.1.1 through to 4.4.1.5.

During 2010, the initial work carried out to integrate the Atradius operational risk management activities with those already in place in Crédito y Caución, was built upon and will be completed in 2011.

4.4.1.1 Risk registers and risk/control self-assessments

While the ORM unit is responsible for facilitating operational risk management within Atradius, the lines of business and functional areas are responsible for managing their operational risks. Leadership team directors, assisted by 'risk champions', maintain local risk registers.

These registers, which are being migrated to the new GRC software platform, contain those risks considered most significant at a local level and their content forms part of the input for business review meetings which are held semi-annually. At these meetings the highest priority risks (based on an assessment of impact and likelihood), together with the risk responses are reviewed by the owning Leadership team directors and the Management Board. The ORM unit also facilitated separate 'Top Risk' discussions with the Management Board to ensure operational risks are captured from all management perspectives.

Atradius also employs a bottom-up approach to identify and assess the risks inherent in our core business processes. Having previously documented the internal control systems governing these processes, self-assessments make it possible to identify and monitor anything from structural enterprise-wide internal control weaknesses to specific weaknesses at local level and provides results that can be used to remedy these on a prioritised basis. Existing assessments are in the process of being migrated to the new GRC software platform, which will increase efficiency and maintainability.

4.4.1.2 Financial reporting controls

For the past two years Atradius has conducted a quarterly 'in control' sign-off process for financial reporting risks. This is based on a prior assessment of associated processes, risks and controls, similar to the aforementioned self-assessments. This process has been further enhanced during 2010, with regular review of the results and the level of assurance provided by the Management Board, the Financial Reporting Controls (FRC) Platform and Internal Audit. The FRC Platform is a forum with representatives from Group Risk Management, Finance and Internal Audit, tasked with overseeing the FRC process and assisting the Management Board with decisions on identified deficiencies.

4.4.1.3 Business continuity management

Atradius recognises the importance of being able to recover its critical business processes in the event of any major operational disruption. Business continuity management is co-ordinated by the ORM unit and is based on the internationally recognised British Standard BS25999. The overall objective is to document and test practical plans that clearly demonstrate our ability to recover key business activities within an acceptable timescale.

Business continuity plans are structured around the following major components:

- programme management: standards, drive and co-ordination;
- understanding the organisation: risks and business impact analysis;
- business continuity strategy: appropriate recovery timescales;
- business continuity response: resources to meet recovery timescales, including people, buildings, IT;
- exercise, maintain and review: test and update documented plans; and
- embedding a BCM culture: training and awareness across the organisation.

During 2010 Atradius carried out a number of incident management exercises, disaster recovery tests, business recovery workshops and staff awareness initiatives. Several operational incidents including severe weather, regional power outages and minor flooding were successfully managed with no major impact on business operations.

4.4.1.4 Procedures

Procedures are an important element of Atradius' framework for internal controls. As such, a group-wide standard for procedures is in place, which describes minimum content requirements, change control, communication, training and adherence monitoring. Documented procedures help ensure that activities are carried out in a prescribed manner and thus help mitigate operational risk. A central inventory of procedures is maintained to assist with the aforementioned activities.

4.4.1.5 Compliance

Atradius' compliance practices support our business, our reputation and our integrity. These elements are of importance to our customers, suppliers, staff and other stakeholders. Complying with relevant laws, rules and regulations and maintaining a high standard in terms of ethics and integrity, leads to lower operational risk and more stable business processes.

The Atradius Compliance Codes, reflecting general rules for the Atradius organisation, were introduced during 2009. In addition, an e-learning programme was developed in-house and made available to all employees through Atradius' web-based learning management system, to facilitate increasing awareness of compliance. Compliance risk monitoring and reporting activities were further developed during 2010 and will be aligned with the overall governance, risk and compliance approach within Atradius going forward.

4.4.1.6 Outlook 2011

In the area of operational risk management, Atradius plans to:

- complete the initial implementation of the new software platform, encompassing risk registers, financial reporting controls and existing self assessments;
- finalise the standardisation and alignment of operational risk management activities across the group;
- continue to develop business continuity measures in accordance with BS25999;
- further develop the loss database to record operational risk events at a more granular level; and
- expand existing activities to non-core areas not already covered.

4.5 Capital management

4.5.1 Guiding principles

Capital management is guided by the following principles:

- ensure that the Group is adequately capitalised to preserve financial strength, even after a large loss event, and protect the franchise value of the Group;
- meet the solvency capital requirements of all the Group's entities worldwide;
- manage capital adequacy of the Group and its entities taking into account the internal economic and accounting views along with the external rating agency and regulatory solvency requirements; and
- optimise capital structure by efficiently allocating funds across the Group's entities and minimising the overall cost of funding while preserving financial flexibility.

4.5.2 The Group's objectives, policies and processes with regard to capital

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

The Group has embedded in its procedures the necessary tests to ensure compliance with externally imposed regulations and internally imposed requirements for capital adequacy. Such compliance is ensured by:

- monitoring duration of assets and liabilities;
- incorporating a view on business expectations such as expected future investments in new businesses, revenues, claims, reinsurance expectations and dividends as these impact both available and required capital;
- taking into consideration capital markets expectations such as expected returns, volatilities and correlations as these may impact earnings and the shareholder equity reserves.

In order to ensure capital adequacy, a capital buffer above the minimum solvency capital required is maintained, which is in excess of the strict requirements such that large loss events do not impair the ability of the Group to carry on its normal course of business.

4.5.3 Regulatory capital requirements

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

4.5.4 Regulatory capital

The table below summarises the minimum required capital for the major regulated legal entities of the Group and the regulatory capital held against each of them, both according to local GAAP. The statutory capital available, the minimum capital requirement and surplus for each insurance company in each country is subject to local regulatory requirements, which differs from jurisdiction to jurisdiction. Moreover, the solvency calculation models of the relevant regulatory authorities are derived from financial figures based on local generally accepted accounting principles. Regulators in each jurisdiction have the discretionary right to impose additional capital requirements in excess of the required minimum. Data for the current year is, in general, an estimate that is updated once calculations prepared for the regulators are final.

2010	The Netherlands	Spain	Ireland	US	Mexico
Regulatory capital held (preliminary estimates)	270,288	162,954	288,234	42,633	15,132
Minimum legal regulatory capital (preliminary estimates)	65,119	47,775	71,758	3,756	5,146

2009	The Netherlands	Spain	Ireland	US	Mexico
Regulatory capital held	263,315	153,229	247,015	37,362	12,723
Minimum legal regulatory capital	66,379	50,650	69,305	3,483	4,490

The five main regulated legal entities and respective territories are Atradius Credit Insurance N.V. in the Netherlands, Crédito y Caución in Spain, Atradius Reinsurance Ltd. in Ireland, Atradius Trade Credit Insurance, Inc. in the USA and Atradius Seguros de Crédito S.A. in Mexico.

The minimum regulatory capital of all European entities is based on the EU insurance directive. This directive prescribes a calculation based on average gross earned premium or average gross incurred claims allowing for a maximum reinsurance percentage of 50%. The higher of the two calculations is the basis for the minimum regulatory capital. In case the net claims provisions are higher than in the previous period, the minimum regulatory capital requirement cannot be lower than the one of the previous period.

Atradius Credit Insurance N.V. is located in the Netherlands and operates globally through a branch structure. Atradius Credit Insurance N.V., including all its branches, is regulated by De Nederlandsche Bank (DNB). For Atradius Credit Insurance N.V., the 2010 requirement is formed by the claims based calculation, which exceeds the premium based requirement. Based on a clarification from the DNB in 2010, certain intercompany loans have been deducted from regulatory capital held per year-end 2010. The 2009 solvency figures have been adjusted accordingly. Certain branches of Atradius Credit Insurance N.V. are also subject to a local regulatory capital requirement (Australia, Canada, Hong Kong, Japan, New Zealand, Singapore, Switzerland and Turkey). However, the capital allocated to these branches is part of the consolidated capital of Atradius Credit Insurance N.V. in the Netherlands and the local regulatory requirements imposed on these branches do not constitute a burden in excess of the one imposed upon Atradius Credit Insurance N.V.

Crédito y Caución is regulated in Spain by the Dirección General de Seguros y Fondos de Pensiones (DGSFP). The 2010 requirement is formed by the claims based calculation which exceeds the premium based calculation.

Atradius Reinsurance Ltd. is regulated in Ireland by the Irish Financial Regulator (IFR). For minimum capital requirement the IFR requires the higher of both a premium and a claims based calculation. The claims based calculation forms the basis for the minimum capital requirement for 2010 reporting year.

Atradius Trade Credit Insurance, Inc. is regulated in the US by the Maryland Insurance Administration (MIA); the required capital is determined to be the ‘authorised control level risk based capital’ based on the National Association of Insurance Commissioners Risk Based Capital model (RBC). RBC is a method of measuring the minimum amount of capital appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. The calculation is based on applying factors to various asset, premium, reinsurance, claim, expense and reserve items, with the factors determined as higher for those items with greater underlying risk and lower for less risky items.

Atradius Seguros de Crédito S.A. is regulated in Mexico by the Comisión Nacional de Seguros y Finanzas (CNSF); the minimum solvency requirement is based on the higher of a premium or claims based calculation with additional capital required based on the quality and concentration level of the reinsurance panel. As per year-end 2010 the claims based calculation is higher.

In addition to other applicable regulatory requirements, in the Netherlands, Spain and Ireland, insurers and reinsurers, respectively, are required to maintain equalisation reserves to protect against the impact of large claims and catastrophes. The basis on which these equalisation reserves are established is set out in the local country regulations based on a pre-established formula applicable to certain lines of business and may be capped at a maximum level. Equalisation provision represents a major difference between local GAAP and IFRS since it is not allowed under the latter.

4.6 Economic capital

Economic capital models measure economic risks and determine the amount of capital required to support these risks. These models permit easy comparison between products, industry sectors and geographic locations. The Group, and its ultimate parent company Grupo Catalana Occidente S.A., recognises the importance of these models and is developing the required infrastructure to implement such models. The Group believes that all of its stakeholders will benefit from this investment.

For an economic capital model to be practical for risk management, it must reflect economic reality to a fair extent in order to provide valuable information about risks and their impact on capital requirements.

The model must be sufficiently sophisticated and tailored to reflect the reality of the Group's activities and risks. The Group has developed an internal model to determine the economic capital requirements for the insurance risk for all material products: credit insurance (including special products), bonding, instalment credit protection and assumed reinsurance business.

The structure of the model is in line with industry standard models for credit risk and specifically calibrated for the features of our products. In order to adequately capture the insurance nature of the products, including the features of the reinsurance treaties with which the risks are reinsured, a model infrastructure was built in-house and tailored to our products' specific characteristics.

In order to complete the overall estimate of the capital required at group level, risk types other than insurance risk have been modelled with simpler models as placeholders.

The results, broken down to various relevant dimensions, are reported to the RSMB on a quarterly basis. In addition, the model results are included in Atradius' monthly management reporting since the end of 2009, reaching a wider senior audience both inside the Group as well as in its ultimate parent company, Grupo Catalana Occidente, S.A. The model is used to advise on the economic benefits and other aspects of various reinsurance options during the reinsurance renewal process. In addition, the model is used for specific ad hoc risk assessment tasks.

The Group and its ultimate parent company Grupo Catalana Occidente S.A. has decided that it will prepare for calculating the Solvency Capital Requirement ('SCR') under Solvency II using a partial internal model as of the introduction date of Solvency II. Insurance risks will be modelled using an internal model based on the economic capital model. The SCR for other risks is expected to initially be calculated using the standard model. During 2011, the Group and its ultimate parent company Grupo Catalana Occidente S.A. will work to ensure that the infrastructure complies with Solvency II requirements for (partial) internal models.

4.7 Credit rating

At the time of adopting this Annual report, the core entities of Atradius (Atradius Credit Insurance N.V., Atradius Reinsurance Ltd., Atradius Trade Credit Insurance, Inc. and Compañía Española de Seguros y Reaseguros de Crédito y Caución, S.A.) are rated 'A-, outlook negative' by Standard and Poor's (S&P). For the purpose of the S&P rating, the Atradius Group is treated as a "core" entity of Grupo Catalana Occidente, S.A. In addition, the local S&P rating for the Mexican entity Atradius Seguros de Crédito, S.A. is 'mxAA, stable outlook' and in the USA Atradius Trade Credit Insurance, Inc. is rated 'A-, negative outlook' by A.M. Best.

5 Segment information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Management Board in order to allocate resources to the segment and to assess its performance. The segment insurance is split into Credit insurance which includes Instalment credit protection, Bonding and Assumed reinsurance due to the different nature of the related products and the associated insurance liabilities. The services segment includes Collection activities, Atradius Dutch State Business and other service related business. The Group costs segment relates to corporate operations, after cost allocations to the other business segments.

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

Information regarding these segments is presented below:

Business segment 2010	**Credit insurance**	**Bonding**	**Assumed reinsurance**	**Total insurance business**	**Services**	**Inter-segment elimination**	**Group costs**	**Total**
Revenue from external customers	1,261,224	84,246	104,199	**1,449,669**	51,051	–	–	**1,500,720**
Intersegment revenues	–	–	–	–	5,669	(5,669)	–	**–**
Total revenue from customers	**1,261,224**	**84,246**	**104,199**	**1,449,669**	**56,720**	**(5,669)**	**–**	**1,500,720**
Insurance premium ceded to reinsurers	(573,481)	(43,300)	(2,763)	**(619,544)**	–	–	–	**(619,544)**
Total segment income after reinsurance	**687,743**	**40,946**	**101,436**	**830,125**	**56,720**	**(5,669)**	**–**	**881,176**
Insurance claims and loss adjustment expenses	(459,023)	(38,027)	(62,523)	**(559,573)**	–	4,608	–	**(554,965)**
Insurance claims and loss adjustment expenses recovered from reinsurers	165,992	20,970	2,287	**189,249**	–	–	–	**189,249**
Net insurance claims	**(293,031)**	**(17,057)**	**(60,236)**	**(370,324)**	**–**	**4,608**	**–**	**(365,716)**
Gross operating expenses	(425,121)	(31,633)	(41,978)	**(498,732)**	(57,452)	1,061	(13,777)	**(568,900)**
Commission received for business ceded to reinsurers	173,175	12,049	930	**186,154**	–	–	–	**186,154**
Net operating expenses	**(251,946)**	**(19,584)**	**(41,048)**	**(312,578)**	**(57,452)**	**1,061**	**(13,777)**	**(382,746)**
Operating segment result	**142,766**	**4,305**	**152**	**147,223**	**(732)**	**–**	**(13,777)**	**132,714**
Share of income of associated companies								**10,203**
Net income from investments								**12,485**
Finance income and expenses								**(2,659)**
Result for the year before tax								**152,743**
Income tax (expense)/ income								**(27,795)**
Result for the year								**124,948**

The segmental reporting follows the management point of view. In all the other insurance related notes the figures are reported based on the products credit insurance and bonding and this differs from the segmental view presented here. The Assumed reinsurance segment is allocated based on the underlying contracts; approximately 60% can be allocated to credit insurance and approximately 40% to bonding.

Business segment 2010	Credit insurance	Bonding	Assumed reinsurance	Total insurance business	Services	Inter–segment elimination	Group costs	Total
Total assets	**580,678**	**226,739**	**12,072**	**819,489**	**4,808**	**(1,644)**	**–**	**822,653**
Total assets include:								
Reinsurance contracts	392,829	206,667	7,138	**606,634**	–	–	–	**606,634**
Receivables	187,849	20,072	4,934	**212,855**	4,808	(1,644)	–	**216,019**
Total liabilities	**942,925**	**344,341**	**239,174**	**1,526,440**	**22,219**	**(14,580)**	**–**	**1,534,079**
Total liabilities include:								
Insurance contracts	747,296	325,512	239,038	**1,311,846**	–	–	–	**1,311,846**
Payables	195,629	18,829	136	**214,594**	22,219	(14,580)	–	**222,233**

Business segment 2009	Credit insurance	Bonding	Assumed reinsurance	Total insurance business	Services	Inter–segment elimination	Group costs	Total
Revenue from external customers	1,405,764	86,247	97,304	**1,589,315**	77,057	–	–	**1,666,372**
Intersegment revenues	–	–	–	**–**	7,190	(7,190)	–	**–**
Total revenue from customers	**1,405,764**	**86,247**	**97,304**	**1,589,315**	**84,247**	**(7,190)**	**–**	**1,666,372**
Insurance premium ceded to reinsurers	(613,070)	(43,952)	(1,318)	**(658,340)**	–	–	–	**(658,340)**
Total segment income after reinsurance	**792,694**	**42,295**	**95,986**	**930,975**	**84,247**	**(7,190)**	–	**1,008,032**
Insurance claims and loss adjustment expenses	(1,262,957)	(23,285)	(70,552)	**(1,356,794)**	–	5,791	–	**(1,351,003)**
Insurance claims and loss adjustment expenses recovered from reinsurers	625,940	11,998	2,710	**640,648**	–	–	–	**640,648**
Net insurance claims	**(637,017)**	**(11,287)**	**(67,842)**	**(716,146)**	**–**	**5,791**	**–**	**(710,355)**
Gross operating expenses	(455,823)	(28,700)	(40,187)	**(524,710)**	(69,191)	1,399	(53,213)	**(645,715)**
Commission received for business ceded to reinsurers	138,919	12,664	453	**152,036**	–	–	–	**152,036**
Net operating expenses	**(316,904)**	**(16,036)**	**(39,734)**	**(372,674)**	**(69,191)**	**1,399**	**(53,213)**	**(493,679)**
Operating segment result	**(161,227)**	**14,972**	**(11,590)**	**(157,845)**	**15,056**	**–**	**(53,213)**	**(196,002)**
Share of income of associated companies								**8,335**
Net income from investments								**59,978**
Finance income and expenses								**(13,036)**
Result for the year before tax								**(140,725)**
Income tax (expense)/ income								**27,459**
Result for the year								**(113,266)**

In 2009 the Group costs included the effect of the cost savings programme (see Note 21).

Business segment 2009	Credit insurance	Bonding	Assumed reinsurance	Total insurance business	Services	Inter–segment elimination	Group costs	Total
Total assets	**719,276**	**223,815**	**1,155**	**944,246**	**9,186**	**(3,653)**	**–**	**949,779**
Total assets include:								
Reinsurance contracts	488,693	200,878	220	**689,791**	–	–	–	**689,791**
Receivables	230,583	22,937	935	**254,455**	9,186	(3,653)	–	**259,988**
Total liabilities	**1,108,436**	**340,426**	**213,759**	**1,662,621**	**27,577**	**(18,176)**	**–**	**1,672,022**
Total liabilities include:								
Insurance contracts	974,632	319,726	213,726	**1,508,084**	–	–	–	**1,508,084**
Payables	133,804	20,700	33	**154,537**	27,577	(18,176)	–	**163,938**

Reportable segments' assets are reconciled to total assets as follows:

	2010	2009
Segment assets for reportable segments	**822,653**	**949,779**
Unallocated:		
Intangible assets	163,947	169,415
Property, plant and equipment	124,812	131,000
Investment property	22,668	23,231
Investment in associated companies and joint ventures	29,821	22,611
Financial investments	1,267,375	1,286,080
Other assets	335,010	323,761
Deferred income tax assets	127,734	117,647
Current income tax assets	39,663	25,180
Cash and cash equivalents	341,303	150,669
Total assets	**3,274,986**	**3,199,373**

Reportable segments' liabilities are reconciled to total liabilities as follows:

	2010	2009
Segment liabilities for reportable segments	**1,534,079**	**1,672,022**
Unallocated:		
Subordinated loans	117,367	116,649
Other liabilities and provisions	357,734	304,269
Borrowings	407	586
Employee benefit liabilities	89,917	82,947
Deferred income tax liabilities	119,552	104,502
Current income tax liabilities	20,717	13,357
Total liabilities	**2,239,773**	**2,294,332**

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

	2010	2009
Spain, Portugal and Brazil	467,411	547,810
France, Belgium, Italy and Luxembourg	264,380	309,408
Germany, Central and Eastern Europe	228,616	226,766
United Kingdom and Ireland	215,839	231,754
The Netherlands and the Nordic countries	207,894	232,218
North America	56,313	64,683
Oceania and Asia	60,267	53,733
Total	**1,500,720**	**1,666,372**

Total segment assets and capital expenditure are allocated based on where the assets are located:

	Segment assets		Additions to property, plant, equipment and intangible assets	
	2010	2009	2010	2009
Spain, Portugal and Brazil	668,209	623,385	3,230	4,591
France, Belgium, Italy and Luxembourg	353,438	376,455	1,508	2,132
Germany, Central and Eastern Europe	273,835	288,030	688	499
United Kingdom and Ireland	901,375	904,553	3,359	7,576
The Netherlands and the Nordic countries	848,336	797,629	2,044	1,096
North America	127,731	122,325	84	257
Oceania and Asia	102,062	86,996	323	133
Total	**3,274,986**	**3,199,373**	**11,236**	**16,284**

The Group does not have any large clients that would meet the criteria for reporting these separately.

6 Intangible assets

2010	Goodwill	Agent networks	Non-patented technology	Trade names	Insurance portfolios	Software	Total
At cost at 1 January	**118,366**	**12,008**	**4,991**	**2,825**	**4,609**	**92,363**	**235,162**
Additions	–	–	–	–	–	7,771	7,771
Disposals	–	–	–	–	–	(173)	(173)
Effect of movements in foreign exchange	55	–	–	–	5	810	870
At cost at 31 December	**118,421**	**12,008**	**4,991**	**2,825**	**4,614**	**100,771**	**243,630**
Accumulated amortisation and impairments at 1 January	**(735)**	**(1,602)**	**(666)**	**(1,130)**	**(4,490)**	**(57,124)**	**(65,747)**
Amortisation charge for the year	–	(801)	(333)	(565)	(68)	(11,388)	(13,155)
Amortisation on disposals	–	–	–	–	–	103	103
Impairment loss	–	–	–	–	–	(386)	(386)
Effect of movements in foreign exchange	–	–	–	–	(5)	(493)	(498)
Accumulated amortisation and impairments at 31 December	**(735)**	**(2,403)**	**(999)**	**(1,695)**	**(4,563)**	**(69,288)**	**(79,683)**
Balance at 1 January	**117,631**	**10,406**	**4,325**	**1,695**	**119**	**35,239**	**169,415**
Balance at 31 December	**117,686**	**9,605**	**3,992**	**1,130**	**51**	**31,483**	**163,947**

2009	Goodwill	Agent networks	Non-patented technology	Trade names	Insurance portfolios	Software	Total
At cost at 1 January	**118,324**	**12,008**	**4,991**	**2,825**	**4,610**	**87,562**	**230,320**
Additions	–	–	–	–	–	7,732	7,732
Disposals	–	–	–	–	–	(4,629)	(4,629)
Effect of movements in foreign exchange	42	–	–	–	(1)	1,698	1,739
At cost at 31 December	**118,366**	**12,008**	**4,991**	**2,825**	**4,609**	**92,363**	**235,162**
Accumulated amortisation and impairments at 1 January	**(735)**	**(801)**	**(333)**	**(565)**	**(3,147)**	**(50,421)**	**(56,002)**
Amortisation charge for the year	–	(801)	(333)	(565)	(1,346)	(10,525)	(13,570)
Amortisation on disposals	–	–	–	–	–	4,601	4,601
Effect of movements in foreign exchange	–	–	–	–	3	(779)	(776)
Accumulated amortisation and impairments at 31 December	**(735)**	**(1,602)**	**(666)**	**(1,130)**	**(4,490)**	**(57,124)**	**(65,747)**
Balance at 1 January	**117,589**	**11,207**	**4,658**	**2,260**	**1,463**	**37,141**	**174,318**
Balance at 31 December	**117,631**	**10,406**	**4,325**	**1,695**	**119**	**35,239**	**169,415**

Goodwill

If applicable, impairment of goodwill is recognised as a separate item in the income statement. During 2010 there was no impairment charge (2009: no impairment charge).

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

Cash-Generating Units	2010	2009
Crédito y Caución	98,797	98,797
Atradius Trade Credit Insurance Inc.	4,750	4,750
Atradius Collections B.V.	6,426	6,426
ACI N.V. France	2,767	2,767
ACI N.V. (Nordic bonding)	2,642	2,642
Other	2,304	2,249
Total	**117,686**	**117,631**

The Nordic Bonding unit includes the Group's bonding business in Denmark, Norway, Sweden and Finland.

The fair value of an individual CGU is determined based on value in use calculations, for which a discounted cash flow model is used. The cash flows are estimated using a projection period and a normalised period. The projection period is 10 years, where the first 1-3 year projections are based on financial budgets and/or forecasts. The remaining years are estimated using ratios and growth rates that converge towards their normalised term value. The terminal value is calculated based on the free cash flows in year 11, for which a normalised long-term annual cash flow is calculated and a long-term growth rate of 2%. The 7.81% discount rate used (2009: 8.38%) is close to cost of equity. Any profits, after fulfilling minimum capital requirements, are assumed to be distributable dividends. Minimum capital requirements are calculated based on local regulatory solvency requirements and minimum shareholders equity required (non-distributable), including the building up of an equalisation reserve.

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.

Other intangibles

Amortisation charges and impairment expenses are included in the net operating expenses. Amortisation is calculated using the straight-line method over the expected life of the asset which is estimated at 15 years for agent networks and non-patented technology and five years for trade names. For software the expected life is estimated to be between three and five years.

There was no impairment charge for self-developed software to the insurance business segment for 2010 (2009: no impairment charge).

7 Property, plant and equipment

2010	Land and buildings	Fixtures and fittings	IT hardware	Total
At cost at 1 January	**107,705**	**51,465**	**38,635**	**197,805**
Additions	54	1,539	1,872	3,465
Disposals	–	(897)	(211)	(1,108)
Effect of movements in foreign exchange	253	737	834	1,824
At cost at 31 December	**108,012**	**52,844**	**41,130**	**201,986**
Accumulated depreciation and impairments at 1 January	**(7,510)**	**(30,348)**	**(28,947)**	**(66,805)**
Depreciation charge for the year	(1,442)	(4,563)	(3,788)	(9,793)
Depreciation on disposals	–	537	126	663
Impairment loss	–	(110)	–	(110)
Effect of movements in foreign exchange	(22)	(485)	(622)	(1,129)
Accumulated depreciation and impairments at 31 December	**(8,974)**	**(34,969)**	**(33,231)**	**(77,174)**
Balance at 1 January	**100,195**	**21,117**	**9,688**	**131,000**
Balance at 31 December	**99,038**	**17,875**	**7,899**	**124,812**

2009	Land and buildings	Fixtures and fittings	IT hardware	Total
At cost at 1 January	**107,465**	**49,086**	**35,940**	**192,491**
Additions	144	4,918	3,490	8,552
Disposals	–	(3,051)	(1,818)	(4,869)
Reclassifications	–	–	–	–
Effect of movements in foreign exchange	96	512	1,023	1,631
At cost at 31 December	**107,705**	**51,465**	**38,635**	**197,805**
Accumulated depreciation and impairments at 1 January	**(5,865)**	**(27,132)**	**(25,055)**	**(58,052)**
Depreciation charge for the year	(1,504)	(4,923)	(4,905)	(11,332)
Depreciation on disposals	–	2,174	1,626	3,800
Reclassifications	(131)	–	–	(131)
Effect of movements in foreign exchange	(10)	(467)	(613)	(1,090)
Accumulated depreciation and impairments at 31 December	**(7,510)**	**(30,348)**	**(28,947)**	**(66,805)**
Balance at 1 January	**101,600**	**21,954**	**10,885**	**134,439**
Balance at 31 December	**100,195**	**21,117**	**9,688**	**131,000**

Land and buildings relate only to property for own use. Depreciation expense on land and buildings for property for own use of EUR 1.4 million (2009: EUR 1.5 million) has been charged to the net operating expenses.

The market value of land and buildings for own use is presented below:

	2010	2009
Spain	86,361	87,421
Italy	23,506	23,506
Belgium, France	9,702	9,702
Other	3,883	4,688
Total	**123,452**	**125,317**

The property for own use is independently appraised by real estate valuators, which are registered in the relevant countries and have appropriate qualifications and experience in the valuation of properties. The Group usually revalues all properties every two years. In Spain, the latest valuations on the majority of the buildings were conducted during December 2010 by Inmoseguros Sociedad de Tasaciones S.A., in Italy in September 2009 by BNP Paribas Real Estate, in Belgium in September 2009 by Jones Lang la Salle and in France in August 2009 by Sorovim Conseil Immobilier.

8 Investment property

	2010	2009
At cost at 1 January	**24,804**	**27,282**
Disposals	(194)	(2,492)
Effect of movements in foreign exchange	98	14
At cost at 31 December	**24,708**	**24,804**
Accumulated depreciation and impairments at 1 January	**(1,573)**	**(1,281)**
Depreciation charge for the year	(535)	(674)
Depreciation on disposals	70	428
Impairment loss	–	(177)
Reclassifications	–	131
Effect of movements in foreign exchange	(2)	–
Accumulated depreciation and impairments at 31 December	**(2,040)**	**(1,573)**
Balance at 1 January	**23,231**	**26,001**
Balance at 31 December	**22,668**	**23,231**

The market value of investment property is presented below:

	2010	2009
Spain	19,962	20,280
Italy	4,838	5,491
The Netherlands	1,345	1,345
Mexico	1,390	1,221
Other	567	550
Total	**28,102**	**28,887**

The property for investment has been valued by independent real estate valuators, which are registered in the relevant countries and have appropriate qualifications and experience in the valuation of properties. The majority of the property is located in Spain (71% of the total market value). The Group usually revalues all properties every two years. In Spain, the latest valuations on the majority of the buildings were conducted during December 2010 by Inmoseguros Sociedad de Tasaciones S.A.; in Italy in September 2009 by BNP Paribas Real Estate; in the Netherlands in July 2009 by Buningh & van de Weetering Taxaties B.V. and in France in August 2009 by Sorovim Conseil Immobilier.

9 Investments in associated companies and joint ventures

The following table shows the changes in investments in associated companies and joint ventures valued by the equity method.

	2010	2009
Balance at 1 January	**22,611**	**25,204**
Share of (loss)/profit	10,766	8,325
Dividends received	(4,985)	(11,898)
Disposals	–	(197)
Impairment loss	(563)	–
Revaluations	(3)	(244)
Effect of movements in foreign exchange	1,995	1,421
Balance at 31 December	**29,821**	**22,611**

Goodwill related to investments in associated companies is EUR 2.0 million (2009: EUR 2.3 million). The Group's interests in its principal associated companies and joint ventures, all of which are unlisted, are as follows:

2010	Country of incorporation	Assets	Liabilities	Revenues	Share of profit/(loss)	% interest held	Equity method valuation
Graydon Holding N.V., Amsterdam	The Netherlands	25,713	16,903	32,225	7,175	45.00%	8,810
Conteco SpA., Milan	Italy	–	–	–	–	0.00%	–
CLAL Credit Insurance Ltd, Tel Aviv	Israel	8,787	5,539	1,953	776	20.00%	3,248
Al Mulla Atradius Insurance Consultancy & Brokerage L.L.C., Dubai	UAE	–	–	2,701	331	49.00%	–
Compañía Seguros de Crédito Continental S.A., Santiago de Chile	Chile	18,374	5,805	2,943	2,214	50.00%*	12,569
Company Watch (Holdings) Ltd, London	UK	644	(158)	627	7	23.00%	802
The Lebanese Credit Insurer S.A.L., Beirut	Lebanon	2,044	655	125	230	48.90%	1,389
Les Assurances des Crédits Commerciaux S.A., Tunis	Tunisia	1,368	857	118	27	34.99%	511
Tokio Marine Nichido and Atradius Credit Management and Co. Ltd., Tokyo	Japan	501	–	249	6	50.00%	501
Total		**57,431**	**29,601**	**40,941**	**10,766**		**27,830**
Goodwill related to the acquisition of associates							1,991
Total							**29,821**

2009	Country of incorporation	Assets	Liabilities	Revenues	Share of profit/(loss)	% interest held	Equity method valuation
Graydon Holding N.V., Amsterdam	The Netherlands	20,257	14,128	33,315	6,547	45.00%	6,129
Conteco SpA., Milan	Italy	–	–	–	(54)	0,00%	–
CLAL Credit Insurance Ltd, Tel Aviv	Israel	6,554	4,421	1,467	23	20.00%	2,133
Al Mulla Atradius Insurance Consultancy & Brokerage L.L.C., Dubai	UAE	1,912	1,369	2,364	591	49.00%	543
Compañía Seguros de Crédito Continental S.A., Santiago de Chile	Chile	13,314	4,440	1,437	881	50.00%*	8,874
Company Watch (Holdings) Ltd, London	UK	787	104	538	102	23.00%	683
The Lebanese Credit Insurer S.A.L., Beirut	Lebanon	1,717	631	549	217	48.90%	1,086
Les Assurances des Crédits Commerciaux S.A., Tunis	Tunisia	1,191	702	95	14	34.99%	489
Tokio Marine Nichido and Atradius Credit Management and Co. Ltd., Tokyo	Japan	414	2	238	4	50.00%	412
Total		**46,146**	**25,797**	**40,003**	**8,325**		**20,349**
Goodwill related to the acquisition of associates							2,262
Total							**22,611**

* Minus one share

As required by IFRS, all information from the associated companies is based on the balance sheet dates between 30 September 2010 and 31 December 2010.

The fair value of the investments in associated companies equals EUR 158.0 million (2009: EUR 144.1 million).

The fair value of the associated companies is determined based on value in use calculations, for which a discounted cash flow model is used.

The cash flows are estimated using a projection period and a normalised period. The projection period is 10 years, where the first 1-3 year projections are based on financial budgets and/or forecasts. The remaining years are estimated using ratios and growth rates that converge towards their normalised term value. The terminal value is calculated based on the free cash flows in year 11, for which a normalised long-term annual cash flow is calculated and a long-term growth rate of 2%. The 7.81% discount rate used (2009: 8.38%) is close to cost of equity. Based on this review, the Group decided to impair two investments. The associated impairment loss amounted to EUR 563 thousand which has been recognised in the income statement under net investment income.

10 Financial investments

Financial investments classified by measurement category and nature 2010	Available-for-sale	Fair value through profit or loss	Loans and receivables	Total
Equity securities	647,535	–	–	647,535
Debt securities	512,108	9,408	–	521,516
Loans	–	–	95	95
Short term investments	–	–	98,227	98,227
Derivatives	–	2	–	2
Total	**1,159,643**	**9,410**	**98,322**	**1,267,375**
Quoted prices in active markets	1,131,125	2	98,227	1,229,354
Valuation techniques	28,518	9,408	95	38,021
Total	**1,159,643**	**9,410**	**98,322**	**1,267,375**

Financial investments classified by measurement category and nature 2009	Available-for-sale	Fair value through profit or loss	Loans and receivables	Total
Equity securities	634,500	–	–	634,500
Debt securities	565,536	24,830	–	590,366
Loans	–	–	97	97
Short term investments	–	–	60,817	60,817
Derivatives	–	300	–	300
Total	**1,200,036**	**25,130**	**60,914**	**1,286,080**
Quoted prices in active markets	1,163,573	300	50,178	1,214,051
Valuation techniques	36,463	24,830	10,736	72,029
Total	**1,200,036**	**25,130**	**60,914**	**1,286,080**

From the fair value through profit or loss category, the equity and debt securities have been designated as such upon initial recognition.

Movements in available-for-sale financial investments	2010	2009
Balance at 1 January	**1,200,036**	**1,717,006**
Additions	724,091	1,238,666
Disposals	(775,715)	(1,810,423)
Amortisation charge for the year	(7,318)	(5,504)
Revaluations	(797)	55,536
Effect of movements in foreign exchange	19,346	4,755
Balance at 31 December	**1,159,643**	**1,200,036**

The impairment on financial investments is EUR 1.0 million (2009: EUR 1.2 million).

The total carrying amount of the financial investments that have been pledged as collateral for liabilities or held for local regulatory purposes at 31 December 2010 was EUR 130.9 million (2009: EUR 137.3 million). The estimate fair values of these financial investments are comparable to the carrying amount due to the short term nature of the balance. These transactions are conducted under terms that are usual and customary to standard lending, and securities borrowing and lending activities, as well as requirements determined by exchanges where the bank acts as intermediary.

10.1 Short term investments

	2010	2009
Deposits withheld by ceding companies	**26,138**	**27,681**
Within the EU	19,973	27,636
Outside the EU	6,165	45
Bank deposits and commercial paper	**72,089**	**33,136**
Within the EU	63,569	25,298
Outside the EU	8,520	7,838
Total	**98,227**	**60,817**

11 Reinsurance contracts

	2010	2009
Reinsurers' share of insurance liabilities		
Provision for unearned premium	137,660	132,437
Claims and loss adjustment expenses	468,974	557,354
Total	**606,634**	**689,791**
Current	448,312	544,155
Non-current	158,322	145,636

Amounts due from reinsurers in respect of claims already paid by the Group on the contracts that are reinsured are included in the receivables (see Note 12).

The changes in the reinsurers' share of insurance liabilities are included in Note 20.

12 Receivables

	2010	2009
Accounts receivable on insurance and reinsurance business	**173,815**	**207,329**
Amounts owed by policyholders and direct insurance operations	132,994	147,861
Receivables arising out of reinsurance	40,821	59,468
Other accounts receivable	**42,204**	**52,659**
Total	**216,019**	**259,988**

The outstanding receivables are substantially all current and consequently their fair values do not materially differ from the book value.

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

An amount of EUR 111.9 million (2009: EUR 122.9 million) relates to past due receivables on insurance and reinsurance for which no impairment loss has been recognised, out of which 86.8% (2009: 72.0%) relates to receivables of ageing less than three months.

All receivables are considered on an individual basis for impairment testing. As of 31 December 2010, receivables of EUR 24.3 million (2009: EUR 36.4 million) were considered to be partially impaired. The amount of the impairment taken related to these receivables was EUR 21.3 million (2009: EUR 25.4 million). This balance takes into account that a portion of the impaired receivables will be recovered. The Group does not hold any collateral over these balances.

Movements on the provision for impairment of receivables are as follows:

	2010	2009
Balance at 1 January	**25,412**	**29,749**
Provision for receivables impairment	11,976	4,274
Receivables written off during the year as uncollectable	(4,966)	(6,560)
Unused amounts reversed	(11,156)	(2,051)
Balance at 31 December	**21,266**	**25,412**

The creation and release of provision for impaired receivables has been partly included in net operating expenses (see Note 29) and partly in the technical lines (for insurance business only) of the income statement (premium and commission). Amounts charged to the allowance account are generally written off when there is no expectation of recovery.

13 Deferred acquisition costs

	2010	2009
Balance at 1 January	**54,623**	**56,909**
Change in deferred acquisition costs	3,685	(2,893)
Effect of movements in foreign exchange	1,539	607
Balance at 31 December	**59,847**	**54,623**

14 Miscellaneous assets and accruals

	2010	2009
Pipeline premium	188,936	192,753
Prepayments	13,682	13,728
Accrued interest	9,027	10,863
Ceded return premium	22,017	9,400
Reimbursement rights	17,799	17,033
Other	23,702	25,361
Total	**275,163**	**269,138**

Pipeline premium relates to shipments made by the Group's policyholders for which the Group is on risk but have yet to be invoiced.

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

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 19) but should be presented as a separate asset.

15 Cash and cash equivalents

	2010	2009
Cash at bank and in hand	279,697	127,532
Short term bank deposits	61,606	23,137
Cash and cash equivalents	**341,303**	**150,669**

Cash and cash equivalents	341,303	150,669
Bank overdrafts	(407)	(586)
Cash and cash equivalents in the statement of cash flows	**340,896**	**150,083**

The Group manages the cash by use of a cross-border cash pooling agreement. The related zero balancing and interest compensation arrangement does allow for offsetting of cash balances of branches within a legal entity, however, it does not allow offsetting between different legal entities. Therefore, on the face of the balance sheet, the related bank overdrafts that do not qualify for offsetting are presented separately as liabilities under borrowings.

16 Capital and reserves

16.1 Subscribed capital

	2010	2009
Balance at 1 January and 31 December	**79,122**	**79,122**

The share capital of EUR 79.1 million (2009: EUR 79.1 million) is divided into 79,122,142 fully paid ordinary shares with a nominal value of EUR 1.00 each. The fully paid ordinary shares carry one vote per share and carry the right to dividends.

16.2 Share premium reserve

	2010	2009
Balance at 1 January and 31 December	**870,265**	**870,265**

16.3 Revaluation reserve

	2010	2009
Balance at 1 January	**(12,626)**	**(35,430)**
Change in revaluation reserve – gross	123	55,536
Change in revaluation reserve – tax	(986)	(12,100)
Net (gains)/losses transferred to net profit on disposal – gross	11,892	(24,432)
Net (gains)/losses transferred to net profit on disposal – tax	(608)	3,800
Balance at 31 December	**(2,205)**	**(12,626)**

16.4 Currency translation reserve

	2010	2009
Balance at 1 January	**(29,661)**	**(30,299)**
Change in currency translation – gross	8,746	638
Change in currency translation – tax	(1,172)	–
Balance at 31 December	**(22,087)**	**(29,661)**

The Group's significant foreign currencies and its sensitivity to fluctuations are set out in Note 4.3.

16.5 Pension reserve

	2010	2009
Balance at 1 January	**(77,410)**	**(66,217)**
Recognised actuarial gains and losses	**(1,984)**	**(11,375)**
Change in pension reserve – gross	(1,857)	(16,225)
Change in pension reserve – tax	(127)	4,850
Effect of the asset ceiling	**(7,816)**	**182**
Change in pension reserve – gross	(10,424)	238
Change in pension reserve – tax	2,608	(56)
Balance at 31 December	**(87,210)**	**(77,410)**

16.6 Share option reserve

	2010	2009
Balance at 1 January	**2,973**	**2,391**
Additions	–	582
Disposals	(2,973)	–
Balance at 31 December	**0**	**2,973**

For more details on the share options, see Note 17.2.

16.7 Revenue reserve

	2010	2009
Balance at 1 January	**72,378**	**185,635**
Result for the year	124,966	(113,257)
Balance at 31 December	**197,344**	**72,378**

16.8 Dividend distribution

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

In addition to the restrictions in respect of minimum capital requirements that are imposed by industry regulators in the countries in which the subsidiaries operate, other limitations may exist in certain countries.

The revenue reserve in the Company financial statements cannot be used for dividend distribution since this balance is insufficient. Therefore, if any distribution takes place, the Group distributes dividends out of the share premium reserves (see Note 32).

17 Share options

The Group has two kinds of option plans: equity-settled share-based payment and cash-settled share-based payment.

17.1 Equity-settled share-based payments

On 1 July 2006, the Group established a share option scheme for the Management Board and senior management that consists of share options and nil-cost share options. These share options and nil-cost share options were conditional on the fact that the option holder is still employed at vesting date and an Initial Public Offering (IPO) of the Group takes place on or prior to 31 December 2010. This main vesting condition of an IPO taking place on or prior to 31 December 2010 has not been met. All the options granted and outstanding under the above scheme will therefore not vest under this condition. However, there is a scenario under the above scheme that might allow the options still to vest, but this is linked to a take-over of the Group by a third party. This scenario is however deemed very unlikely and therefore there is no value attached to it. The Group considers this a contingent liability (see Note 33, Contingencies). Based on this, the Group recognised total income of EUR 2.9 million (2009: EUR 0.6 million expense) related to equity-settled share-based payments during the year. This being the share option reserve as per 31 December 2009 which has been released through the income statement as a result of the unlikely vesting of the share options and the nil-cost share options.

The movements in the number of share options outstanding and their related exercise prices are as follows:

2010	**Share options**		**Nil-cost share options**	
	Weighted average exercise price per share	**Options (x 1,000)**	**Weighted average exercise price per share**	**Options (x 1,000)**
Balance at 1 January	**17.77**	**1,197**	**–**	**317**
Granted	–	–	–	–
Forfeited	17.77	(200)	–	(52)
Exercised	–	–	–	–
Expired/lapsed	–	–	–	–
Balance at 31 December	**17.77**	**997**		**265**

2009	**Share options**		**Nil-cost share options**	
	Weighted average exercise price per share	**Options (x 1,000)**	**Weighted average exercise price per share**	**Options (x 1,000)**
Balance at 1 January	**17.33**	**1,057**	**–**	**285**
Granted	20.65	160	–	38
Forfeited	17.33	(20)	–	(6)
Exercised	–	–	–	–
Expired	–	–	–	–
Balance at 31 December	**17.77**	**1,197**		**317**

None of the share options and nil-cost share options were exercisable during 2009 and 2010.

For 2009, the fair value of the granted share options was determined by applying a pricing model based on the binomial tree model. The fair value of the nil-cost share options was based on Monte Carlo simulation model. The inputs into the models were as follows:

	Share options granted in 2009		Share options granted prior to 2009	
	Share Options	Nil-cost share options	Share Options	Nil-cost share options
Share price	17.33	17.33	17.33	17.33
Exercise price	20.65	–	17.33	–
Annual expected volatility	30%	30%	20%	20%
Expected option life	5 years	1 month	5 years	1 month
Annual risk-free interest rate	2.67%	2.67%	4.01%	4.01%
Annual expected dividend yield	2%	2%	2%	2%
Annual expected employee forfeiture	0%	0%	8%	8%

Expected volatility was determined by measuring the average of five years volatility for insurance companies with significant general operations and volatilities on long-term options embedded in equity linked securities that have been issued by insurance and reinsurance companies.

17.2 Cash-settled share-based payments

Next to the above option scheme, the Group had an additional option plan that is settled in cash, based on the fair value of the shares of Atradius N.V. All the options granted under this scheme have been exercised in 2010.

Movements in the number of cash-settled options outstanding and their related weighted average exercise prices are as follows:

Options settled in cash	Weighted average exercise price per share	Options (x 1,000)	Weighted average exercise price per share	Options (x 1,000)
	2010		2009	
Balance at 1 January	**11.00**	**220**	**11.00**	**220**
Granted	–	–	–	–
Forfeited	–	–	–	–
Exercised	11.00	220	–	–
Expired	–	–	–	–
Balance at 31 December	**0**	**0**	**11.00**	**220**

The valuation of the options was based on the weighted average share price at the date of the exercise amounting to EUR 18.28. The prior year valuation was based on a binomial tree valuation model. The significant inputs into the model are a share price of EUR 17.33, an exercise price as shown above, an expected option life of 3.6 years, an expected dividend yield of 2.0%, an annual risk-free interest rate of 2.62% and an expected volatility of 30% was measured as the average of five years volatility for insurance companies.

The Group recognised total expenses of EUR 101 thousand (2009: income of EUR 185 thousand) related to cash-settled share-based transactions during the year.

18 Subordinated loans

	2010	2009
Balance at 1 January	**116,649**	**115,931**
Amortised costs	718	718
Balance at 31 December	**117,367**	**116,649**

In September 2004, Atradius Finance B.V. issued guaranteed subordinated bonds with a nominal value of EUR 1,000 each for an aggregate amount of EUR 120 million (the 'Bonds'). Atradius Finance B.V. may redeem the Bonds, in whole but not in part, on 3 September 2014 and thereafter on each interest payment date. Unless previously redeemed, the Bonds will be redeemed at maturity on 3 September 2024. The Bonds bear interest at a fixed rate of 5.875% per annum, payable annually in the first 10 years, which will thereafter be reset to a floating 3 month-EURIBOR plus a margin of 2.75% per annum, payable quarterly for the remaining 10 years. The Bonds are issued by Atradius Finance B.V. and guaranteed by the Company and its subsidiary Atradius Credit Insurance N.V. The Bonds are listed on the Luxembourg Stock Exchange.

As the Bonds are not actively traded in the market, the fair value estimate of the Bonds as at year end 2010 amounting to EUR 103.8 million (2009: EUR 106.9 million) has been based on the present value of the Bonds' cash flows discounted using the Euro government bond yield curve as benchmark and applying an appropriate risk spread.

The credit spread of 505 bps applied (2009: 405 bps) is estimated using the credit spreads of market quoted subordinated bond issues from similar issuers and with similar rating and maturity profiles. The fair value estimate of the Bonds is provided by an external independent valuation company, which uses its own proprietary valuation systems to value securities supported by economic and market assumptions from financial information providers.

19 Employee benefit assets and liabilities

	2010	2009
Retirement benefits	81,106	77,787
Other long-term employee benefits	8,811	5,160
Total	**89,917**	**82,947**

19.1 Retirement benefits

The employee benefit assets and liabilities relate mainly to pension assets and liabilities for defined benefit plans. The main defined benefit plans are in Germany, United Kingdom and the Netherlands and these represent 92.6% of the defined benefit obligation. The other plans relate to Mexico, Norway, Belgium, Sweden, Switzerland, Italy, Spain and France. The recognition of assets and liabilities is determined for each plan separately.

Within the Group there are also defined contribution plans. The contributions to these plans are recognised as expenses and recognised in the income statement. The total contributions amounted to EUR 6.3 million in 2010 (2009: EUR 6.4 million).

Under a defined benefit pension plan the beneficiary receives a defined pension from the Group or a pension fund. The contributions payable by the Group for financing the plan are not defined in advance.

Germany

In Germany the pension rights are based on a percentage of the average salary of the last ten years. The defined benefit pension obligation consists of three plans, of which two are closed for new employees. At year end these pension plans had 542 active members (2009: 579 active members). The total calculated pension obligation of these plans at 31 December 2010 is EUR 63 million (2009: EUR 63 million). The assets of these plans at 31 December 2010 amounted to EUR 41 million (2009: EUR 41 million).

United Kingdom

In the United Kingdom the pension rights are based on a percentage of the final salary. This defined benefit pension plan has been closed to new employees since 2000. At year end this pension plan had 246 active members (2009: 283 active members). The total calculated pension obligation of this plan at 31 December 2010 was EUR 171 million (2009: EUR 135 million). The assets of this pension plan at 31 December 2010 are EUR 133 million (2009: EUR 106 million). Next to this closed pension plan, another closed plan is in place, the MPlan. This in principle is a money purchase scheme. At retirement, benefits depend upon the amount of money in an individual's personal account and the cost of buying an annuity at that time. However, members have a defined benefit underpin, which means that members are guaranteed a minimum level of benefit. If there is a deficit in an individual's personal account to secure the minimum benefit, the Group must top up the member's account.

The Netherlands

In the Netherlands the pension rights are based on a percentage of the average salary. This defined benefit pension plan has been closed to new participants since 1 January 2009. At year end this pension plan had 454 active members (2009: 483 active members). The total calculated pension obligation of this plan at 31 December 2010 is EUR 181 million (2009: EUR 174 million). The assets of this pension plan at 31 December 2010 were EUR 192 million (2009: EUR 173 million).

Pension assets and liabilities

The following tables summarise the funded status and amounts recognised in the consolidated statement of financial position and the components of net benefit expenses recognised in the consolidated income statement.

Funded status	2010	2009	2008	2007	2006
Defined benefit obligation	448,037	412,377	357,948	371,018	382,081
Plan assets	377,364	334,599	282,459	304,689	291,302
Pension commitments less plan assets	**70,673**	**77,778**	**75,489**	**66,329**	**90,779**
Effect of the asset ceiling	10,433	9	201	16,227	7,191
Deficit/(surplus) at 31 December	**81,106**	**77,787**	**75,690**	**82,556**	**97,970**
Experience (gain) / loss on plan liabilities	(10,264)	(2,437)	(2,265)	10,506	(150)
Experience (gain) / loss on plan assets	(10,899)	(9,638)	62,362	(7,222)	3,556
Experience (gain) / loss on reimbursement rights	156	143	106	–	–

Experience adjustments are the actuarial gains and losses that arise because of differences between the actuarial assumptions made at the beginning of the period and actual experience during the period (they exclude changes in assumptions). Experience adjustments give information about the reliability of the amounts recognised based on those assumptions (i.e. the service cost and interest cost).

The Dutch pension plan consists of a net pension asset of EUR 10.4 million (2009: Nil). The recognition of this asset that arises through the overfunding of the defined benefit plan is limited to the ability to use surpluses to generate future benefits. The Dutch pension agreement and local regulations prohibit the use of the current asset to the benefit of the Group. This part of the assets is included as part of the pension reserve and included in other comprehensive income (see Note 16).

The defined benefit plans in Spain are insured with Grupo Catalana Occidente. Since the related insurance policies do not qualify as an insurance policy under IAS 19, the fair value of the insurance policy is treated as a reimbursement right, which is recorded as part of other assets (EUR 17.8 million, 2009: EUR 17.0 million). The related defined benefit obligation is included in this section and amounts to EUR 13.5 million (2009: EUR 15.9 million).

Changes in the present value of the defined benefit obligation are as follows:

	2010	2009
Balance at 1 January	**412,377**	**357,948**
Service cost (including employee contributions)	10,824	11,412
Past service costs	–	–
Interest cost	22,544	20,698
Actuarial losses/(gains)	11,962	25,734
Losses/(gains) on curtailments	(623)	(1,560)
Termination benefit costs	219	1,206
Settlements	(1,015)	–
Benefits paid	(14,292)	(11,978)
Effect of movements in foreign exchange	6,041	8,917
Balance at 31 December	**448,037**	**412,377**

Changes in the fair value of plan assets are as follows:

	2010	2009
Balance at 1 January	**334,599**	**282,459**
Expected return on assets	21,259	18,140
Actuarial gains/(losses)	10,899	9,638
Contributions (including employee contributions)	20,322	28,865
Settlements	(643)	–
Benefits paid	(13,806)	(11,475)
Effect of movements in foreign exchange	4,734	6,972
Balance at 31 December	**377,364**	**334,599**

The fair value of plan assets at the balance sheet date is analysed as follows:

EUR million	2010	2009
Equity securities	129.4	112.9
Debt securities	173.7	156.9
Investment property	15.5	11.2
Other	58.8	53.6
Total	**377.4**	**334.6**

The plan assets do not include any of the Group's own financial instruments, nor any property occupied or other assets used by the Group.

The expected rates of return on individual categories of plan assets are determined by reference to relevant indices published by the stock exchange of the particular country. The overall expected rate of return is calculated by weighting the individual rates for each asset class in accordance with the anticipated balance in the plan's investment portfolio. The actual return on plan assets (including reimbursement rights) was EUR 32.9 million (2009: EUR 28.4 million).

The Group expects to contribute approximately EUR 15.7 million to the defined benefit plans in 2011 (2010: EUR 18.3 million).

The principal assumptions used for the purpose of the actuarial valuations of the three main defined benefit plans are as follows:

Principal actuarial assumptions	United Kingdom		Germany		The Netherlands	
	2010	2009	2010	2009	2010	2009
Discount rate	5.50%	5.75%	5.25%	5.25%	5.50%	5.50%
Expected return on plan assets	6.70%	6.70%	3.50%	4.00%	5.20%	6.50%
Expected increase of future salaries	4.75%	4.50%	3.05%	3.30%	3.25%	3.50%
Expected increase of future benefit levels	3.50%	3.25%	1.75%	2.00%	1.75%	2.25%
Mortality table	1PM/FAL09M (medium cohort 1.5% floor, year of use)	PM/FA92 (Year of use 2007 medium cohort plus one year age rating)	"Richttafeln 2005 G" by Dr. Klaus Heubeck	"Richttafeln 2005 G" by Dr. Klaus Heubeck	AG "Prognose-tafel 2010-2060" + loading for experience mortality	AG "Prognose-tafel 2005-2050" + loading for experience mortality

19.2 Other long-term employee benefits

	2010	2009
Early retirement	4,774	1,694
Jubilee	1,758	3,040
Other	2,279	426
Total	**8,811**	**5,160**

In 2010 a reclassification of EUR 2.6 million was made from the restructuring provision to the early retirement plans included here. This amount had already been provided for during 2009 under the restructuring plan provision. This amount is planned to be paid into the retirement plan early 2011. Also included in other long-term employee benefits is an amount of EUR 2.0 million related to a bonus plan for senior management set up during the year. The main condition of this bonus plan is that participants are still employed at predefined payment dates (July 2011, July 2012 and July 2013).

19.3 Defined benefit costs

Expenses and return on assets recorded in the income statement: (gains) and losses	2010	2009
Current service cost (net of participant contributions)	9,056	9,700
Interest cost	22,544	20,698
Expected return on plan assets and reimbursement rights	(22,201)	(18,948)
Cost of settlements, curtailments and termination benefits	(776)	(354)
Other	(2)	(691)
Total	**8,621**	**10,405**

In 2009, other costs relate to an adjustment made to reflect the accounting of the termination benefit costs that resulted from the legal restructuring (see Note 21). The related costs have already been included in the restructuring cost and are eliminated here.

Expenses related to pensions are recorded under net operating expenses in the income statement.

19.4 Share-based payments

The share-based payments are included in the share options (see Note 17).

19.5 Termination benefits

The termination benefits are included in the restructuring provisions (see Note 21).

20 Insurance contracts

Credit insurance	Gross	Reinsurance Asset	Net	Gross	Reinsurance Asset	Net
		2010			2009	
Claims reported and loss adjustment expenses	173,054	(122,776)	50,278	363,662	(201,176)	162,486
Claims incurred but not reported	434,544	(186,200)	248,344	468,382	(203,158)	265,224
Claims provision	**607,598**	**(308,976)**	**298,622**	**832,044**	**(404,334)**	**427,710**
Unearned premium	282,094	(90,991)	191,103	283,029	(84,579)	198,450
Total	**889,692**	**(399,967)**	**489,725**	**1,115,073**	**(488,913)**	**626,160**
Bonding						
Claims reported and loss adjustment expenses	235,681	(144,734)	90,947	234,908	(146,585)	88,323
Claims incurred but not reported	49,377	(15,264)	34,113	27,979	(6,435)	21,544
Claims provision	**285,058**	**(159,998)**	**125,060**	**262,887**	**(153,020)**	**109,867**
Unearned premium	137,096	(46,669)	90,427	130,124	(47,858)	82,266
Total	**422,154**	**(206,667)**	**215,487**	**393,011**	**(200,878)**	**192,133**
Total insurance contracts	**1,311,846**	**(606,634)**	**705,212**	**1,508,084**	**(689,791)**	**818,293**
Current	969,475	(448,312)	521,163	1,189,682	(544,155)	645,527
Non-current	342,371	(158,322)	184,049	318,402	(145,636)	172,766

The liabilities for gross claims reported, loss adjustment expenses and claims incurred but not reported are net of expected recoveries from salvage and subrogation. Salvage and subrogation at 31 December 2010 amount to EUR 683.0 million (2009: EUR 924.0 million).

20.1 Claims development tables

The claims development tables provide an overview of how the total claims expense for underwriting years 2003-2010 has developed in the subsequent financial years. 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 2010.

Credit Insurance – Gross

Claims development per underwriting year – risk attaching

Year when risk was taken	2003	2004	2005	2006	2007	2008	2009	2010	Total
Estimate of gross claims incurred:									
at the end of the year when risk was taken	604,730	557,769	653,785	737,277	787,916	1,438,914	748,957	512,231	
one year later	632,817	610,950	702,717	769,916	1,050,709	1,992,919	644,827		
two years later	650,592	607,028	689,170	744,420	1,069,448	2,116,161			
three years later	645,063	606,129	672,567	742,865	1,081,143				
four years later	618,767	596,286	669,499	738,495					
five years later	617,542	598,445	663,665						
six years later	612,332	593,851							
seven years later	604,841								

Breakdown of claims provision per underwriting year

Year when risk was taken	2003	2004	2005	2006	2007	2008	2009	2010	Total
Claims provision at 31 December 2010									
In respect of 2003-2010	(250)	4,906	2,588	(8,144)	(3,008)	58,000	106,968	425,272	586,332
In respect of prior years (before 2003)									21,266
Total									**607,598**

The claims expense includes the losses that have been recognised in the income statement, but excludes the impact of losses that have been accepted for which the premium has yet to be earned. The consequence of this is that the claims expense for a particular underwriting year can increase in future financial years as both the premium and losses are recognised in the income statement. This is relevant for the credit insurance business written by Crédito y Caución and the instalment credit protection product.

Both frequency and severity of claims for underwriting year 2009 have developed more favourably than assumed at year end 2009. An adverse development on the 2008 underwriting year is mainly due to a reduction in recoveries.

Credit Insurance – Net

Claims development per underwriting year – risk attaching

Year when risk was taken	2003	2004	2005	2006	2007	2008	2009	2010	Total
Estimate of net claims incurred:									
at the end of the year when risk was taken	263,055	255,929	363,419	488,314	430,457	814,423	417,336	281,209	
one year later	277,254	281,837	393,086	427,180	593,829	1,131,706	372,793		
two years later	284,308	279,828	404,730	413,212	606,553	1,207,168			
three years later	282,040	293,011	363,269	412,198	612,693				
four years later	290,587	286,294	392,175	406,153					
five years later	290,971	287,088	386,314						
six years later	287,879	283,825							
seven years later	282,730								

Breakdown of claims provision per underwriting year

Year when risk was taken	2003	2004	2005	2006	2007	2008	2009	2010	Total
Claims provision at 31 December 2010									
In respect of 2003-2010	(2,525)	1,471	(604)	(9,547)	(9,794)	23,077	56,852	230,440	289,370
In respect of prior years (before 2003)									9,252
Total									**298,622**

The Group has a reinsurance programme consisting of both quota share and excess of loss that covers the majority of the direct insurance. For underwriting years 2003 to 2010, there have been no events in any of those years that have resulted in losses of a sufficient size to prompt recovery from the excess of loss cover. Movements arising on these contracts follow the same pattern as the gross movements.

The table above excludes the impact of the stop loss arrangement for financial year 2009 that was provided to Crédito y Caución by Consorcio de Compensación de Seguros. This specific reinsurance arrangement operated on a financial year basis, whereas the table above is created on an underwriting year basis. In financial year 2009 the Group benefited from ceding EUR 64.5 million in claims. During financial year 2010 the Group increased its payback obligation under this arrangement from EUR 10.2 million to EUR 45.9 million.

Bonding – Gross

Claims development per underwriting year – risk attaching

Year when risk was taken	2003	2004	2005	2006	2007	2008	2009	2010	Total
Estimate of gross claims incurred:									
at the end of the year when risk was taken	20,615	34,004	8,553	12,475	8,789	13,219	10,666	10,185	
one year later	41,363	37,133	9,620	8,519	25,601	33,183	22,130		
two years later	61,460	39,828	17,802	21,589	29,198	38,759			
three years later	67,171	42,925	24,353	24,460	33,988				
four years later	67,600	49,262	22,870	27,765					
five years later	78,507	45,499	21,788						
six years later	84,288	46,211							
seven years later	99,615								

Breakdown of claims provision per underwriting year

Year when risk was taken	2003	2004	2005	2006	2007	2008	2009	2010	Total
Claims provision at 31 December 2010									
In respect of 2003-2010	55,855	15,392	7,809	13,604	17,530	21,095	18,213	9,084	158,582
In respect of prior years (before 2003)									126,476
Total									**285,058**

The estimate of ultimate claim costs does not include an estimate for future claim payments on cases where Atradius does not yet have adverse information. This explains the increase in estimate of ultimate claim costs over time. For bonding we typically earn premium over the period of the experience of loss, meaning that whilst we see an increase in the claims incurred we will also be recognising premium and this can not be seen in the table above.

As described in Note 4.2.8, bonding tends to be longer tail business and around half of the bonds written have tenors of over two years.

Bonding – Net

Claims development per underwriting year – risk attaching

Year when risk was taken	2003	2004	2005	2006	2007	2008	2009	2010	Total
Estimate of net claims incurred:									
at the end of the year when risk was taken	10,877	12,253	4,098	4,960	7,739	10,099	8,289	5,719	
one year later	18,537	6,171	4,538	4,063	18,361	25,008	17,169		
two years later	25,883	10,352	6,878	12,594	17,939	28,894			
three years later	28,040	13,970	12,406	14,294	21,497				
four years later	24,924	18,545	11,761	15,875					
five years later	28,476	15,768	9,960						
six years later	30,474	17,716							
seven years later	37,264								

Breakdown of claims provision per underwriting year

Year when risk was taken	2003	2004	2005	2006	2007	2008	2009	2010	Total
Claims provision at 31 December 2010									
In respect of 2003-2010	18,079	5,691	3,630	7,759	10,855	15,860	14,846	5,062	81,782
In respect of prior years (before 2003)									43,278
Total									**125,060**

The Group has a series of quota share reinsurance covers in place. Movements arising on these contracts follow the same pattern as the gross movements.

20.2 Insurance liabilities and reinsurance assets

20.2.1 Changes in insurance liabilities and reinsurance assets

Credit insurance	Gross	Reinsurance	Net	Gross	Reinsurance	Net
		2010			2009	
Balance at 1 January	**832,044**	**(404,334)**	**427,710**	**1,453,188**	**(656,883)**	**796,305**
Claims paid in the year	(720,087)	266,586	(453,501)	(1,914,284)	885,491	(1,028,793)
Increase/(decrease) in liabilities arising from current year claims	467,394	(211,778)	255,616	977,677	(427,022)	550,655
Increase/(decrease) in liabilities arising from prior year claims	28,247	40,550	68,797	315,463	(205,920)	109,543
Balance at 31 December	**607,598**	**(308,976)**	**298,622**	**832,044**	**(404,334)**	**427,710**
Claims reported and loss adjustment expenses	173,054	(122,776)	50,278	363,662	(201,176)	162,486
Incurred but not reported	434,544	(186,200)	248,344	468,382	(203,158)	265,224
Total	**607,598**	**(308,976)**	**298,622**	**832,044**	**(404,334)**	**427,710**

Bonding	Gross	Reinsurance	Net	Gross	Reinsurance	Net
Balance at 1 January	**262,887**	**(153,020)**	**109,867**	**278,889**	**(166,770)**	**112,119**
Claims paid in the year	(32,694)	14,108	(18,586)	(47,609)	24,662	(22,947)
Increase/(decrease) in liabilities arising from current year claims	10,383	(4,409)	5,974	9,648	(2,556)	7,092
Increase/(decrease) in liabilities arising from prior year claims	44,482	(16,677)	27,805	21,959	(8,356)	13,603
Balance at 31 December	**285,058**	**(159,998)**	**125,060**	**262,887**	**(153,020)**	**109,867**
Claims reported and loss adjustment expenses	235,681	(144,734)	90,947	234,908	(146,585)	88,323
Incurred but not reported	49,377	(15,264)	34,113	27,979	(6,435)	21,544
Total	**285,058**	**(159,998)**	**125,060**	**262,887**	**(153,020)**	**109,867**
Total claims and loss adjustment expenses	**892,656**	**(468,974)**	**423,682**	**1,094,931**	**(557,354)**	**537,577**

20.2.2 Unearned premium

Credit insurance	Gross	Reinsurance	Net	Gross	Reinsurance	Net
		2010			2009	
Balance at 1 January	**283,029**	**(84,579)**	**198,450**	**306,434**	**(94,500)**	**211,934**
Movement in the period	(6,060)	(3,796)	(9,856)	(26,409)	7,138	(19,271)
Foreign exchange and other movements	5,125	(2,616)	2,509	3,004	2,783	5,787
Balance at 31 December	**282,094**	**(90,991)**	**191,103**	**283,029**	**(84,579)**	**198,450**
Bonding						
Balance at 1 January	**130,124**	**(47,858)**	**82,266**	**128,360**	**(51,610)**	**76,750**
Movement in the period	3,591	1,356	4,947	85	3,865	3,950
Foreign exchange and other movements	3,381	(167)	3,214	1,679	(113)	1,566
Balance at 31 December	**137,096**	**(46,669)**	**90,427**	**130,124**	**(47,858)**	**82,266**
Total provision for unearned premium	**419,190**	**(137,660)**	**281,530**	**413,153**	**(132,437)**	**280,716**

20.3 Government schemes

During the credit crisis, governments were seeking to support the economy and trade through the following credit insurance related initiatives:

- top-up cover and ground-up cover schemes (see Note 4.2.5) - support to customers by reinstating or issuing new limits on buyers partly or fully withdrawn by the credit insurer;
- stop-loss scheme – support to the credit insurance industry via stop-loss agreements, effectively supporting the economy as well.

The Group participates in both types of schemes and where necessary has a reinsurance relationship with the relevant governments.

The general features of the reinstatement of cover schemes are:

- The Group on behalf of the government reinstates partly or fully withdrawn credit limits;
- The Group accounts for these schemes and the government reimburses the Group for the expenses.

A stop-loss scheme only existed in Spain. This reinsurance was provided by Consorcio de Compensación de Seguros ('CCS') via a stop-loss contract which the Group cancelled in 2009. The Group has a repayment commitment related to this scheme, the main features of this scheme being:

- stop-loss applies exclusively to the losses endured by the retained business (after non-proportional cover) in every fiscal year;
- provided the year's technical result is negative, stop-loss cover will be triggered by a loss level between 85% and 130% of earned premium. The direct insurer (the Group in this case) will nevertheless retain for its own account 15% of the loss;
- losses for CCS are calculated on the basis of an 'Account of Experience' which balances inputs and outputs (stop-loss premium, the stop-loss indemnities and 5% administration costs) and, if the balance is negative, CCS is entitled to a partial compensation consisting of 20% of the cedents positive technical result per year after cancellation of the scheme. After five years the account will be considered settled.

The impact of these government schemes on the Group's income statement is detailed below:

	2010	2009
Net premium earned	42	(5,037)
Net insurance claims	(38,626)	64,371
Other income	2,938	373
Total gain/(loss)	**(35,646)**	**59,707**

All government schemes are accounted for as reinsurance contracts as stated in Note 2.19.5. The CCS estimated compensation is part of the net insurance claims.

21 Provisions

The non-underwriting provisions developed as follows:

2010	Restructuring and redundancy	Onerous contracts	Litigation	Cash-settled share-based payments	Total
Balance at 1 January	**37,290**	**753**	**13,659**	**1,501**	**53,203**
Additional provisions	300	78	752	65	1,195
Unused amounts reversed	–	–	(294)	–	(294)
Utilised	(24,682)	(290)	(905)	(1,566)	(27,443)
Other changes	(2,565)	–	–	–	(2,565)
Effect of movements in foreign exchange	169	28	–	–	197
Balance at 31 December	**10,512**	**569**	**13,212**	**0**	**24,293**
Current	10,512	126	13,212	–	23,850
Non–current	–	443	–	–	443

2009	Restructuring and redundancy	Onerous contracts	Litigation	Cash-settled share-based payments	Total
Balance at 1 January	**2,113**	**888**	**12,025**	**1,686**	**16,712**
Additional provisions	41,253	263	2,041	–	43,557
Unused amounts reversed	–	(311)	(240)	–	(551)
Utilised	(6,155)	(148)	(167)	–	(6,470)
Other changes	–	–	–	(185)	(185)
Effect of movements in foreign exchange	79	61	–	–	140
Balance at 31 December	**37,290**	**753**	**13,659**	**1,501**	**53,203**
Current	37,290	200	13,659	1,501	52,650
Non–current	–	553	–	–	553

Restructuring and redundancy

In 2009, in order to realise cost savings, significant staff cuts were made which resulted in the reduction of 450 positions for which a provision was required. Detailed restructuring plans had been made available for all positions. The restructuring plans were drawn up and announced to the workers council representatives and employees during 2009. Of these 450 positions, 120 had already been paid by year end 2009. During the year ended 31 December 2010, a further 263 positions were fully paid. Of the remaining 67 positions as at 31 December 2010, 27 employees are still part of the workforce accounting for EUR 3.0 million of the closing provision and the remainder relates to the deferred payment for approximately 40 employees who already left the workforce. Except for five positions where a best estimate has been made, for all the remaining 62 positions final agreements have been reached.

In 2010, there was a reclassification from the restructuring provision of EUR 2.6 million to the early retirement plans. This amount had already been provided for last year under the restructuring plan provision in 2009 and is planned to be paid into the retirement plan early 2011.

The restructuring provision comprises termination benefits amounting to EUR 9.2 million and restructuring costs amounting to EUR 1.3 million. The termination benefits comprise provisions, taking local regulations into account.

Onerous contracts

The provision for onerous lease contracts represents the future lease payments that the Group is presently obligated to make under non-cancellable onerous operating lease contracts, less revenue expected to be earned on the lease, including estimated future sub-lease revenue, where applicable. The estimate may vary as a result of changes in the utilisation of the leased premises and sub-lease arrangements where applicable. The onerous contracts are related to lease contracts of buildings in Australia, New Zealand and the United Kingdom. These buildings are not in use by the Group and the future net incoming rental from subletting these properties is expected to

fall significantly short of the Group's expenditure commitments until the expiry date of these contracts. The expiry dates of contracts are 2012, 2011 and 2015 respectively.

Litigation

The litigation provision is related to disputes with third parties that are not related to the insurance business of the Group for which separate provisions are set up as part of the provisions for outstanding claims. The provision relates to two components: (i) the estimated cost of legal proceedings to be carried out by the assistance of external legal counsel in the form of e.g. external legal advice and representation of Atradius in a court, and (ii) any non insurance claims against the Group. The anticipated expenditure for 2010 is EUR 13.2 million. These amounts have not been discounted for the purposes of measuring the provision for litigation work, because the effect is not material.

A major part of the litigation provision relates to a dispute with the Spanish tax authorities concerning tax filings for the years 1989-1993. These balances will most likely be settled in 2011.

Cash-settled share-based payments

For the cash-settled share-based payments, see Note 17.2.

22 Deferred and current income tax

Current income tax

	2010	2009
Current income tax assets	39,663	25,180
Current income tax liabilities	20,717	13,357
Total	18,946	11,823

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 income taxes payable.

Deferred income tax

	2010	2009
Deferred income tax assets before set-off	143,624	133,268
Set-off of deferred tax positions	(15,890)	(15,621)
Net deferred tax assets as presented in the statement of financial position	**127,734**	**117,647**
Deferred income tax liabilities before set-off	135,442	120,123
Set-off of deferred tax positions	(15,890)	(15,621)
Net deferred tax liabilities as presented in the statement of financial position	**119,552**	**104,502**

The gross movement on the deferred income tax is as follows:

	2010	2009
Balance at 1 January	**13,145**	**(16,998)**
Charge (credit) to equity for the year	887	(3,506)
Charge (credit) to the income statement for the year	(6,840)	33,660
Effect of movements in foreign exchange	990	(11)
Balance at 31 December	**8,182**	**13,145**

The movement in the deferred tax assets is further detailed below:

Deferred income tax assets before set-off

2010	Invest-ments	Tax losses carried forward	Techncial balances	Pensions	Fiscal goodwill	Allowance accounts receivable	Other	Total
Balance at 1 January	**1,458**	**34,685**	**29,907**	**17,325**	**28,257**	**7,898**	**13,738**	**133,268**
Charge (credit) to equity for the year	3,501	–	–	3,688	–	–	–	7,189
Charge (credit) to the income statement for the year	(302)	(4,700)	10,541	(1,568)	(2,776)	(836)	(1,612)	(1,253)
Effect of movements in foreign exchange	138	1,918	1,559	206	–	16	583	4,420
Balance at 31 December	**4,795**	**31,903**	**42,007**	**19,651**	**25,481**	**7,078**	**12,709**	**143,624**

2009	Invest-ments	Tax losses carried forward	Techncial balances	Pensions	Fiscal goodwill	Allowance accounts receivable	Other	Total
Balance at 1 January	**–**	**14,966**	**20,982**	**9,266**	**30,915**	**7,370**	**18,223**	**101,722**
Charge (credit) to equity for the year	(1,172)	–	–	4,943	–	–	–	3,771
Charge (credit) to the income statement for the year	2,525	18,997	8,569	2,636	(2,658)	506	(4,622)	25,953
Effect of movements in foreign exchange	105	722	356	480	–	22	137	1,822
Balance at 31 December	**1,458**	**34,685**	**29,907**	**17,325**	**28,257**	**7,898**	**13,738**	**133,268**

One of the main Group subsidiaries, Atradius Credit Insurance N.V., the Netherlands (ACI N.V.), operates in a branch structure. ACI N.V. is part of the fiscal unity in the Netherlands, headed by Atradius N.V. Due to the branch structure, losses of the foreign branches can immediately be offset against the current tax liability of the fiscal unity of which ACI N.V. is part. However, as Dutch tax law provides for recapture rules once foreign branches become profitable again, a corresponding deferred income tax liability is recognised.

Deferred income tax assets are recognised for, amongst others, tax losses carried forward and the fiscal goodwill resulting from the legal restructuring that took place during 2004/2005 (mainly Italy and Germany) to the extent that the realisation of the related tax benefit through the future taxable profits is probable. In 2010, EUR 4.0 million deferred tax assets on the losses carried forward were impaired (2009: EUR 5.0 million). The fiscal goodwill is amortised over a period of 15 years (Germany) or 18 years (Italy).

The Group has unrecognised tax losses carried forward balances amounting to EUR 69.2 million (2009: EUR 56.9 million). The expiration of these tax losses carried forward is included in the following table:

Expiration unrecognised tax losses carried forward	2010	2009
1 – 3 years	(14,529)	(7,658)
4 – 9 years	(40,087)	(36,538)
Indefinite	(14,576)	(12,701)
Total	**(69,192)**	**(56,897)**

The movement in the deferred tax liabilities is further detailed below:

Deferred income tax liabilities before set-off

2010	Investments	Technical balances	Pensions	Equalisation provisions	Other	Total
Balance at 1 January	**(2,336)**	**(26,631)**	**(1,012)**	**(57,929)**	**(32,215)**	**(120,123)**
Charge (credit) to equity for the year	(5,095)	–	(1,207)	–	–	(6,302)
Charge (credit) to the income statement for the year	2,674	6,121	(553)	(7,152)	(6,677)	(5,587)
Effect of movements in foreign exchange	(20)	(1,705)	(61)	(1,347)	(297)	(3,430)
Balance at 31 December	**(4,777)**	**(22,215)**	**(2,833)**	**(66,428)**	**(39,189)**	**(135,442)**

2009	Investments	Technical balances	Pensions	Equalisation provisions	Other	Total
Balance at 1 January	**609**	**(8,499)**	**(878)**	**(72,641)**	**(37,311)**	**(118,720)**
Charge (credit) to equity for the year	(7,128)	–	(149)	–	–	(7,277)
Charge (credit) to the income statement for the year	4,237	(17,644)	27	16,122	4,965	7,707
Effect of movements in foreign exchange	(54)	(488)	(12)	(1,410)	131	(1,833)
Balance at 31 December	**(2,336)**	**(26,631)**	**(1,012)**	**(57,929)**	**(32,215)**	**(120,123)**

The deferred income tax charged or credited to equity during the year is as follows:

	2010	2009
Fair value reserves in shareholders' equity:		
Available-for-sale financial investments	(1,594)	(8,300)
Pension reserve:		
Unrealised actuarial gains and losses	(127)	4,850
Asset ceiling	2,608	(56)
Total	**887**	**(3,506)**

23 Payables

	2010	2009
Accounts payable on insurance and reinsurance business	**188,695**	**134,604**
Payables arising out of reinsurance operations	107,323	37,217
Amounts due to policyholders	64,849	74,576
Amounts due to intermediaries	13,467	17,541
Current account Dutch state	3,056	5,270
Trade and other accounts payable	**33,538**	**29,334**
Accounts payable	25,063	22,537
Other accounts payable	8,475	6,797
Total	**222,233**	**163,938**

The payables arising out of reinsurance includes an amount of EUR 45.9 million related to the stop loss arrangement with Consorcio de Compensación de Seguros ('CCS'; see also Note 20.3). The payables due are substantially all current.

24 Other liabilities

	2010	2009
Deposits received from reinsurers	72,452	72,346
Unearned reinsurance commission	29,722	23,727
Other taxes	7,397	7,623
Accruals	98,572	59,915
Return premium	46,595	28,039
Ceded pipeline premium	62,928	41,361
Sundry creditors	1,184	2,059
IPT and stamp duties payable	12,276	13,612
Interest payable	2,315	2,384
Total	**333,441**	**251,066**

25 Net premium earned

Credit insurance	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
		2010			2009	
Written premium	1,211,175	(579,388)	631,787	1,317,889	(606,816)	711,073
Change in provision for unearned premium	6,060	3,796	9,856	26,409	(7,138)	19,271
Total	**1,217,235**	**(575,592)**	**641,643**	**1,344,298**	**(613,954)**	**730,344**
Bonding						
Written premium	131,971	(42,596)	89,375	124,369	(40,521)	83,848
Change in provision for unearned premium	(3,591)	(1,356)	(4,947)	(85)	(3,865)	(3,950)
Total	**128,380**	**(43,952)**	**84,428**	**124,284**	**(44,386)**	**79,898**
Total premium earned	**1,345,615**	**(619,544)**	**726,071**	**1,468,582**	**(658,340)**	**810,242**

26 Service and other income

	2010	2009
Collections and recovery services	37,260	62,397
Information services and fees	104,054	120,733
Other service income	13,791	14,660
Total	**155,105**	**197,790**

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

27 Net income from investments

Net investment income by type of investment	2010	2009
Income from		
Property	1,103	1,756
Debt securities	29,567	50,102
Loans	15	19
Equity securities	15,754	43,331
Derivatives	417	282
Other investments	1,068	760
Total	**47,924**	**96,250**
Expenses from		
Property	(535)	(852)
Debt securities	(5,618)	(1,339)
Equity securities	(26,990)	(30,574)
Derivatives	(912)	(1,441)
Handling expenses	(1,384)	(2,066)
Total	**(35,439)**	**(36,272)**
Net income from investments	**12,485**	**59,978**
Share of income of associated companies	10,203	8,335
Net income from investments including associated companies	**22,688**	**68,313**

Net investment income by nature of income/(expense)	2010	2009
Income from		
Interest	13,478	25,861
Dividends	13,079	7,356
Realised gains	20,708	57,587
Unrealised gains	32	4,704
Rental income from property	627	742
Total	**47,924**	**96,250**
Expenses from		
Handling expenses	(1,384)	(2,066)
Realised losses	(32,306)	(31,197)
Unrealised losses	(200)	(953)
Impairment loss	(1,014)	(1,382)
Depreciation of property	(535)	(674)
Total	**(35,439)**	**(36,272)**
Net income from investments	**12,485**	**59,978**
Share of income of associated companies	10,203	8,335
Net income from investments including associated companies	**22,688**	**68,313**

In the interest income and expenses reported above, the component related to financial investments available-for-sale is net EUR 12.4 million (2009: EUR 25.1 million). This net income is derived from government and corporate bonds.

Net gains / (losses) by type of investment	Impairments		Realised gains/losses	
	2010	2009	2010	2009
Property	–	(177)	476	1,015
Debt securities	(639)	(464)	12,153	19,444
Equity securities	(375)	(741)	(23,941)	6,151
Derivatives	–	–	(285)	(221)
Total	**(1,014)**	**(1,382)**	**(11,597)**	**26,389**
Net gains / (losses) by category				
At cost	–	(177)	475	1,015
Available–for–sale financial assets	(1,014)	(1,205)	(11,892)	24,430
Fair value through profit or loss	–	–	(180)	944
Total	**(1,014)**	**(1,382)**	**(11,597)**	**26,389**

28 Insurance claims

Credit insurance	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
	2010			2009		
Claims paid in the year	720,087	(266,586)	452,260	1,914,284	(885,491)	1,028,793
Change in provision for outstanding claims	(253,305)	98,321	(153,743)	(631,634)	255,597	(376,037)
Claims handling expenses	32,525	–	32,525	34,278	–	34,278
Total	**499,307**	**(168,265)**	**331,042**	**1,316,928**	**(629,894)**	**687,034**
Bonding						
Claims paid in the year	32,694	(14,108)	18,586	47,609	(24,662)	22,947
Change in provision for outstanding claims	20,632	(6,876)	13,756	(16,500)	13,908	(2,592)
Claims handling expenses	2,332	–	2,332	2,966	–	2,966
Total	**55,658**	**(20,984)**	**34,674**	**34,075**	**(10,754)**	**23,321**
Total insurance claims and loss adjustment expenses	**554,965**	**(189,249)**	**365,716**	**1,351,003**	**(640,648)**	**710,355**

For more detail on the changes in insurance liabilities and reinsurance assets, see Note 20.2.1.

29 Net operating expenses

	2010	2009
Gross administrative expenses excluding restructuring costs	403,606	429,163
Restructuring costs and termination benefits	250	42,725
Total administrative expenses	403,856	471,888
Gross acquisition costs	168,729	170,934
Gross change in deferred acquisition costs	(3,685)	2,893
Gross operating expenses	568,900	645,715
Commissions received for business ceded to reinsurers	(186,154)	(152,036)
Total net operating expenses	**382,746**	**493,679**

Administration expenses by type of business	2010	2009
Insurance and information expenses	367,484	386,728
Recoveries and collections expenses	47,939	58,040
Other service expenses	9,513	11,151
Group costs	13,777	53,213
Total gross administrative expenses	438,713	509,132
Claims handling expenses allocated to net claims charges	(34,857)	(37,244)
Total administrative expenses	**403,856**	**471,888**

Administrative expenses by nature	2010	2009
Employee benefit expenses (see table below)	257,115	313,203
Travelling and company cars	12,571	14,193
Information technology	37,480	36,394
Housing and office expenses	40,729	42,014
Other expenses	90,818	103,328
Total gross administrative expenses	438,713	509,132
Claims handling expenses allocated to net claims charges	(34,857)	(37,244)
Total administrative expenses	**403,856**	**471,888**

Other expenses include expenses for consultancy, communication, marketing, credit information, recovery and collection and professional fees.

As part of the gross administrative expenses, depreciation, amortisation and impairment charges amount to EUR 23.4 million (2009: EUR 24.9 million).

Employee benefit expenses	2010	2009
Salaries and wages	208,332	214,152
Restructuring costs and termination benefits	250	42,725
Social security costs	36,560	39,084
Share options granted to directors and employees	(2,908)	397
Pension costs – defined contribution plans	6,260	6,440
Pension costs – defined benefit plans	8,621	10,405
Total employee benefit expenses	**257,115**	**313,203**

For an explanation of the restructuring costs and termination benefits, see Note 21 and for employee benefit details Note 19.

30 Finance income and expenses

	2010	2009
Interest and fees paid on subordinated loans	(7,771)	(7,771)
Other interest	1,566	(244)
Foreign exchange income/(expense)	3,546	(5,021)
Total finance income/(expense)	**(2,659)**	**(13,036)**

The subordinated loan costs include interest expenses of EUR 7.0 million (2009: EUR 7.0 million) and EUR 0.7 million (2009: EUR 0.7 million) of amortised costs.

The foreign currency exchange gain mainly consists of EUR 3.6 million transaction gains (2009: EUR 2.7 million, the remainder being unrealised losses).

31 Income tax

	2010	2009
Current tax	20,955	6,201
Deferred tax (see Note 22)	6,840	(33,660)
Total	**27,795**	**(27,459)**

The actual tax on the Group's result differs from the theoretical amount that would arise using the weighted average tax rate applicable to the results of Group companies as follows:

	2010	2009
Result before tax:	**152,743**	**(140,725)**
Tax calculated at domestic tax rates applicable to results in the respective countries	34,964	(29,704)
Tax exempt income	(4,121)	(2,754)
Tax effect of utilisation of tax losses/(income) not previously recognised	3,151	3,499
Reassessment of prior year local tax positions	(1,890)	(1,318)
Other	(4,309)	2,818
Income tax expense/(income) for the year	**27,795**	**(27,459)**

The weighted average applicable tax rate was 22.9% (2009: 21.1%).

32 Earnings and dividends per share

Basic earnings per share	2010	2009
Result attributable to the equity holders of the Company	124,966	(113,257)
Weighted average number of ordinary shares in issue	79,122,142	79,122,142
Earnings per share (in Euro)	1.58	(1.43)

Basic earnings per share are calculated dividing the net profit of the year attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

Dilution

Diluted earnings per share are calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential of ordinary shares. Since it is deemed unlikely that the share options vest then the diluted earnings per share calculation excludes this remote dilutive potential (see also Note 17).

Dividend per share

No dividend was paid in 2010 and 2009.

33 Contingencies

	2010	2009
Banco Popular Español	7,520	7,520
De Staat der Nederlanden	–	2,496
BBV Central	1,984	1,984
Export Finance and Insurance Corporation	1,850	1,850
Talkline Nederland B.V.	1,650	1,650
Banco Español de Crédito	1,130	1,136
Dun & Bradstreet Inc.	943	905
Hochtief Projektenwickelung GmbH	529	529
Banque de France	500	500
Other (mainly rent and payroll related)	1,292	1,713
Total	**17,398**	**20,283**

The majority of the amounts stated above as contingencies represent bank guarantees. These guarantees are issued to several lessors in case the Group fails to pay the contracted office rent due and represents the total potential liability. The rental contract period of the different buildings is between 5 and 20 years. In some rental contracts a dilapidation clause is included; however a reliable estimate of the related contingent liability can not be made. There is also no possibility of any reimbursement under the current contracts.

As already mentioned in Note 17, Share options, there is a remote possibility that the current share options and nil-cost share options still vest under a scenario of a change of control of the Atradius Group.

34 Capital commitments

	2010	2009
Other financial obligations	39,492	11,900
Total	**39,492**	**11,900**

Other financial obligations include contracted obligations for future payments related to outsourcing, networking, imaging and licences.

35 Operating leases

	2010	2009
Less than one year	21,792	23,440
Between one and five years	64,074	68,676
More than five years	51,772	56,346
Total	**137,638**	**148,462**

The Group leases office equipment and office space under a number of operating lease agreements. The lease contracts have remaining terms of between 1 and 20 years. The leasing of office space represents around 90% (2009: 90%) of the total future payments regarding operating leases.

During the year an amount of EUR 23.7 million (2009: EUR 25.7 million) has been recognised as expense.

36 Personnel

The number of employees working for the Group:

	2010	2009
Total average number of employees (full–time equivalent)	3,318	3,662
Total year end number of employees (full–time equivalent)	3,165	3,470
Total year end number of employees	3,318	3,627

37 Related party transactions

The shareholder structure of the Company is listed in the table below.

Shareholder	Number of shares	Percentage of outstanding shares	Percentage of voting rights	Number of shares	Percentage of outstanding shares	Percentage of voting rights
		2010			2009	
Grupo Compañía Española de Crédito y Caución, S.L. *	50,822,141	64.23%	64.23%	50,822,141	64.23%	64.23%
Grupo Catalana Occidente S.A.	21,095,136	26.66%	26.66%	–	–	–
INOC, S.A	7,204,865	9.11%	9.11%	–	–	–
Swiss Reinsurance Company	–	–	–	19,780,535	25.00%	25.00%
DB Equity S.á.r.l. (subsidiary of Deutsche Bank AG)	–	–	–	7,204,865	9.11%	9.11%
Sal. Oppenheim jr. & Cie. KGaA	–	–	–	1,314,601	1.66%	1.66%
Total	**79,122,142**	**100.00%**	**100.00%**	**79,122,142**	**100.00%**	**100.00%**

** As at 31 December 2010 Grupo Catalana Occidente, S.A. owns 73.84% of Grupo Compañía Española de Crédito y Caución, S.L.*

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

2010	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Inward reinsurance (assumed)				
Tokio Marine Nichido and Atradius Credit Management and Co. Ltd., Tokyo	(1,247)	–	–	–
Outward reinsurance (ceded)				
Swiss Reinsurance Company (up until 31 May 2010)	–	36,850	–	–
Seguros Catalana Occidente, S.A.	–	2,644	1,191	740
Total	**–**	**39,494**	**1,191**	**740**
Employee benefits				
Seguros Catalana Occidente, S.A.	–	(155)	17,799	–

2009	Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Inward reinsurance (assumed)				
CLAL Credit Insurance Ltd.	(147)	–	–	–
Tokio Marine Nichido and Atradius Credit Management and Co. Ltd., Tokyo	(44)	–	–	–
Total	**(191)**	**–**	**–**	**–**
Outward reinsurance (ceded)				
Swiss Reinsurance Company	–	111,621	13,548	16,230
Seguros Catalana Occidente, S.A.	–	22,617	2,264	740
Total	**–**	**134,238**	**15,812**	**16,970**
Employee benefits				
Seguros Catalana Occidente, S.A.	–	(160)	17,033	–

For Inward reinsurance, purchases consist of the net effect of assumed reinsurance (premiums, claims, recoveries and commission). For Outward reinsurance, sales consist of the net effect of (retro-) ceded insurance (premiums, claims, recoveries and commission).
For employee benefits, purchases consist of pension contributions paid in the year; the amounts owned by related parties consists of the fair value of the related insurance policies as calculated under the requirements of IAS 19.

Terms and conditions of transactions with related parties

Swiss Reinsurance Company (Swiss Re), as well as being a shareholder until 31 May 2010, was also one of the Group's core reinsurers; even though Swiss Re did not participate in the Group treaty in 2010, there remain several transactions with the Group in relation to previous underwriting years.

With regard to the main reinsurance programme of Crédito y Caución, Swiss Re is also a leading reinsurer; they had 40.5% of cession (40%) of the credit insurance and bonding quota share reinsurance treaty, in 2009. For 2010, Swiss Re has reduced their share in the credit insurance and bonding quota share treaty to 27% of cession (45%). On the excess of loss treaties, Swiss Re had the following shares in 2009: 37.20% on the first layer, 37.60% on the second layer and 40.14% on the third layer. These shares have remained unchanged in 2010. With regard to the main reinsurance programme of Crédito y Caución, Seguros Catalana Occidente, S.A. only participates in the credit insurance and bonding quota share reinsurance treaty; they had 1.65% of cession (40%) of this treaty, in 2009. For 2010, Seguros Catalana Occidente, S.A. has reduced their share in the credit insurance and bonding quota share treaty to 1.47% of cession (45%).

Outstanding balances at year end involve mainly the (retro-) ceding of Atradius Reinsurance Ltd. and Atradius Credit Insurance N.V. No guarantees have been provided or received for any related party receivables. For the year ended 31 December 2010, the Group has not raised any provision or expenses for doubtful debtors relating to amounts owed by related parties.

The other relationships with the above stated related parties were as follows:

- CLAL Credit Insurance Ltd. is an associated company;
- Tokio Marine Nichido and Atradius Credit Management and Co. Ltd. is a joint venture; and
- Seguros Catalana Occidente, S.A. is a fellow subsidiary.

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

Compensation of key current and former management personnel of the Group

The following table provides details on the remuneration for members of the Management Board and Supervisory Board.

On 31 December 2010, the Management Board consisted of four members (2009: six members) and the Supervisory Board of eight members (2009: eleven members).

Remuneration of Management Board and Supervisory Board	2010	2009
Management Board		
Short term employee benefits	2,458	2,707
Bonus payments	1,400	450
Post employment benefits	410	413
Share-based payments	–	446
Total compensation paid to Management Board members	**4,268**	**4,016**
Supervisory Board		
Short term employee benefits	460	498
Total compensation paid to Supervisory Board members	**460**	**498**

The Management Board and Supervisory Board members also participate in the Boards of some of the subsidiaries. Apart from this they do not have other relationships with the Company or its subsidiaries.

38 Events after the reporting period

There are no events to report.

Company financial statements 2010

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Company financial statements

Company statement of financial position after profit appropriation

Assets	Note	31.12.2010	31.12.2009
Fixed assets		**1,043,173**	**923,735**
Property, plant and equipment	3	20	32
Investments in group companies	4	1,043,153	923,703
Current assets		**30,618**	**27,146**
Receivables from group companies		10,020	9,421
Deferred income tax assets		–	355
Current income tax assets	5	7,829	3,216
Cash and cash equivalents		12,769	14,154
Total		**1,073,791**	**950,881**
Equity			
Capital and reserves attributable to the equity holders of the Company	6		
Subscribed capital		79,122	79,122
Share premium reserve		1,124,035	1,124,035
Share option reserve		–	2,973
Legal reserve participations		239,150	168,077
Revenue reserve		(407,078)	(469,166)
Total		**1,035,229**	**905,041**
Liabilities			
Provisions	7	**7,783**	**7,743**
Current liabilities		**30,779**	**38,097**
Related company borrowings	8	10,341	19,664
Payables to group companies		13,168	11,941
Trade and other payables		44	78
Other liabilities	9	4,288	4,265
Current income tax liabilities	5	2,938	2,149
Total		**38,562**	**45,840**
Total equity and liabilities		**1,073,791**	**950,881**

Company income statement

	2010	2009
Income after taxes from group companies	126,450	(96,077)
Other results after taxes	(1,484)	(17,180)
Result for the year	**124,966**	**(113,257)**

Company changes in equity

	Subscribed capital	Share premium reserve	Share option reserve	Legal reserve participations	Revenue reserve	Total
Balance at 1 January 2009	**79,122**	**1,124,035**	**2,391**	**244,106**	**(444,187)**	**1,005,467**
Change in revaluation group companies	–	–	–	11,611	–	11,611
Change in currency translation reserve	–	–	–	638	–	638
Change in regulatory reserve	–	–	–	(88,278)	88,278	–
Net income recognised directly in equity	**–**	**–**	**–**	**(76,029)**	**88,278**	**12,249**
Result for the year	–	–	–	–	(113,257)	(113,257)
Total recognised income and expenses for the period	**–**	**–**	**–**	**(76,029)**	**(24,979)**	**(101,008)**
Issue of share capital	–	–	–	–	–	–
Dividends	–	–	–	–	–	–
Value of employee services	–	–	582	–	–	582
Balance at 31 December 2009	**79,122**	**1,124,035**	**2,973**	**168,077**	**(469,166)**	**905,041**
Balance at 1 January 2010	**79,122**	**1,124,035**	**2,973**	**168,077**	**(469,166)**	**905,041**
Change in revaluation group companies	–	–	–	621	–	621
Change in currency translation reserve	–	–	–	7,574	–	7,574
Change in regulatory reserve	–	–	–	62,878	(62,878)	–
Net income recognised directly in equity	**–**	**–**	**–**	**71,073**	**(62,878)**	**8,195**
Result for the year	–	–	–	–	124,966	124,966
Total recognised income and expenses for the period	**–**	**–**	**–**	**71,073**	**62,088**	**133,161**
Issue of share capital	–	–	–	–	–	–
Dividends	–	–	–	–	–	–
Value of employee services	–	–	(2,973)	–	–	(2,973)
Balance at 31 December 2010	**79,122**	**1,124,035**	**0**	**239,150**	**(407,078)**	**1,035,229**

Notes to the company financial statements

1 General information

Atradius N.V. (referred to as the 'Company'), based in Amsterdam (the Netherlands), is the parent company of the Atradius Group.

The Company financial statements are part of the 2010 consolidated financial statements, which are also included in the annual report. The Company income statement has been rendered in abbreviated form pursuant to Book 2, Article 402 of the Dutch Civil Code.

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

The Company has issued a statement of liability in accordance with Article 403, Book 2 of the Dutch Civil Code for a number of Group companies.

The Company financial statements have been authorised for issue by the Management Board on 2 March 2011.

2 Summary of significant accounting principles

2.1 Basis of presentation

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

A legal reserve participations has to be created under Dutch legislation for the reserves established by subsidiaries which cannot be distributed.

2.2 Investments in group companies

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

3 Property, plant and equipment

Fixtures and fittings	**2010**	**2009**
At cost at 1 January	**150**	**150**
Disposals	–	–
At cost at 31 December	**150**	**150**
Accumulated depreciation and impairments at 1 January	**(118)**	**(75)**
Depreciation charge for the year	(12)	(43)
Depreciation on disposals	–	–
Accumulated depreciation and impairments at 31 December	**(130)**	**(118)**
Balance at 1 January	**32**	**75**
Balance at 31 December	**20**	**32**

4 Investments in group companies

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

	2010	**2009**
Balance at 1 January	**923,703**	**1,023,454**
Share of (loss)/profit	126,450	(96,077)
Dividends received	(14,390)	(15,313)
Acquisitions	–	–
Disposals	(805)	–
Revaluations and other movements	621	11,001
Effect of movements in foreign exchange	7,574	638
Balance at 31 December	**1,043,153**	**923,703**

5 Current income tax

	2010	**2009**
Current income tax assets	7,829	3,216
Current income tax liabilities	(2,938)	(2,149)
Total	**4,891**	**1,067**

The current income tax liabilities relate to the outstanding tax liability of the liquidated subsidiary Atradius Namur S.A.

6 Capital and reserves

6.1 Subscribed capital

	2010	2009
Balance at 1 January and 31 December	**79,122**	**79,122**

The share capital of EUR 79.1 million (2009: EUR 79.1 million) is divided into 79,122,142 fully paid ordinary shares with a nominal value of EUR 1.00 each. The fully paid ordinary shares carry one vote per share and carry the right to dividends.

6.2 Share premium reserve

	2010	2009
Balance at 1 January and 31 December	**1,124,035**	**1,124,035**

6.3 Share option reserve

	2010	2009
Balance at 1 January	**2,973**	**2,391**
Additions	–	582
Disposals	(2,973)	–
Balance at 31 December	**0**	**2,973**

6.4 Legal reserve participations

	2010	2009
Balance at 1 January	**168,077**	**244,106**
Change in revaluation group companies	621	11,611
Change in currency translation reserve	7,574	638
Change in regulatory reserve	62,878	(88,278)
Balance at 31 December	**239,150**	**168,077**

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

- changes in revaluation of group companies, which consists of unrealised revaluations within consolidated group companies presented in the revaluation reserve in the consolidated financial statements, and actuarial gains and losses and effect of asset ceilings within consolidated group companies presented in the pension reserve in the consolidated financial statements, are presented together in the legal reserve participations in the company financial statements;
- foreign currency translations on consolidated group companies, presented in the currency translation reserve in the consolidated financial statements, are presented in the legal reserve participations in the company financial statements;
- the regulatory reserve consisting of the equalisation provision of EUR 138.9 million (2009: EUR 75.3 million) and the required solvency of EUR 193.6 million (2009: EUR 194.2 million, based on preliminary figures) which are stipulated by local insurance regulators.

The following table shows the split of the legal reserve participations at balance sheet date:

	2010	2009
Revaluation group companies	(47,065)	(47,686)
Currency translation reserve	(46,231)	(53,805)
Regulatory reserve	332,446	269,568
Balance at 31 December	**239,150**	**168,077**

6.5 Revenue reserve

	2010	2009
Balance at 1 January	**(469,166)**	**(444,187)**
Transfer between regulatory reserve and revenue reserve	(62,878)	88,278
Result for the year	124,966	(113,257)
Balance at 31 December	**(407,078)**	**(469,166)**

7 Provisions

2010	Restructuring	Bonus plan	Cash-settled share-based payments	Deferred tax liabilities	Total
Balance at 1 January	**–**	**–**	**1,500**	**6,243**	**7,743**
Additional provisions	300	2,060	65	–	2,425
Utilised	(300)	–	(1,565)	(520)	(2,385)
Unused amounts reversed	–	–	–	–	–
Balance at 31 December	**–**	**2,060**	**–**	**5,723**	**7,783**
Current	–	1,437	–	–	1,437
Non-current	–	623	–	5,723	6,346

2009	Restructuring	Bonus plan	Cash-settled share-based payments	Deferred tax liabilities	Total
Balance at 1 January	**–**	**–**	**1,685**	**–**	**1,685**
Additional provisions	–	–	(185)	6,243	6,058
Utilised	–	–	–	–	–
Unused amounts reversed	–	–	–	–	–
Balance at 31 December	**–**	**–**	**1,500**	**6,243**	**7,743**
Current	–	–	–	–	–
Non-current	–	–	1,500	6,243	7,743

Bonus plan

For the bonus plan conditions we refer to Note 19.2 of the consolidated financial statements.

Cash-settled share-based payments

For the cash-settled share-based payments we refer to Note 17.2 of the consolidated financial statements.

8 Related company borrowings

	2010	2009
Balance at 1 January	**19,664**	**17,392**
Additions (including interest)	71	10,967
Repayments of loans	(9,394)	(8,695)
Balance at 31 December	**10,341**	**19,664**

The balance at 31 December 2009 comprised one loan from its subsidiary Atradius Participations Holding B.V. and one loan from its subsidiary Atradius Credit Insurance N.V. totalling EUR 19.7 million. The loan from Atradius Participations Holding B.V. has been redeemed during 2010. The interest rate of both loan agreements was set at 1-year Euribor plus 50 bps.

9 Other liabilities

	2010	2009
Other taxes	343	192
Bonuses and incentives	1,452	569
Other liabilities	2,493	3,504
Total	**4,288**	**4,265**

10 Contingencies

The Company has contingent liabilities in respect of bank and other guarantees and other 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 in the ordinary course of business amounting to EUR 1.0 million (2009: EUR 1.0 million) to third parties.

Atradius N.V. is head of the Dutch fiscal unity for corporate income tax, consisting of Atradius N.V., Atradius Insurance Holding N.V., Atradius Credit Insurance N.V., Atradius Participations Holding B.V., Atradius Information Services B.V., N.V. Suidarta and Atradius Beheersmaatschappij B.V. All companies included in the fiscal unity are jointly and severally liable for the corporate income tax payable by the fiscal unity.

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

11 Personnel

The number of employees (full-time equivalents) working for the Company:

	2010	2009
Total average number of employees (full–time equivalent)	5	6
Total year end number of employees	4	6

12 Auditor fees

The following expenses were made to the Group Auditor for audit and non-audit services:

2010	Deloitte Accountants B.V.	Other Deloitte Network organisations	Total Deloitte Network
Audit financial statements	1,049	1,221	2,270
Other audit services	176	144	320
Fiscal advisory services	–	15	15
Non–audit services	–	37	37
Total	**1,225**	**1,417**	**2,642**

2009	Deloitte Accountants B.V.	Other Deloitte Network organisations	Total Deloitte Network
Audit financial statements	966	1,092	2,058
Other audit services	234	95	329
Fiscal advisory services	–	47	47
Non–audit services	–	12	12
Total	**1,200**	**1,246**	**2,446**

13 Remuneration of Management Board and Supervisory Board

For information on share-based payment plans and remuneration of the members of the Management Board and the Supervisory Board we refer to Note 37 of the consolidated financial statements.

Other information

Proposed profit appropriation

1 Statutory appropriation of result

In accordance with article 29 of the Articles of Association the result for the year is at the disposal of the Annual General Meeting of Shareholders.

2 Proposed appropriation of result

The Management Board proposes to the General Meeting of Shareholders to allocate the profit for the year to the revenue reserve and to make a distribution of EUR 25.3 million out of the share premium reserve.

3 Events after the reporting period

There are no events to report.

Amsterdam, 2 March 2011

The Supervisory Board

Ignacio Álvarez
Francisco Arregui
Paul-Henri Denieuil
Jan H. Holsboer
Jesús Huerta de Soto
Bernd H. Meyer
José Ruiz
Dick Sluimers

The Management Board

Isidoro Unda
Dr. Peter Ingenlath
David Capdevila
Delfin Rueda

Independent auditor’s report

To the General Meeting of Shareholders of Atradius N.V.

Report on the financial statements

We have audited the accompanying financial statements 2010 of Atradius N.V., Amsterdam. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company statement of financial position as at 31 December 2010, the company income statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management’s responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the consolidated management report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Atradius N.V. as at 31 December 2010 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of Atradius N.V. as at 31 December 2010 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the consolidated management report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the consolidated management report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, 2 March 2011
Deloitte Accountants B.V.
Signed by J.G.C.M. Buné

Financial glossary

Assumed reinsurance business
The activity whereby Atradius acts as reinsurance company for credit insurance and bonding business of primary insurers. This activity is performed by a dedicated team of underwriters at Atradius Reinsurance Ltd., which is based in Ireland.

Atradius Modula
A family of modular credit insurance policies, offering companies greater flexibility to tailor their policies to their specific needs.

Bonding (product)
The activity of providing guarantees that protect the beneficiary if the supplier fails to meet the agreed performance level. Bonding is also known as surety insurance.

Buyer
A customer of our insured customer, which is the holder of the credit insurance policy. Buyers carry a credit risk such as protracted default, insolvency and bankruptcy. This could lead to a financial loss for the customer/policyholder. Buyer underwriting is related to the assessment of this credit risk.

Buyer underwriting
The activity related to the risk acceptance of buyers. Buyer underwriting determines the credit limits that are attached to the credit insurance policy and determines the amount for which shipments are insured. Buyers are assessed on financial and non-financial criteria, including financial status, profitability, liquidity, size, region, trade sector and payment experience.

Claim
An application by an insured for indemnification of a loss under the policy.

Claims ratio
A performance indicator that is defined as total claims including claims handling expenses divided by total insurance revenues.

Combined ratio
The sum of the claims ratio and the expense ratio.

Credit insurance (product)
Commercial and/or political risk insurance whereby the customer is protected against non-payment of trade receivables due to insolvency or default.

Credit limit
The maximum exposure specifically approved or otherwise authorised by the insurer in respect of a buyer.

Debt collection
Activity to collect monies owed by a company. Atradius offers this service both to insured customers and third parties.

Economic capital
The amount of risk capital, assessed on a realistic basis, required by a company to cover its risks assumed under insurance contracts.

European Economic Area (EEA)
The economic association of European countries, including all member countries of the European Union (EU) and Iceland, Norway, and Liechtenstein.

Euro-zone
Refers to the European Union member states that have adopted the euro as their currency.

Expense ratio
A performance indicator that is defined as total insurance expenses divided by total insurance revenues.

Exposure
Total amount underwritten by the insurer as cover on a buyer, a country, under a policy or under all policies.

Global
Atradius' product and service offering to multinational customers, which provides tailored credit management solutions for customers worldwide in several languages and currencies.

Insolvency
Legally recognised inability of a debtor to meet his commitments and pay his debts.

Instalment credit protection
Atradius' offering to financial and corporate policyholders in France, Belgium and Luxembourg, that protects against short and medium-term risks involved in multiple instalment agreements with private individuals and businesses (business-to-consumer).

Insurance revenues
The total of gross earned premiums and information income (i.e. credit checking fees).

Medium term business
Business (capital goods and major projects) transacted on credit terms of between two and five years.

Policyholder
Our insured customer, which is the holder of an insurance policy for protection against the risk of non-payment by (foreign or domestic) buyers. Customers pay insurance premium to have this protection.

Policy underwriting
The activity related to establishing the terms and conditions of the insurance policy designed to mitigate unacceptable risks. These terms and conditions include premium rate, maximum credit periods, the insurer's maximum liability, the customer's own retention and other risk sharing and mitigation aspects.

Political risk
The risk that a government buyer or a country prevents the fulfilment of a transaction, or fails to meet its payment obligations, or the risk that is beyond the scope of an individual buyer or falls outside the individual buyer's responsibility.

Premium
Amount paid by an insured customer to the insurer in return for risk coverage.

Reinsurance
A risk-sharing operation, whereby the insurer obtains cover from a third party (the reinsurer) for part of the credit risks that it has guaranteed, in exchange for the payment of a premium.

SME
Small and Medium-sized Enterprises.

Solvency II
A new regulatory framework, which will replace existing European insurance directives and apply to European insurers and reinsurers with effect from January 2013. Solvency II aims to regulate companies based on the inherent risks they face. Each insurance company will have to demonstrate that it has in place both sufficient capital and appropriate governance and risk management systems to meet the risks it faces.

Underwriter
Person charged with risk acceptance, control of that risk and the setting of cover conditions on buyers/credit limits, including any country-specific terms of cover.

Underwriting year
This is the year in which a risk is accepted for a shipment from a customer/policyholder to its buyer. The underwriting year performance provides management important insight into the buyer (risk) underwriting performance. In addition, it gives information about the most recent underwriting year performance without any impact from previous underwriting years.

Whole turnover policy
Protection provided to the insured in the form of a credit insurance policy that covers the total trade receivables portfolio of an insured customer against the risk of non-payment of its buyers (for commercial risks) and the country of the buyers (for political risks).

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Disclaimer

The information in the chapter “The global economic environment in 2010” is for general guidance on matters of interest only. While we have made every attempt to ensure that the information contained in this chapter reflects careful analysis and investigations on our side before publication of this Annual report, we are neither responsible for any errors or omissions nor for the results obtained from the use of this information.

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Overview of subsidiaries, branches, associated companies and minority shareholdings

The following table sets forth, as at 31 December 2010, the name and jurisdiction of establishment of the subsidiaries, branches, associated companies and minority shareholdings of Atradius N.V. All companies are, directly or indirectly, wholly owned unless otherwise indicated. The Companies are listed in alphabetical order.

Name	Country	Ownership
African Trade Insurance Agency	Kenya	1 share
Al Mulla Atradius Insurance Consultancy & Brokerage (L.L.C.)	United Arab Emirates	49%
Atradius Collections B.V.	Netherlands	
Belgium branch	Belgium	
Canada branch	Canada	
Czech Republic branch	Czech Republic	
Denmark branch	Denmark	
Hungary branch	Hungary	
Ireland branch	Ireland	
Poland branch	Poland	
Atradius Collections Holding B.V.	Netherlands	
Atradius Collections Limited	Hong Kong	
Atradius Collections Limited	United Kingdom	
Atradius Collections Pte. Limited	Singapore	
Atradius Collections Pty. Limited	Australia	
Atradius Collections S.A.	Belgium	
France branch	France	
Germany branch	Germany	
Italy branch	Italy	
Atradius Collections, S.A. de C.V.	Mexico	
Atradius Collections S.L.	Spain	
Atradius Collections, Inc.	USA	
Atradius Credit Information & Consulting (Shanghai) Co. Ltd.	China	
Atradius Credit Insurance Agency, Inc.	USA	
Atradius Credit Insurance N.V.	Netherlands	
Australia branch	Australia	
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 brancht	Italy	
Japan branch	Japan	
Luxembourg branch	Luxembourg	
Netherlands Antilles branch	Netherlands Antilles	
New Zealand branch	New Zealand	
Norway branch	Norway	
Poland branch	Poland	
Shanghai representative office	China	
Singapore branch	Singapore	
Slovakia branch	Slovakia	
Spain branch	Spain	
Sweden branch	Sweden	
Switzerland branch	Switzerland	
Turkey branch	Turkey	
United Kingdom branch	United Kingdom	

Name	Country	Ownership
Atradius Credit Management Services B.V.	Netherlands	
Atradius Credit Management Services (RUS) LLC	Russia	
Atradius Dutch State Business N.V.	Netherlands	
Atradius Finance B.V.	Netherlands	
Atradius Information Services B.V.	Netherlands	
Belgium branch	Belgium	
France branch	France	
Germany branch	Germany	
Ireland branch	Ireland	
Italy branch	Italy	
Japan branch	Japan	
Spain branch	Spain	
Switzerland branch	Switzerland	
United Kingdom branch	United Kingdom	
Atradius Insurance Holding N.V.	Netherlands	
Atradius Investments Limited	Ireland	
Atradius Participations Holding B.V.	Netherlands	
Atradius Pension Trustees Ltd.	United Kingdom	
Atradius Receivables Management Company N.V.	Netherlands Antilles	55%
Atradius Reinsurance Limited	Ireland	
Atradius Seguros de Crédito, S.A.	Mexico	
Atradius Trade Credit Insurance, Inc.	USA	
Atradius Trade Credit Insurance Company, NJ	USA	
CLAL Credit Insurance Ltd.	Israel	20%
Compañia Española de Seguros y Reaseguros de Crédito y Caución, S.A.	Spain	
Portugal branch	Portugal	
Compania de Seguros de Crédito Continental S.A.	Chile	50%*
Company Watch (Holdings) Ltd.	United Kingdom	23%
Crédito y Caución do Brasil Gestao de Riscos de Crédito e Servicos LTDA	Brazil	
Crédito y Caución Seguradora de Crédito à Exportaçao S.A.	Brazil	
Crédito y Caución Seguradora de Crédito e Garantias S.A.	Brazil	
DAP Holding N.V.	Netherlands	2.37%
Graydon Holding N.V.	Netherlands	45%
Iberinform Internacional S.A.	Spain	
Iberinmobiliaria, S.A.	Spain	
Informes Mexico, S.A. de C.V.	Mexico	51.11%
Invercyca, S.A.	Spain	
Les Assurances des Credit Commerciaux S.A.	Tunisia	34.99%
NCM (UK) Holdings Ltd.	United Kingdom	
NCM Credit Insurance Ltd.	United Kingdom	
NCM Teri Ltd.	United Kingdom	
NCM UK Agency Ltd.	United Kingdom	
Nederlandse Financieringsmaatschappij voor Ontwikkelingslanden N.V.	Netherlands	0.5%
PTI Credit Risk Consultancy Private Ltd.	India	
Technical Credit Insurance Consultants S.A.	Belgium	
The Lebanese Credit Insurer s.a.l.	Lebanon	48.9%
Tokio Marine Nichido and Atradius Credit Management and Co. Ltd.	Japan	50%

*Minus one share

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