

**ATRADIUS CREDITO Y CAUCION S.A.
DE SEGUROS Y REASEGUROS**
(formerly known as
Compania Espanola de Seguros y
Reaseguros de Credito y Caucion, S.A.)
- SINGAPORE BRANCH
(Registration No. T16FC0107G)

REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL PERIOD FROM
JULY 18, 2016 (DATE OF REGISTRATION)
TO DECEMBER 31, 2016**

ATRADIUS CREDITO Y CAUCION S.A. DE SEGUROS Y REASEGUROS
(formerly known as Compañia Espanola de Seguros y Reaseguros de Credito y
Caucion, S.A.)
SINGAPORE BRANCH

REPORT AND FINANCIAL STATEMENTS

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SINGAPORE BRANCH

STATEMENT OF AUTHORISED REPRESENTATIVE

In my opinion, the financial statements set out on pages 5 to 42 are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards so as to give a true and fair view of the assets used in, and liabilities arising out of the Branch's operations in Singapore as at December 31, 2016 and of the results of the Branch's operations in Singapore, changes in equity and cash flows from such operations for the financial period from July 18, 2016 to December 31, 2016 and at the date of this statement there are reasonable grounds to believe that the Singapore Branch will be able to pay its debts when they fall due.



.....
Ms. Heike Gerdes
AUTHORISED REPRESENTATIVE

Date: **11 6 MAY 2017**

ATRADIUS CREDITO Y CAUCION S.A. DE SEGUROS Y REASEGUROS
(formerly known as Compania Espanola de Seguros y Reasegueros de Credito y Cauccion, S.A.)
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INDEPENDENT AUDITOR'S REPORT TO ATRADIUS CREDITO Y CAUCION DE SEGUROS Y REASEGUROS

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Singapore Operations of Atradius Credito y Cauccion S.A. de Seguros y Reasegueros (formerly known as Compania Espanola de Seguros y Reasegueros de Credito y Cauccion, S.A.) Singapore Branch (the "Branch") pursuant to section 373 of the Companies Act, Chapter 50 (the "Act"). These financial statements comprise the statement of financial position of the Branch as at December 31, 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period from July 18, 2016 (date of registration) to December 31, 2016, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 5 to 42.

The Branch is a segment of Atradius Credito y Cauccion S.A. de Seguros y Reasegueros and is not a separately incorporated legal entity. The accompanying financial statements have been prepared from the records of the Branch and reflect only transactions recorded herein.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Act and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the assets used in, and liabilities arising out of, the Branch's operations in Singapore as at December 31, 2016 and of the results, changes in equity and cash flows of the Branch's operations in Singapore for the period from July 18, 2016 (date of registration) to December 31, 2016.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Branch in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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INDEPENDENT AUDITOR'S REPORT TO ATRADIUS CREDITO Y CAUCION DE SEGUROS Y REASEGUROS

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Statement of Authorised Representative as set out on page 1, and does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management for the Financial Statements

The Branch's management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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INDEPENDENT AUDITOR'S REPORT TO ATRADIUS CREDITO Y CAUCION DE SEGUROS Y REASEGUROS

- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Branch's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Branch's management.
- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Branch's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Branch to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Branch's management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records examined by us relating to the Branch's operations in Singapore have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP

Public Accountants and
Chartered Accountants
Singapore

May 16, 2017

ATRADIUS CREDITO Y CAUCION S.A. DE SEGUROS Y REASEGUROS
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STATEMENT OF FINANCIAL POSITION
December 31, 2016

	<u>Note</u>	<u>2016</u> \$
<u>ASSETS</u>		
Current assets		
Cash and cash equivalents	6	10,333,708
Financial assets at fair value through profit or loss	10	11,843,365
Amounts due from related companies	7	3,980,062
Deposits, prepayments and other receivables	8	371,219
Insurance receivables	9	40,947,278
		<u>67,475,632</u>
Reinsurers' share of insurance liabilities		
Provision for unexpired risks	12(a)	9,270,035
Provision for insurance claims	12(b)	23,973,170
		<u>33,243,205</u>
Non-current asset		
Property and equipment	11	412,092
		<u>101,130,929</u>
<u>LIABILITIES AND EQUITY</u>		
Current liabilities		
Insurance payables	13	15,912,599
Other payables and accruals	14	1,023,711
Amounts due to related companies	7	13,697,826
		<u>30,634,136</u>
Insurance liabilities		
Provision for unexpired risks	12(a)	13,972,918
Provision for insurance claims	12(b)	33,105,636
		<u>47,078,554</u>
Total liabilities		
		<u>77,712,690</u>
Head office account and reserves		
Head office account	15	24,140,042
Accumulated losses		(721,803)
		<u>23,418,239</u>
Total liabilities and equity		
		<u>101,130,929</u>

See accompanying notes to financial statements.

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Period from July 18, 2016 (date of registration) to December 31, 2016

	<u>Note</u>	<u>2016</u>
		\$
Revenue		
Gross written premiums	12(a)	4,108,512
Change in gross provision for unexpired risks		<u>2,503,548</u>
Gross earned premium revenue	12(a)	<u>6,612,060</u>
Written premiums ceded to reinsurers	12(a)	2,317,946
Reinsurers' share of change in provision for unexpired risks		<u>2,163,740</u>
Reinsurance premium expense	12(a)	<u>4,481,686</u>
Net earned premium	12(a)	2,130,374
Commission income	16	690,730
Net investment income	17	(82,892)
Other income	18	<u>202,309</u>
Total income		<u>2,940,521</u>
Gross claims incurred	12(b)	4,476,615
Reinsurers' share of claims incurred	12(b)	<u>(3,191,754)</u>
Net claims incurred		<u>1,284,861</u>
Commission expense		328,170
Staff costs	19	756,818
Depreciation expense	11	17,341
Other expenses	20	<u>1,275,134</u>
Total claim and expenses		<u>3,662,324</u>
Loss before income tax		(721,803)
Income tax expense	21	<u>-</u>
Loss for the period, representing total comprehensive loss for the period		<u>(721,803)</u>

See accompanying notes to financial statements.

ATRADIUS CREDITO Y CAUCION S.A. DE SEGUROS Y REASEGUROS
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STATEMENT OF CHANGES IN EQUITY

Period from July 18, 2016 (date of registration) to December 31, 2016

	Head office account	Accumulated losses	Total
	\$	\$	\$
Balance at July 18, 2016	-	-	-
Contribution from Head office (Note 1)	24,140,042	-	24,140,042
Total comprehensive loss for the period	-	(721,803)	(721,803)
Balance at December 31, 2016	<u>24,140,042</u>	<u>(721,803)</u>	<u>23,418,239</u>

See accompanying notes to financial statements.

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STATEMENT OF CASH FLOWS

Period from July 18, 2016 (date of registration) to December 31, 2016

	<u>Note</u>	<u>2016</u>
		\$
Operating activities		
Loss before income tax		(721,803)
Adjustments for:		
Depreciation of property and equipment	11	17,341
Interest income	17	(38,874)
Interest expense	17	13,651
Change in fair value of debt securities		108,115
Net change in provision for unexpired risks		(339,808)
Net change in provision for insurance claims		(5,065,748)
Operating cash flows before movements in working capital		<u>(6,027,126)</u>
Insurance receivables		(11,227,434)
Deposits, prepayments and other receivables		384,324
Amounts due from related companies		3,548,543
Insurance payables		(5,220,492)
Other payables and accruals		35,710
Amounts due to related companies		12,849,594
Cash used in operations		<u>(5,656,881)</u>
Interest received		9,822
Net cash used in operating activities		<u>(5,647,059)</u>
Investing activities		
Purchase of property and equipment representing net cash used in investing activities	11	<u>(2,247)</u>
Financing activity		
Interest paid representing net cash used in financing activity		<u>(13,651)</u>
Net decrease in cash and cash equivalents		(5,662,957)
Cash received from transfer of business	1	15,996,665
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period	6	<u>10,333,708</u>

See accompanying notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2016

1 GENERAL

Atradius Credito y Caucion S.A. de Seguros y Reasegueros (the "company") is incorporated in Spain and operates in Singapore through the Branch (Registration No. T16FC0107G) with its principal place of business and registered office at 8 Shenton Way AXA Tower #22-02, Singapore 068811. The Branch was registered on July 18, 2016. The financial statements are expressed in Singapore dollars.

As part of an intra-group reorganisation which involves a cross-border merger between Atradius Credit Insurance N.V. ("ACI"), a company incorporated in the Netherlands, and Compania Espanola de Seguros y Reasegueros de Credito y Caucion S.A. ("CYC"), a company incorporated in Spain, based on the European Cross border Merger Directive as implemented into Dutch Law and into Spanish law, with CYC as the surviving company, the ACI Singapore Branch and the CYC Singapore Branch entered into a scheme pursuant to Section 49FB of the Insurance Act (Cap. 142) to transfer the insurance assets and liabilities of ACI Singapore Branch to CYC Singapore Branch with effect from November 1, 2016 (the "Scheme").

Pursuant to the Scheme, the Branch received the following assets and liabilities as at November 1, 2016:

	\$
Assets:	
Cash and cash equivalents	15,996,665
Financial assets at fair value through profit or loss	11,951,480
Amounts due from related companies	7,528,605
Deposits, prepayments and other receivables	726,491
Insurance receivables	29,719,844
Property and equipment	427,186
	<u>66,350,271</u>
Liabilities:	
Insurance payables	21,133,091
Other payables and accruals	988,001
Amounts due to related companies	848,232
Provision for unexpired risks, net ¹	5,042,691
Provision for insurance claims, net ¹	14,198,214
	<u>42,210,229</u>
Surplus considered as contribution from Head office	<u>24,140,042</u>

¹ Provision for unexpired risks and insurance claims were valued by an independent actuary as at the date of transfer.

² For all other assets and liabilities, management is of the opinion that their carrying amounts approximate their fair values.

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December 31, 2016

The completion of the merger was announced on December 30, 2016 with CYC renamed Atradius Credito y Cauccion S.A. de Seguros y Reasegueros (the "Head office").

The Branch was licensed as a direct general insurer on September 6, 2016 under the Insurance Act, Chapter 142 to underwrite credit insurance business.

The financial statements of the Branch for the period from July 18, 2016 (date of registration) to December 31, 2016 were authorised for issue by management on May 16, 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of accounting

The financial statements have been prepared in accordance with the historical cost basis except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

The assets and liabilities of the Branch, which relate to the insurance business carried on in Singapore, are subject to the requirements of the Insurance Act. Such assets and liabilities are accounted for in the books of the insurance funds established under Section 17 of the Insurance Act. Surplus assets held in the insurance funds may be withdrawn only if the withdrawal meets the requirements stipulated in Section 17 and the Branch continues to be able to meet the solvency requirements of Section 18. These financial statements represent the combined assets and liabilities, and income and expenses of the insurance funds.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Branch takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, and measurements that have some similarities to fair value but are not fair value, such as value in use in FRS 36.

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

- Level 1 inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than the quoted market prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

2.2 Adoption of new and revised standards

On July 18, 2016, the Branch has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations.

At the date of authorisation of these financial statements, the following new/revised FRSs and amendments to FRSs that are relevant to the Branch were issued but not effective:

- FRS 109 *Financial Instruments*²
- FRS 115 *Revenue from Contracts with Customers (with clarifications issued)*²
- FRS 116 *Leases*³
- Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*¹
- Amendments to FRS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses*¹

¹ Applies to annual periods beginning on or after January 1, 2017, with early application permitted.

² Applies to annual periods beginning on or after January 1, 2018, with early application permitted.

³ Applies to annual periods beginning on or after January 1, 2019, with early application permitted if FRS 115 is adopted.

The management anticipates that the adoption of the above FRSs and amendments to FRS in future periods will not have a material impact to the financial statements of the Branch in the period of their initial adoption.

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2.3 Classification of insurance contracts

Contracts under which the Branch accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary are classified as insurance contracts. Insurance risk is risk other than financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, a credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract.

Insurance risk is significant if, and only if, an insured event could cause the Branch to pay significant additional benefits. Once a contract is classified as an insurance contract, it remains classified as an insurance contract until all rights and obligations are extinguished or expired.

2.4 Insurance contracts

Written premiums and earned premium revenue

Written premiums include premiums on contracts entered during the financial period, irrespective of whether they relate in whole or in part to later financial periods. Written premiums are disclosed gross of commission payable to insurance companies and intermediaries and include adjustments to premiums written in prior financial years and estimates for "pipeline" premium.

An estimate is made at the reporting date to recognise retrospective adjustments to premiums or commissions.

The earned portion of written premiums is recognised as revenue. Earned premium revenue comprises premiums written during the financial period and changes in provision for unexpired risks.

Provision for unexpired risks

The provision for unexpired risks includes the provision for unearned premiums and any additional provision for premiums deficiency. The provision for unearned premiums is calculated using the 360th method on written premiums less commission expense.

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Claims incurred and provision for insurance claims

Claims incurred comprises claims paid during the financial period, net of subrogation recoveries, and changes in provision for insurance claims.

Claims and loss expenses are charged to the profit or loss 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 risk the Branch has taken up to the balance sheet date. The Branch does not discount its liabilities given the cycle of the business. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Branch and statistical analyses for the claims incurred but not reported. When appropriate, deduction are made for salvage, subrogation and other expected recoveries from third parties.

Provision for outstanding claims is 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.

Reinsurance

The Branch enters into reinsurance agreements in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities, income and expenses arising from reinsurance contracts are presented separately from the related assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Branch from its direct obligations to its policyholders.

Reinsurance premium expense and reinsurers' share of claims incurred are presented in the statement of profit or loss and other comprehensive income on a gross basis.

Reinsurance assets comprise reinsurers' share of insurance liabilities and balances due from reinsurance companies. The amounts recognised as reinsurers' share of insurance liabilities are measured on a basis that is consistent with the measurement of the liabilities held in respect of the related insurance contracts. Balances due from reinsurance companies in respect of claims paid are included within the "insurance receivables" line on the statement of financial position.

Reinsurance assets are assessed for impairment at the end of each reporting period. Such assets are deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Branch may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the Branch will receive from the reinsurer.

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Commissions

Commission expenses paid and payable to intermediaries (brokers) upon acquiring new and renewal insurance business are recognised in profit or loss.

Commission income comprises reinsurance and profit commissions received and/or receivable. Reinsurance commission is recognised on a basis that is consistent with the recognition of the costs incurred on the acquisition of underlying insurance contracts. Profit commission in respect of reinsurance contracts is recognised on an accrual basis.

Liability adequacy test

The liability of the Branch under insurance contracts is tested for adequacy by comparing the expected future contractual cash flows with the carrying amount of gross insurance liabilities for unexpired risks and insurance claims. Where an expected shortfall is identified, additional provisions are made for unexpired risks or insurance claims and the deficiency is recognised in profit or loss.

2.5 Financial instruments

Financial assets and financial liabilities are recognised on the Branch's statement of financial position when the Branch becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instrument "at fair value through profit or loss".

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Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets held by the branch are classified as being FVTPL if the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Branch's risk management or investment strategy. Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in "net investment income" line in the statement of profit or loss and other comprehensive income.

Loans and receivables

Amounts due from related companies, insurance and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment losses. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For all financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of insurance receivables where the carrying amount is reduced through the use of an allowance account. When an insurance receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit and loss to the extent the carrying amount of the cost at the date of impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Branch derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Branch neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Branch recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Branch retains substantially all the risks and rewards of ownership of a transferred financial asset, the Branch continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

Other financial liabilities

Amounts due to related companies, insurance and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Branch derecognises financial liabilities when, and only when, the Branch's obligations are discharged, cancelled or they expire.

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2.6 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.7 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Furniture, fittings and equipment	-	3 to 10 years
Computers	-	3 to 5 years

The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

2.8 Impairment of non-financial assets

At the end of each reporting period, the Branch reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Branch estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, 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. A reversal of an impairment loss is recognised immediately in profit or loss.

2.9 Provisions

Provisions are recognised when the Branch has a present obligation (legal or constructive) as a result of a past event, it is probable that the Branch will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.10 Revenue

Earned premiums from insurance contracts

The accounting policy for the recognition of gross earned premium revenue from insurance contracts is disclosed in Note 2.4.

Commission income

The accounting policy for the recognition of commission income from insurance contracts is disclosed in Note 2.4.

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Investment income

Investment income comprises interest income and fair value on financial assets at fair value through profit or loss. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

2.11 Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Branch's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

2.12 Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

2.13 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

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Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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 Branch intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss.

2.14 Foreign currency transactions and translation

The financial statements of the Branch are measured and presented in Singapore dollars, the currency of the primary economic environment in which the Branch operates (its functional currency).

Transactions in currencies other than the Branch's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period.

2.15 Cash and cash equivalents in the statement of cash flows

Cash and cash equivalents in the statement of cash flows comprise cash in banks and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

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3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Branch's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised, and in any future periods affected.

(i) Critical judgements in applying the Branch's accounting policies

The critical accounting estimates made by the management in applying accounting policies related to the provisions for unexpired risks and insurance claims. For this purpose, management has relied significantly on the actuarial valuation performed by an approved actuary in accordance with local insurance regulatory requirements.

The description of the principal estimates and assumptions underlying the determination of provisions for unexpired risks and insurance claims and the impact of changes in these estimates and assumptions are discussed in the sensitivity analysis below. The sensitivity analysis has been performed on a gross basis before accounting for reinsurance and on a net basis after accounting for reinsurance.

(ii) Key sources of estimation uncertainty

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

Process used to determine the assumptions for measuring insurance contracts

The actuarial determination of the insurance contract liabilities are statistical in nature. Actuaries will examine the development of historical claim payments to identify patterns and trends in order that future claim payments may be estimated. In estimating the required claims provision, actuaries will identify the reason for any trends determined from historical data or sudden changes to such data so that the likely continuation or otherwise of such trends and changes can be considered.

The assumptions used in the estimation of insurance assets and liabilities are intended to result in provisions which are sufficient to cover any liabilities arising out of insurance contracts so far as can reasonably be foreseen.

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3.1 Main assumptions

The main assumptions considered include expenses, premium rate changes, development factors, ultimate loss ratio and reinsurance recoveries.

3.1.1 Expenses

For the indirect claims handling expenses ("ICHE"), the Branch has applied a rate of 10% for both SIF and OIF. This ICHE assumption was selected based on the 2016 expense information furnished by Head Office, including assumptions around the proportion of total expenses incurred for claims handling purposes.

For the premium liabilities, the Branch estimated the policy maintenance expenses ("PME") to be 20 % of the UPR net of DAC. In addition, the Branch assumed that 50% of the expenses are incurred at the inception of the policy and 50% during the course of the policy. This is consistent with the assumption used for the previous valuation of ACI Branch. Similar to the ICHE, the Branch used industry data to estimate the proportion of total expenses allocated as management expenses.

3.1.2 Premium rate changes

The Branch assumes that premium rates are stable over the past few years, thus all the changes in loss ratios are due to either change in exposure mix or random fluctuations.

3.1.3 Loss development factors (LDF)

The Branch has the view that there would be no new paid claims beyond the second development year. Development factors have been selected which led to ratios of percentage paid and ultimate claims.

3.1.4 Ultimate loss ratios (ULR)

The initial estimated loss ratio (IELR) assumptions were selected by considering the estimated ULR for the recent accident years as well as the target loss ratios used by the Branch as part of its business planning process. These assumptions include adjustments for any large claims, changes in premium rates and/or changes in the business mix. The industry data was also used for the assumption setting process.

3.1.5 Reinsurance recoveries

The Branch assumes that past recoveries pattern will continue into the future via selection of development factors that reflects historical claims development pattern.

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3.2 Methods

The claims liability and premium liability is determined using statistical methods.

The purpose is to examine the development of historical claims costs to identify patterns and trends in order that future claims cost may be estimated.

3.2.1 Methodology for Best Estimate of Claims Liabilities

Ultimate claim incurred is computed by multiplying a projected ultimate loss ratio by earned premium. The best estimate of claims liabilities will then be computed by applying the paid proportion to be developed to the ultimate claim incurred. The final claims liabilities also include margins to allow for potential adverse deviation and loading for indirect claims handling expense.

3.2.2 Methodology of Best Estimate of Premium Liabilities

The ultimate loss ratios for the latest accident year has been used in assessing whether or not the unearned premium reserves adequately cover the outstanding risk with margin to allow for PAD percentage. A maintenance expense reserve is also added into premium liabilities.

The final unexpired risk reserve is then compared with the unexpired premium reserve net of commission.

3.2.3 Assessment of Uncertainty - Provision for Adverse Deviation (PAD)

A PAD at 75% sufficiency level is added to the best estimates of the claims reserves and unexpired risk reserve so that the final estimates have adequate margins to meet the future claims arising from policies in force as at the valuation date. PAD of 15% and 20% has been applied for claims reserves and unexpired risk reserves, respectively.

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Sensitivity analysis

The risk associated with credit insurance are not very amenable to quantitative sensitivity analysis. It is possible however to produce quantitative sensitivity of assumption associated with the insurance liabilities.

Estimates for future claims payments are the basis of the recognised insurance liabilities which are the claims provision (split between claims reported and claims incurred but not reported) and premium liability. Estimates of future claim payments are through a combination of case by case estimates and projection of an ultimate loss ratio.

The key assumptions used in valuing the claim liability are IELR, PAD and ICHE. An indication as to the sensitivity to project IELR, PAD & ICHE is as follows:

Assumption	Change in gross claim provision		Change in net claim liability
		If assumption is changed by 5%	
IELR	4,002,967		1,129,704
		If assumption is changed by 5%	
PAD	694,364		195,960
		If assumption is changed by 5%	
ICHE	176,387		176,387

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Claims Development Table

The claims development table provides an overview of the total claim expenses for accident years 2007 to 2016, which includes the historical claims development of the insurance business transferred to the Branch, as described in Note 1.

Gross Claims Development	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
Accident Year	(SGD)										
At end of financial year	703,110	3,832,752	4,828,281	8,409,536	7,933,551	4,991,380	8,583,103	34,877,061	12,655,485	28,173,316	
One year later	1,038,730	22,103,150	1,266,745	172,686	1,470,929	616,986	4,696,389	32,796,428	22,362,398		
Two years later	700,361	20,622,781	138,989	264,143	392,324	1,345,450	3,767,796	32,263,514			
Three years later	703,924	20,634,671	1,115,865	171,202	375,935	575,015	3,887,698				
Four years later	714,569	20,375,627	121,390	171,202	381,719	972,630					
Five years later	1,390,155	20,175,628	121,390	171,202	382,759						
Six years later	781,360	20,175,628	121,390	171,202							
Seven years later	781,360	20,175,628									
Eight years later	781,360	20,175,628									
Nine years later	781,360										
Current estimate of ultimate claims	781,360	20,175,628	121,390	171,202	382,759	972,630	3,887,698	32,263,514	22,362,398	28,173,316	109,291,895
Cumulative payments	781,360	20,175,628	121,390	171,202	382,759	581,487	3,745,631	31,630,912	19,423,538	5,494,815	82,508,722
Estimate of claims reserves	-	-	-	-	-	391,143	142,067	632,602	2,938,860	22,678,501	26,783,173
Indirect claims expenses	-	-	-	-	-	4,400	1,598	14,312	65,398	221,051	306,759
Effect of discount	-	-	-	-	-	-	-	-	-	-	-
Best estimate of claim liabilities	-	-	-	-	-	395,543	143,665	646,914	3,004,258	22,899,552	27,089,932
Estimated claims for prior accident years											N/A
Inward treaty claim liability											N/A
Provision for adverse deviation											2,027,869
Others											3,987,835
Gross provision for insurance claims											33,105,636

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Net Claims Development

Accident Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	(SGD) Total
At end of financial year	140,622	841,880	1,065,000	1,821,514	1,736,745	1,117,664	1,875,711	8,713,928	3,265,004	7,911,152	
One year later	207,746	4,855,050	279,413	37,404	326,441	138,104	1,026,327	8,103,365	6,027,316		
Two years later	140,072	4,529,881	30,658	54,786	85,884	301,162	556,692	7,719,084			
Three years later	140,785	4,532,492	259,704	31,999	85,798	299,970	533,934				
Four years later	142,914	4,590,646	30,645	31,999	85,798	387,977					
Five years later	254,110	4,532,492	30,645	31,961	84,547						
Six years later	142,914	4,532,492	30,575	31,961							
Seven years later	142,914	4,529,885	30,575								
Eight years later	142,914	4,529,885									
Nine years later	142,914										
Current estimate of ultimate claims	142,914	4,529,885	30,575	31,961	84,547	387,977	533,934	7,719,084	6,027,316	7,911,152	27,399,345
Cumulative payments	142,914	4,529,885	30,575	31,961	84,547	299,970	501,969	7,560,933	5,219,129	1,674,564	20,076,447
Estimate of claims reserves	-	-	-	-	-	88,007	31,965	158,151	808,187	6,236,588	7,322,898
Indirect claims expenses	-	-	-	-	-	4,400	1,598	14,312	65,398	221,050	306,758
Effect of discount	-	-	-	-	-	-	-	-	-	-	-
Best estimate of claim liabilities	-	-	-	-	-	92,407	33,563	172,463	873,585	6,457,638	7,629,656
Estimated claims for prior accident years											N/A
Inward treaty claim liability											N/A
Provision for adverse deviation											587,881
Others											914,929
Net provision for insurance claims											9,132,466

The Branch has a reinsurance programme consisting of both quota share and excess of loss policies that cover the majority of the credit insurance.

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4 INSURANCE AND FINANCIAL RISK MANAGEMENT

4.1 Risk management objectives and policies for mitigating insurance risk

Underwriting strategy

The underwriting strategy of the Branch is determined between the commercial and underwriting teams. Specific customer characteristics which are identifiable and measurable will be required in the aligned strategies. These characteristics are broadly classified as (1) Application characteristics and (2) Risk Services Decisions. Some of the key characteristics include customer rating, year of establishment, annual turnover, buyer rating, key financial ratios, group risk and single risk.

Underwriting authority level applies for (1) individual buyers (2) group of buyers (3) short term and mid-term products.

Reinsurance strategy

The Branch cedes out 72.5% of all risk to a panel of reinsurance companies, within which Atradius Reinsurance Ltd, a related company, signs up for 30% of the whole portfolio. The retained 27.5% risks of the Branch are covered under six layers of excess of loss reinsurance treaty.

The reinsurance treaties are renewed annually.

4.2 Terms and conditions of insurance contracts

Product features

The principal activities is underwriting of credit insurance business.

Managing of risks

The key risks associated with credit insurance are underwriting risk, competitive risk and claims experience risk (including the variable incidence of natural disasters). The Branch may also be exposed to risk of dishonest actions by policyholders.

Underwriting risk is the risk that the Branch does not charge adequate premiums appropriate for the risks it insures. The risk on any policy will vary according to factors such as political risk, economic cycle and other factors.

Insurance risk is managed primarily through estimated pricing, product design, risk selection, appropriate investment strategy, rating and reinsurance. The Branch therefore monitors and reacts to changes in the general economic and commercial environment in which it operates, especially in Singapore where the Branch underwrites the majority of its insurance risks.

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4.3 Concentrations of insurance risk

A key aspect of the insurance risk faced by the Branch is the extent of concentration of insurance risk which may exist where a particular event or series of events could impact significantly upon the Branch's liabilities. Such concentrations may arise from a single insurance contract or through a small number of related contracts, and relate to circumstances where significant liabilities could arise. An important aspect of the concentration of insurance risk is that it may arise from the accumulation of risks within a number of individual classes or contracts tranche.

Concentrations of risk can arise in both high severity, low frequency events and in situations where underwriting is biased towards a particular group, such as a particular geographic or demographic trend or a particular group of companies that belong to the same shareholder.

The Branch's key methods in managing these risks are as follows:

Firstly, the risk is managed through appropriate underwriting procedures. Underwriters are not permitted to underwrite risks unless the expected profit is commensurate with the risks assumed.

Secondly, the risk is managed through the use of reinsurance. The Branch purchases both excess of loss covers as well as treaty arrangements with reputable reinsurers that provide protection on the insurance business written by the Branch above a certain net retention of risk. The costs and benefits associated with the reinsurances programmes are being reviewed periodically.

The Branch sets out the total aggregate exposure that it is prepared to accept in relation to concentration of risks based on the guidelines given by the Monetary Authority of Singapore under the Risk-Based Capital Framework. It monitors these exposures both at the time of underwriting a risk, and on a quarterly basis by reviewing reports which show the key aggregations of risks to which the Branch is exposed.

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4.4 Financial Instruments, Financial Risks and Capital Risks Management

(a) Categories of financial instruments

	<u>2016</u>
	\$
Financial assets	
Loans and receivables (including cash and cash equivalents)	<u>55,486,415</u>
Fair value through profit or loss	<u>11,843,365</u>
Insurance assets	
Reinsurers' share of provision for insurance claims	<u>23,973,170</u>
Financial liabilities	
At amortised cost	<u>30,559,383</u>
Insurance liabilities	
Provision for insurance claims	<u>33,105,636</u>

(b) Financial instruments subject to offsetting, enforceable master netting arrangements and similar arrangements

The Branch does not have any financial instruments which are subject to offsetting, enforceable master netting agreements or similar netting agreements.

(c) Financial risk management policies and objectives

The Branch has documented financial risk management policies. These policies set out the Branch's overall business strategies and its risk management philosophy. The Branch's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the Branch. Management provides written principles for overall financial risk management and written policies covering specific areas, such as market risk (including foreign exchange risk, interest rate risk), credit risk, and liquidity risk. Such written policies are reviewed annually by the management and periodic reviews are undertaken to ensure that the Branch's policy guidelines are complied with. Risk management is carried out by the underwriting committee under the policies approved by the Management.

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There has been no change to the Branch's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

The Branch does not use derivative financial instruments to protect against the volatility associated with foreign currency transactions, and other financial assets and liabilities created in the ordinary course of business.

(i) *Interest rate risk management*

Interest-bearing financial assets comprise mainly short-term bank deposits and government bonds. Management is of the view that with the current interest rate level, any future variations in interest rates will not have a material impact on the results of the Branch.

Summary of quantitative data of the Branch's interest-bearing financial instruments can be found in Section 4.6.

(ii) *Foreign currency risk management*

During the ordinary course of business, the Branch engages in foreign currency denominated transactions. As a result, the Branch is exposed to movements in foreign currency exchange rates.

At the end of the reporting period, the carrying amounts of financial assets and liabilities that are denominated in currencies other than the Branch's functional currencies are as follows:

	<u>2016</u>	
	<u>Liabilities</u>	<u>Assets</u>
	\$	\$
United States dollars	44,911,106	40,706,504
Euro	682,937	301,712

Those exposures are managed primarily by using natural hedges that arise from offsetting assets and liabilities that are denominated in foreign currencies.

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A 5% strengthening of the functional currency against the following currencies at the end of the reporting period would decrease profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2016
	Decrease
	Profit or Loss
	\$
United States dollars	(210,230)
Euro	<u>(19,061)</u>

A corresponding 5% weakening of the functional currency against the above currencies at the end of the reporting periods will have an opposite effect.

(iii) *Credit risk management*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a loss to the Branch. The Branch has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Branch's exposure and the credit rating of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by the counterparty limits that are reviewed and approved by the credit control committee.

The carrying amount of claim recoverable from reinsurers, fair value through profit or loss debt securities, insurance and other receivables, and cash and cash equivalents represent the Branch's maximum exposure to credit risk.

The Branch extends credit to its brokers and customers based on normal commercial terms. The outstanding balances are closely monitored and the ageing information of major debtors are highlighted in the monthly credit control committee meeting.

The Branch also has exposure to credit risk to reinsurers generally and also to specific reinsurers. The reinsurance department is responsible for setting guidelines about the quality of reinsurers used. The reinsurance committee monitors the recovery from these reinsurers.

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At the end of the reporting period, management believes that there is no significant concentration of credit risk and exposures are well spread. The Branch's exposure to credit risk relating to its financial assets is summarised below:

	Grade* (BBB to AAA)	<u>Neither past-due nor impaired</u>		Total
		Not rated	Past due but not impaired	
	\$	\$	\$	\$
<u>2016</u>				
Cash and cash equivalents	10,333,708	-	-	10,333,708
Amount due from related companies	3,980,062	-	-	3,980,062
Deposits and other receivables	56,698	168,668	-	225,366
Receivables arising from insurance contracts	-	16,013,702	6,074,957	22,088,659
Receivable arising from reinsurance contracts	18,858,619	-	-	18,858,619
Financial assets at fair value through profit or loss	11,843,365	-	-	11,843,365

* Based on public ratings assigned by external rating agencies ie: Standard & Poor and Moody's.

The aging analysis of insurance receivables that are the only financial assets past due but not impaired is as follows:

	<u>2016</u>
	\$
Receivables arising from insurance contracts	
Less than 6 months	4,685,271
6 to 12 months	1,032,970
More than 12 months	356,716
	<u>6,074,957</u>

Receivables from insurance contracts include balances amounting to \$211,919 which have been provided for during the period.

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(iv) *Liquidity risk management*

The Branch is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts. Liquidity risk is the risk that cash may not be available to settle its obligations when due at a reasonable cost.

The Branch's objective is to maintain a balance between continuity of funding and flexibility, and liquidity requirements in the short and longer term. Also, the Branch's head office will support the Branch if any liquidity problem arises. Detail of the contractual maturities for the financial assets can be found in Note 4.6.

All financial liabilities as of 2016 are repayable on demand or are within one year.

4.5 Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, insurance and other current receivables, and other liabilities that are stated at amortised cost approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

The fair value of the Branch's financial assets that are measured at fair value on recurring basis is as follows:

	Fair value hierarchy	Valuation technique and key inputs	2016 \$
Financial assets at fair value through profit or loss			
- Government bonds	Level 1	Quoted bid prices in an active market	<u>11,843,365</u>

The Branch has no financial liabilities carried at fair value in 2016.

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4.6 Liquidity and interest risk analysis

Non-derivative financial liabilities and insurance liabilities

All financial liabilities in 2016 are not interest-bearing and repayable within one year.

In respect of interest-earning financial assets, the following table indicates their weighted average effective interest rates per annum at the end of the reporting period drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Branch anticipates that the cash flow will occur in a different period.

The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statement of financial positions.

	Effective interest rate	Within 1 year	Within 2 to 5 years	Adjustment	Total
	%	\$	\$	\$	\$
2016					
Short-term bank deposits	1.00%	6,793,650	-	(36,094)	6,757,556
Fixed rate government bonds	1.52%	2,781,441	9,380,121	(318,197)	11,843,365

4.7 Capital risk management policies and objectives

The Branch reviews its capital structure to ensure it will be able to continue as a going concern and comply with the regulators' capital requirements of the markets in which it operates while maximising the return to stakeholders through optimisation of the debt and equity balance. The capital structure of the Branch comprises of head office account.

The Branch is in compliance with externally imposed capital and solvency requirement of the Monetary Authority of Singapore for the financial period ended December 31, 2016.

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5 HEAD OFFICE, RELATED COMPANY AND RELATED PARTY TRANSACTIONS

The Branch is part of Atradius Credito y Cauccion S.A de Seguros y Reasegueros. ("ACyC"), incorporated in Madrid Spain. The main shareholder of ACyC is Atradius Insurance N.V. The remaining one share in ACyC held by Atradius N.V. The parent company of Atradius Insurance Holding N.V. is Atradius N.V (together with its subsidiaries referred to as Atradius), which is incorporated and domiciled in Amsterdam, the Netherlands. The ultimate parent and the ultimate controlling party of Atradius is Grupo Catalana Occidente S.A.

The Branch's resources and existence are at disposal of the corporate management. Its assets are legally available for the satisfaction of the debt of the entire company, not solely those appearing on the accompanying financial statements, and its debts may result in claims against assets not appearing thereon.

During the period, apart from the balance and transactions disclosed elsewhere in these financial statements, the Branch had the following significant transactions with its immediate holding company and related companies:

	<u>2016</u>
	\$
Written premium ceded	851,090
Commission received	270,926
Management fee	<u>436,313</u>

Key management personnel

Key management personnel of the Branch are those persons having the authority and responsibility for planning, directing and controlling the activities of the Branch. The local agent, who is also the appointed Chief Executive Officer, is considered as key management personnel of the Branch.

Short-term employee benefits paid to key management personnel (included in staff costs) was \$46,161.

6 CASH AND CASH EQUIVALENTS

	<u>2016</u>
	\$
Cash in banks	3,576,152
Short-term bank deposits	<u>6,757,556</u>
	<u>10,333,708</u>

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7	AMOUNTS DUE FROM (TO) RELATED COMPANIES	<u>2016</u>
		\$
	Amounts due from related companies:	
	- Non-trade	3,980,062
	Amounts due to related companies:	
	- Non-trade	<u>13,697,826</u>

Amounts due from (to) related companies are unsecured, non-interest bearing and repayable on demand.

8	DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	<u>2016</u>
		\$
	Accrued interest receivable on debt securities and bank deposits	56,698
	Deposits	167,868
	Prepayments	142,654
	Loan to staff	800
	Others	3,199
		<u>371,219</u>

9	INSURANCE RECEIVABLES	<u>2016</u>
		\$
	Receivables arising from insurance contracts	22,300,578
	Receivables arising from reinsurance contracts	18,858,619
		<u>41,159,197</u>
	Allowance for doubtful accounts receivables arising from insurance contracts	<u>(211,919)</u>
		<u>40,947,278</u>

The average credit period is 30 days to 90 days. No interest is charged on the overdue outstanding insurance receivables.

The Branch has provided fully for all receivables over 12 months based on estimated irrecoverable amounts determined by reference to past default experience.

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10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>2016</u>
	\$
Government bonds:	
- Quoted	<u>11,843,365</u>

11 PROPERTY AND EQUIPMENT

	Furniture, fittings and equipment	Computers	Total
	\$	\$	\$
Cost:			
At July 18, 2016	-	-	-
Transfers (Note 1)	373,326	53,860	427,186
Additions	-	2,247	2,247
At December 31, 2016	<u>373,326</u>	<u>56,107</u>	<u>429,433</u>
Accumulated depreciation:			
At July 18, 2016	-	-	-
Depreciation	10,015	7,326	17,341
At December 31, 2016	<u>10,015</u>	<u>7,326</u>	<u>17,341</u>
Carrying amount as at December 31, 2016	<u>363,311</u>	<u>48,781</u>	<u>412,092</u>

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12 INSURANCE CONTRACTS PROVISIONS

Insurance contracts provisions are as follows:

(a) *Movements in provision for unexpired risks*

	Gross	<u>2016</u> Reinsurance	Net
	\$	\$	\$
At July 18, 2016	-	-	-
Transfer (Note 1)	16,476,466	(11,433,775)	5,042,691
Premiums written	4,108,512	(2,317,946)	1,790,566
Premiums earned	(6,612,060)	4,481,686	(2,130,374)
At December 31, 2016	<u>13,972,918</u>	<u>(9,270,035)</u>	<u>4,702,883</u>

(b) *Analysis of movements in provision for insurance claims*

	Gross	<u>2016</u> Reinsurance	Net
	\$	\$	\$
At July 18, 2016	-	-	-
Transfer (Note 1)	51,522,503	(37,324,289)	14,198,214
Claims paid	(22,893,482)	16,542,873	(6,350,609)
Claims incurred	4,476,615	(3,191,754)	1,284,861
At December 31, 2016	<u>33,105,636</u>	<u>(23,973,170)</u>	<u>9,132,466</u>

	<u>2016</u> \$
<u>Current assets</u>	
Provision for:	
Unexpired risks	9,270,035
Insurance claims	<u>23,973,170</u>
<u>Current liabilities</u>	
Provision for:	
Unexpired risks	13,972,918
Insurance claims	<u>33,105,636</u>

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13 INSURANCE PAYABLES

	<u>2016</u>
	\$
Payables arising from:	
Insurance contracts	2,890,889
Reinsurance contracts	<u>13,021,710</u>
	<u>15,912,599</u>

Insurance payables principally comprise amounts payable to insurance and reinsurance contracts. The Branch has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

14 OTHER PAYABLES AND ACCRUALS

	<u>2016</u>
	\$
Accrued expenses	977,928
Sundry payables	16,038
GST payables	<u>29,745</u>
	<u>1,023,711</u>

15 HEAD OFFICE ACCOUNT

This represents an amount invested in the Branch by its Head office. The amount is non-interest bearing and is not expected to be repaid to the immediate holding company.

16 COMMISSION INCOME

	<u>2016</u>
	\$
Reinsurance commission income	910,728
Profit commissions	<u>(219,998)</u>
	<u>690,730</u>

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17 NET INVESTMENT INCOME

	<u>2016</u>
	\$
Change in fair value of financial assets at fair value through profit or loss	(108,115)
Interest income from:	
Debt securities	29,944
Short-term bank deposits	5,722
Others	3,208
Interest expense	<u>(13,651)</u>
	<u>(82,892)</u>

18 OTHER INCOME

	<u>2016</u>
	\$
Fees from rendering credit limit review	142,309
Government grant	<u>60,000</u>
	<u>202,309</u>

19 STAFF COSTS

Included in staff costs are contributions to a statutory defined contribution scheme of \$42,343.

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20 OTHER EXPENSES

	<u>2016</u>
	\$
Management fee paid to holding company (Note 5)	436,314
Professional fees	260,756
Foreign exchange gain	342,107
Rental expense	75,545
Write-back of doubtful debts (Note 9)	(2,712)
Marketing expenses	16,440
License and association fee	29,658
Travelling expenses	49,044
Postages and telephone charges	15,926
Utilities	5,327
Other expenses	46,729
	<u>1,275,134</u>

21 INCOME TAX EXPENSE

Domestic income tax is calculated at 17% of the profit (loss) for the period.

Total charge for the period can be reconciled to the accounting loss as follows:

	<u>2016</u>
	\$
Loss before income tax	<u>(721,803)</u>
Income tax benefit calculated at 17% (2015 : 17%)	(122,707)
Effect of unused tax losses not recognised as deferred tax assets	<u>122,707</u>
	<u>-</u>

Subject to the agreement by the tax authorities, at the end of the reporting period, the Branch has unutilised tax losses of \$721,803 available for offset against future profits.

Deferred tax assets have not been recognised in respect of the tax losses due to uncertainty over the availability and timing of future profits. Losses may be carried forward indefinitely subject to the conditions imposed by law.

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22 OPERATING LEASE COMMITMENTS

	<u>2016</u>
	\$
Minimum lease payment recognised as an expense during the period	<u>75,545</u>
Future minimum lease payments under operating leases are as follows:	
Within one year	453,605
In the second to fifth years inclusive	<u>-</u>

Operating lease payments represent rental payable by the Branch for its office premises and office equipment. Office rentals are fixed for an average of three years and are renewable at prevailing market rates. Office equipment rentals are fixed for an average of five years.

The office and equipment leases were transferred to the Branch on November 1, 2016 as described in Note 1.

23 COMPARATIVE FIGURES

The financial statements cover the period from July 18, 2016 (date of registration) to December 31, 2016. This being the first set of financial statements, there are no comparative figures.