ATRADIUS CREDITO Y CAUCION S.A. DE SEGUROS Y REASEGUROS SINGAPORE BRANCH

(Incorporated in Spain. Registration Number: T16FC0107G)

ANNUAL REPORT

For the financial year ended 31 December 2023

ATRADIUS CREDITO Y CAUCION S.A. DE SEGUROS Y REASEGUROS SINGAPORE BRANCH
(Incorporated in Spain. Registration Number: T16FC0107G)

ANNUAL REPORT
For the financial year ended 31 December 2023

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ATRADIUS CREDITO Y CAUCION S.A. DE SEGUROS Y REASEGUROS SINGAPORE BRANCH

STATEMENT BY CHIEF EXECUTIVE
For the financial year ended 31 December 2023

In my opinion, the financial statements set out on pages 6 to 87 are properly drawn up in accordance with the provisions of the Companies Act 1967 and Financial Reporting Standards in Singapore 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 31 December 2023, and of the results, changes in head office account and cash flows of the Branch's operations in Singapore for the financial year ended on that date. 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. Maria Sandhu
CHIEF EXECUTIVE

31 July 2024

INDEPENDENT AUDITOR'S REPORT TO
ATRADIUS CREDITO Y CAUCION S.A. DE SEGUROS Y REASEGUROS
For the financial year ended 31 December 2023

Report on the Audit of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements of the Singapore Operations of Atradius Credito y Caucion S.A. de Seguros y Reaseguros ("the Branch") are properly drawn up in accordance with the provisions of the Companies Act 1967 ("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 31 December 2023, and of the results, changes in head office account and cash flows of the Branch's operations in Singapore for the financial year ended on that date.

What we have audited

The Branch is a segment of Atradius Credito y Caucion S.A. de Seguros y Reaseguros and is not a separately incorporated legal entity. The accompanying financial statements, which we have audited pursuant to section 373 of the Act, have been prepared from the records of the Branch and reflect only transactions recorded therein and comprise:

- the statement of comprehensive income arising out of operations in Singapore for the financial year ended 31 December 2023;
- the statement of assets used in and liabilities arising out of operations in Singapore as at 31 December 2023;
- the statement of changes in head office account for the financial year then ended;
- the statement of cash flows for the financial year then ended; and
- the notes to the financial statements, including material accounting policy information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Branch in accordance with the Accounting and Corporate Regulatory Authority 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.

Report on the Audit of the Financial Statements (continued)

Other Information

The Branch's management is responsible for the other information. The other information comprises the Statement by Chief Executive but 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 and Directors 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, the Branch's 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 the Branch's management either intends to liquidate the Branch or to cease operations, or has no realistic alternative but to do so.

The responsibilities of the directors of Atradius Credito y Caucion S.A. de Seguros y Reaseguros include overseeing the Branch's financial reporting process.

Report on the Audit of the Financial Statements (continued)

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:

- 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Branch's management.
- Conclude on the appropriateness of the Branch's 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.
- 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.

PricewaterhouseCoopers LLP

Public Accountants and Chartered Accountants
Singapore, 31 July 2024

ATRADIUS CREDITO Y CAUCION S.A. DE SEGUROS Y REASEGUROS SINGAPORE BRANCH

STATEMENT OF COMPREHENSIVE INCOME ARISING OUT OF OPERATIONS IN SINGAPORE
As at 31 December 2023

	Notes	2023 $	2022 (restated) $
Insurance revenue	6	**98,869,269**	73,613,881
Insurance service expense	6	**(96,296,139)**	(69,979,371)
Insurance service results before reinsurance contracts held		**2,573,130**	3,634,510
Net expense from reinsurance contracts	6	**(2,180,248)**	(4,444,569)
Insurance service results		**392,882**	(810,059)
Investment income	7	**2,702,790**	743,699
Insurance finance expenses for insurance contracts issued	7	**(2,236,004)**	(1,764,384)
Reinsurance finance income/(expenses) for reinsurance contracts held	7	**846,234**	(449,130)
Net investment and insurance finance income/(expenses)		**1,313,020**	(1,469,815)
Other income	16	**2,220,708**	2,385,927
Other finance expenses		**(25,788)**	(42,433)
Other operating expenses	17	**(3,506,566)**	(1,544,301)
Foreign exchange loss - net		**(1,287,285)**	(502,669)
Loss before tax		**(893,029)**	(1,983,350)
Income tax (expense)/credit	18(a)	**(168,423)**	72,470
Loss for the year		**(1,061,452)**	(1,910,880)
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to Profit or loss statement:			
Change in fair value of financial assets (gross of tax)		**131,886**	(39,236)
Insurance finance income for insurance contracts issued (gross of tax)	7	**22,584**	1,674,660
Reinsurance finance expenses for reinsurance contracts held (gross of tax)	7	**(651,538)**	(227,366)
Income tax on items recorded through other comprehensive income/(loss)		**49,706**	(140,805)
Total comprehensive loss		**(1,508,814)**	(643,627)

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

ATRADIUS CREDITO Y CAUCION S.A. DE SEGUROS Y REASEGUROS SINGAPORE BRANCH

STATEMENT OF ASSETS USED IN AND LIABILITIES ARISING OUT OF OPERATIONS IN SINGAPORE
As at 31 December 2023

	Notes	**31 December 2023** $	31 December 2022 (restated) $	1 January 2022 (restated) $
ASSETS				
Cash and cash equivalents	8	**88,288,798**	72,073,624	51,004,755
Other assets	10	**1,077,357**	795,633	594,021
Debt instruments at fair value through other comprehensive income	11	**17,680,750**	21,708,080	12,060,000
Reinsurance contract assets	13	**54,386,868**	38,487,783	14,876,903
Insurance contract assets	13	**143,858**	257,136	894,883
Amount due from related companies	9	**1,311,019**	25,140	8,470
Deferred tax assets	18(c)	**1,809,185**	617,038	-
Property and equipment	12	**515,119**	633,022	664,046
Right-of-use assets	19	**456,170**	1,007,276	1,558,382
Total assets		**165,669,124**	135,604,732	81,661,460
LIABILITIES AND EQUITY				
Other liabilities and accruals	14	**8,646,885**	7,582,846	5,763,818
Deferred tax liabilities	18(c)	**-**	-	367,277
Income tax payable		**1,192,323**	1,148,388	579,327
Insurance contract liabilities	13	**87,376,065**	57,366,553	16,246,771
Reinsurance contract liabilities		**-**	14,364	628,606
Amount due to related companies	9	**1,153,926**	683,842	623,295
Total liabilities		**98,369,199**	66,795,993	24,209,094
Head office account				
Head office contributions	15	**57,108,119**	57,108,119	45,108,119
Retained earnings		**9,613,319**	10,674,771	12,585,651
Fair value reserve		**(309,316)**	(428,013)	(392,701)
Insurance/reinsurance finance reserve		**887,803**	1,453,862	151,297
		67,299,925	68,808,739	57,452,366
Total liabilities and equity		**165,669,124**	135,604,732	81,661,460

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

ATRADIUS CREDITO Y CAUCION S.A. DE SEGUROS Y REASEGUROS SINGAPORE BRANCH

STATEMENT OF CHANGES IN HEAD OFFICE ACCOUNT
For the financial year ended 31 December 2023

	Head office contributions	Retained earnings/ (accumulated losses)	Fair value reserve	Insurance / reinsurance finance reserve	Total
	$	$	$		$
Balance as at 31 December 2021, as previously reported	45,108,119	(7,321,164)	(392,701)	-	37,394,254
Impact of initial application of FRS 117	-	19,906,815	-	151,297	20,058,112
Restated balance as at 1 January 2022	**45,108,119**	**12,585,651**	**(392,701)**	**151,297**	**57,452,366**
Loss for the financial year	-	(1,910,880)	-	-	(1,910,880)
Other comprehensive income/(loss) for the financial year	-	-	(35,312)	1,302,565	1,267,253
Total comprehensive (loss)/income	**-**	**(1,910,880)**	**(35,312)**	**1,302,565**	**(643,627)**
Total transactions with owners, recognised directly in equity					
- Capital injection from head office	12,000,000	-	-	-	12,000,000
Restated balance at 31 December 2022	**57,108,119**	**10,674,771**	**(428,013)**	**1,453,862**	**68,808,739**
Loss for the financial year	**-**	**(1,061,452)**	**-**		**(1,061,452)**
Other comprehensive (loss)/income for the financial year	**-**	**-**	**118,697**	**(566,059)**	**(447,362)**
Total comprehensive (loss)/income	**-**	**(1,061,452)**	**118,697**	**(566,059)**	**(1,508,814)**
Balance as at 31 December 2023	**57,108,119**	**9,613,319**	**(309,316)**	**887,803**	**67,299,925**

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

ATRADIUS CREDITO Y CAUCION S.A. DE SEGUROS Y REASEGUROS SINGAPORE BRANCH

STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2023

	Notes	**2023**	2022 (restated)
		$	$
Cash flows from operating activities			
Loss before income tax		**(893,029)**	(1,983,350)
Adjustment for non cash items:			
Net loss on disposal of property and equipment		**328**	2,009
Depreciation and amortisation expenses		**689,647**	678,492
Interest income	7	**(2,700,752)**	(746,847)
Changes in allowance for expected credit losses	7	**(2,038)**	3,148
Finance expenses	19	**25,788**	42,433
Unrealised foreign exchange loss/(gain) on cash		**956,461**	(138,280)
		(1,923,595)	(2,142,395)
Changes in working capital:			
- Insurance and reinsurance contracts assets/liabilities		**13,505,347**	18,983,627
- Other assets		**(162,574)**	203,477
- Other liabilities and other accruals		**1,653,092**	2,368,294
- Amount due from related companies		**(1,285,879)**	(16,670)
- Amount due to related companies		**470,084**	60,547
Cash generated from operations		**12,256,475**	19,456,880
Tax paid		**(1,192,213)**	(484,368)
Interest received		**2,743,180**	616,422
Net cash generated from operating activities		**13,807,442**	19,588,934
Cash flows from investing activities			
Purchase of debt instruments at fair value through other comprehensive income	11	**-**	(13,968,275)
Maturity of debt instruments at fair value through other comprehensive income	11	**4,000,000**	4,000,000
Purchase of property, plant and equipment	12	**(20,966)**	(98,371)
Net cash provided by/(used in) investing activities		**3,979,034**	(10,066,646)
Cash flows from financing activities			
Repayment of lease liabilities	19(e)	**(614,841)**	(591,699)
Capital injection from Head office	15	**-**	12,000,000
Net cash (used in)/provided by financing activities		**(614,841)**	11,408,301
Net increase in cash and cash equivalents		**17,171,635**	20,930,589
Cash and cash equivalents at beginning of year		**72,073,624**	51,004,755
Effects of foreign exchange		**(956,461)**	138,280
Cash and cash equivalents at end of year	8	**88,288,798**	72,073,624

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

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General information

Atradius Credito Y Caucion S.A. de Seguros Y Reaseguros (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 80 Raffles Place, #43-03 UOB Plaza, Singapore 048624. The Branch was registered on 18 July 2016.

The Branch was licensed as a direct general insurer on 6 September 2016 under the Insurance Act 1966 to underwrite credit insurance business.

2. Material accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”) under the historical cost convention, except as disclosed in the accounting policies below.

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

Interpretations and amendments to published standards effective in 2023

On 1 January 2023, the Branch adopted the new or amended FRS and Interpretations of FRS (“INT FRS”) that are mandatory for application for the financial year. Changes to the Branch’s accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of the new standards did not have any material impact on the financial performance or position of the Branch except for FRS 117 and FRS 109.

2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2023 (continued)

The following relevant standards and amendments has been adopted in 2023 and had a material effect the financial statements:

- FRS 117 Insurance Contracts (effective 1 January 2023) has been applied for annual reporting periods starting on 1 January 2023 (date of first application). It is mandatory to include comparative information. FRS 117 Insurance contracts establishes principles for the recognition, measurement, presentation and disclosures of insurance contracts within the scope of the standard. This standard supersedes FRS 104 Insurance Contracts, which allows continued use of local accounting practices and has resulted in insurance contracts being accounted for differently between jurisdictions and similar products. Unlike the above, the implementation of FRS 117 involves a consistent application on the accounting for all insurance contracts. A major change compared with FRS 104 is that estimated losses (onerousness) on a group of contracts that are expected, but has not yet occurred, is considered to have occurred and has an impact in the account. For all contracts that are not onerous at initial recognition, an entity shall recognise a profit margin in the profit and loss account (called a contractual service margin or CSM) over the period in which the entity performs the service. However, if at the time of initial recognition or during the period in which the entity performs the service, the contract becomes onerous, the entity shall recognise the loss in the profit and loss account immediately.

2. Material accounting policies (continued)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2023 (continued)

- FRS 109 Financial Instruments (effective 1 January 2018) replaces the existing guidance in FRS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement, impairment of financial instruments and the new general hedge accounting requirements. The classification categories for financial assets under FRS 39 of held to maturity, loans and receivables, fair value through profit or loss (FVTPL), and available for sale determine their measurement. These are replaced in FRS 109 with categories that reflect the measurement, namely amortised cost, fair value through other comprehensive income (FVOCI) and FVTPL. FRS 109 bases the classification of financial assets on the contractual cash flow characteristics and the entity's business model for managing the financial asset, whereas FRS 39 bases the classification on specific definitions for each category. Overall, the FRS 109 financial asset classification requirements are considered more principle based than under FRS 39. A major change is that FRS 109 applies a single impairment model to all financial instruments subject to impairment testing while FRS 39 has different models for different financial instruments. Impairment losses are recognised on initial recognition, and at each subsequent reporting period, even if the loss has not yet been incurred. The impairment requirements under FRS 109 are significantly different from those under FRS 39. There are key differences between the two standards: whereas the FRS 39 Incurred Loss Model Delays the recognition of credit losses until there is objective evidence of impairment and only past events and current conditions are considered when determining the amount of impairment, under FRS 109 expected credit losses (ECLs) are recognised at each reporting period, even if no actual loss events have taken place.

2.2 Insurance and reinsurance contracts

a) Definition and classification

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Insurance risk arises when the Branch agrees to compensate an insured if a specified uncertain future event adversely affects the insured. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis. The Branch uses judgement to assess whether a contract transfers insurance risk.

2. Material accounting policies (continued)

2.2 Insurance and reinsurance contracts (continued)

a) Definition and classification (continued)

Before the Branch accounts for an insurance contract based on the guidance FRS 117, it analyses whether the contract contains components that should be separated. FRS 117 distinguishes three categories of components that have to be accounted for separately:

- Cash flows relating to embedded derivatives that are required to be separated;
- Cash flows relating to distinct investment component; and
- Promises to transfer distinct goods or distinct services other than insurance contract services.

The Branch applies FRS 117 to all remaining components of the contract. The Branch does not have any contracts that require further separation of insurance contracts.

The Branch is not engaged in contracts that have a legal form of insurance but do not transfer significant insurance risk and expose the Branch to financial risk and investment contracts that contain discretionary participation features (DPF), whereby the investor has the right and is expected to receive, as a supplement to the amount not subject to the Branch's discretion, potentially significant additional benefits based on the return of specified pools of investment assets.

In the normal course of business, the Branch uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all of the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

All references to insurance contracts in these consolidated financial statements apply to insurance contracts issued or acquired, reinsurance contracts held unless specifically stated otherwise.

b) Measurement approaches

The Branch uses the general measurement model (GMM). The general measurement approach allows including changes in the estimation of cash flows that are important to deal with volatile economic environments. The Branch is exposed to these material expectation changes with respect to future events as result from the changes in the credit quality of the credit exposures because of macro-economic changes.

2. Material accounting policies (continued)

2.2 Insurance and reinsurance contracts (continued)

c) Definition of insured event and coverage period

The coverage period is defined as a period during which the entity provides insurance contract services. This period includes the insurance contract services that relates to all fulfilment cash flows within the boundary of the insurance contract. During the coverage period an insured event can happen.

The Branch has defined the coverage period as the period during which the entity provides insurance contract services, which in turn is the period during which insured events can take place. The insured event for credit insurance, following the policy wording is the insolvency and/or protracted default of the buyer. As is common for the Credit Insurance market, Atradius policies do not recognise a protracted default, until the end of a waiting period.

d) Level of aggregation

The Branch has defined units of account based on the combination of portfolio, year of issue and profitability, as detailed below.

The Branch manages insurance contracts issued by product lines within one operating segment, where each product line includes contracts that are subject to similar risks. All insurance contracts within a product line represent a portfolio of contracts. Each portfolio is further disaggregated into groups of contracts that are issued within a calendar year (annual cohorts) and are: (i) contracts that are onerous at initial recognition; (ii) contracts that at initial recognition have no significant possibility of becoming onerous subsequently; or (iii) a group of remaining contracts. These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. The allocation of contracts to a group after initial recognition is not subsequently reconsidered. Credit insurance business is managed at country level.

The Branch monitors the profitability of contracts within portfolios and the likelihood of changes in insurance, financial and other exposures resulting in these contracts becoming onerous at the level of the country or unit with no information available at a more granular level. The assessment of onerous at initial recognition is per portfolio performed on each set of insurance contracts. Only in very exceptional circumstances the Branch will for strategic reasons issue contracts that are onerous at initial recognition. For Credit Insurance, the Branch considers that contracts should not be grouped as onerous at initial recognition, as contracts are managed together with contracts that are yet to be recognised as result of the ability to dynamically underwrite these risks.

2. Material accounting policies (continued)

2.2 Insurance and reinsurance contracts (continued)

d) Level of aggregation (continued)

The Branch uses significant judgement to determine at what level of granularity the Branch has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same group without performing an individual contract assessment.

The Branch assumes that all groups have a significant chance of becoming onerous, due to potential large expectation changes.

Portfolios of reinsurance contracts held are assessed for aggregation and measurement separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Branch aggregates reinsurance contracts held issued within a calendar year (annual cohorts) into groups of: (i) contracts for which there is a net gain at initial recognition, if any; (ii) contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and (iii) remaining contracts in the portfolio, if any.

The Branch has extensively reviewed all facts and circumstances in all cases where one counterparty has multiple insurance contracts. The Branch has decided that some of these contracts cannot be measured independently. Circumstances to come to this decision are items such as the existence of one master agreement, aggregate first loss, aggregate buyer limits and bonus malus on the combined result of all insurance contracts.

Portfolios of reinsurance contracts held are assessed for aggregation and measurement separately from portfolios of insurance contracts issued. Applying the grouping requirements to reinsurance contracts held, the Branch aggregates reinsurance contracts held issued within a calendar year (annual cohorts) into groups of: (i) contracts for which there is a net gain at initial recognition, if any; (ii) contracts for which, at initial recognition, there is no significant possibility of a net gain arising subsequently; and (iii) remaining contracts in the portfolio, if any.

The Branch has for their main reinsurance held contracts determined to split these in two portfolios, proportional and non-proportional, which is consistent with how the assumed reinsurance business is split into portfolios.

2. Material accounting policies (continued)

2.2 Insurance and reinsurance contracts (continued)

e) Recognition, modification, derecognition of insurance contracts

The Branch recognises groups of insurance contracts issued from the first of the following dates:

- At the beginning of the coverage period;
- The date when the first payment of the policyholder is due; or
- When the Branch determines that a group of contracts becomes onerous.

The Branch in general recognises the insurance contract at the beginning of the coverage period unless groups of insurance contracts are onerous once the contract is bound and if the bound date is prior to the coverage start date. For standard credit insurance business, the existence of credit limits (coverage of insured sales) determines the existence of the insurance contract, and not the policy itself.

Reinsurance contracts held are recognised as follows:

a. A group of reinsurance contracts held that provide proportional coverage (quota share reinsurance) is recognised at the later of:
b. The beginning of the coverage period of the group; and
c. The initial recognition of any underlying insurance contract;
d. All other groups of reinsurance contracts held are recognised from the beginning of the coverage period of the groups of reinsurance contracts held; unless the Branch entered into the reinsurance contract held at or before the date when an onerous group of underlying contracts is recognised prior to the beginning of the coverage period of the group of reinsurance contracts held, in which case the reinsurance contract held is recognised at the same time as the group of underlying insurance contracts is recognised.
e. Only contracts that individually meet the recognition criteria by the end of the reporting period are included in the groups. When contracts meet the recognition criteria in the groups after the reporting date, they are added to the groups in the reporting period in which they meet the recognition criteria, subject to the annual cohort's restriction. Composition of the groups is not reassessed in subsequent periods.

The Branch derecognises an insurance contract when it is:

a. Extinguished (that is, when the obligation specified in the insurance contract expires or is discharged or cancelled); or
b. The contract is modified and additional criteria discussed below are met. When the Branch modifies an insurance contract as a result of an agreement with the counterparties or due to a change in regulations, the Branch treats changes in cash flows caused by the modification as changes in estimates of the fulfilment cash

2. Material accounting policies (continued)

2.2 Insurance and reinsurance contracts (continued)

e) Recognition, modification, derecognition of insurance contracts (continued)

flow (FCF), unless the conditions for the derecognition of the original contract are met.

The Branch derecognises the original contract and recognises the modified contract as a new insurance contract if the modified terms had been included at contract inception and the Branch would have concluded that the modified contract: results in a different contract boundary; or belongs to a different group of contracts.

When an insurance contract is derecognised from a group of insurance contracts, the Branch adjusts the FCF to eliminate the present value of future cash flows and risk adjustment for non-financial risk relating to the rights and obligations removed from the group and adjust the CSM and the number of coverage units for the expected remaining insurance contract services, to reflect the number of coverage units removed.

f) Measurement

Fulfilment cash flows (FCF) consist of a best estimate and a risk adjustment.

- The estimate consists of estimates of the future cash flows within the contract boundary of the contracts that the Branch expects to collect from premiums and to pay out for claims, benefits and expenses, adjusted to reflect the timing and the uncertainty of those amounts. The estimate corresponds to a probability weighted average of future outcomes.,
- The estimates are determined from the perspective of the Branch, and consistent with observable market prices for market variables where relevant. It considers circumstances as at measurement date in as far relevant and known to the Branch and reflect conditions existing at the measurement date.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates.

The estimates of future cash flows are adjusted using the current discount rates to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of cash flows. The discount rates reflect the characteristics of the cash flows arising from the groups of insurance contracts, including timing, currency and liquidity of cash flows. The determination of the discount rate that reflects the characteristics of the cash flows and liquidity characteristics of the insurance contracts requires significant judgement and estimation.

2. Material accounting policies (continued)

2.2 Insurance and reinsurance contracts (continued)

f) Measurement (continued)

In the measurement of reinsurance contracts held, the probability-weighted estimates of the present value of future cash flows include the potential credit losses and other disputes of the reinsurer to reflect the non-performance risk of the reinsurer. The Branch has set the potential credit loss at zero based on the high-level quality of the reinsurance panel.

Where appropriate and proportionate methodology and data exists, the Branch estimates cash flows at the level of groups or lower. However, where estimate relate to more severe events, that do not occur at the level of the group and that occur with sufficient frequency to allow for robust modelling at that level of granularity the Branch models the estimates related to the possible events at a higher level, combining information from multiple portfolios, and then allocating such estimates to group level.

The Branch uses consistent assumptions to measure the estimates of the present value of future cash flows for the group of reinsurance contracts held and such estimates for the groups of underlying insurance contracts.

The Branch uses the contract boundary to determine what cash flows should be considered in the measurement of groups of insurance contracts.

Cash flows are within the boundary of an insurance contract if they arise from the substantive rights and obligations that exist during the period in which the policyholder is obligated to pay premiums, or the Branch has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation ends when:

a. the Branch has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price level that fully reflects those risks;
b. both of the following criteria are satisfied:
   i. the Branch has the practical ability to reassess the risks of the portfolio of insurance contracts that contains the contract and, as a result can set a price that fully reflects the risk of that portfolio; and

   ii. the pricing of the premiums up to the date when risks are reassessed does not consider the risks that relate to periods after the reassessment date.

The Branch has defined the contract boundary as month end for Credit Insurance as the Branch can withdraw the buyer limits and as such has unlimited re-underwrite ability. The contract boundary is extended with the notice period that applies for withdrawal of the buyer limits.

2. Material accounting policies (continued)

2.2 Insurance and reinsurance contracts (continued)

f) Measurement (continued)

Cash flows outside the insurance contracts boundary relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

The Branch determines that the premiums receivable from the intermediary are future cash flows within the boundary of an insurance contract. When the policyholder pays the premiums to the intermediary, The Branch continues to treat the premiums receivable from the intermediary as future cash flows within the boundary of an insurance contract and includes them in the measurement of a group of insurance contracts until recovered in cash.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Branch that exist during the reporting period in which the Branch is compelled to pay amounts to the reinsurer or in which the Branch has a substantive right to receive insurance contract services from the reinsurer.

The Branch's main proportional reinsurance agreements renew on an annual basis. The Branch treats these contracts as a series of annual contracts that cover underlying business that are based on risk attachment principles attached to the agreement, instead of issued within a year. Estimates of future cash flows arising from all underlying contracts issued and expected to be issued within the reinsurance contracts' one-year boundary are included in the measurement of the reinsurance contracts. Estimates of future cash flows arising from all underlying contracts issued and expected to be issued within the reinsurance contracts boundary are included in the measurement of the reinsurance contracts.

The excess of loss reinsurance contract held provides coverage for claims incurred based on the attachment principle. Thus, all cash flows arising from claims incurred and expected to be incurred based on the attachment principle are included in the measurement of the reinsurance contracts held. The main contracts do include mandatory reinstatement reinsurance premiums. These are inside the contract boundary.

Any cash flow that is not directly attributable to a portfolio of insurance contracts, such as some product development and training costs, are recognised in other operating expenses as incurred.

2. Material accounting policies (continued)

2.2 Insurance and reinsurance contracts (continued)

f) Measurement (continued)

Insurance acquisition costs

Acquisition cash flows are cash flows that arise from costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) and that are directly attributable to the portfolio of insurance contracts to which the group belongs.

Insurance acquisition cash flows are allocated to groups of insurance contracts on a systematic and rational basis.

Insurance acquisition cash flows not directly attributable to a group of contracts but directly attributable to a portfolio of contracts are allocated to groups of contracts in the portfolio or expected to be in the portfolio.

The Branch recognises an asset for directly attributable acquisition costs that relate to broker commissions. These balances are directly linked to prepaid premium for which the premium is not yet part of a recognised group of insurance contracts. There is no risk that these acquisition costs cannot be recovered since when the related insurance contract never gets recognised, both the related prepaid premium and the broker commissions are refunded.

g) Other pre-recognition cash flows within the contract boundary

Before a group of insurance contracts is recognised, the Branch could recognise assets or liabilities for cash flows related to a group of insurance contracts other than insurance acquisition cash flows, either because of the occurrence of the cash flows or because of the requirements of another FRS standard. Cash flows are related to the group of insurance contracts if they would have been included in the FCF at initial recognition of the group if they had been paid or received after that date. Such assets or liabilities (referred to as ‘other pre-recognition cash flows’) are included in the carrying amount of the related portfolios of insurance contracts issued or in the carrying amount of the portfolios of reinsurance contracts held.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is applied to the present value of the estimated future cash flows. It reflects the compensation that the Branch requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Branch fulfils insurance contracts. The Branch takes diversification benefits into account.

2. Material accounting policies (continued)

2.2 Insurance and reinsurance contracts (continued)

g) Other pre-recognition cash flows within the contract boundary (continued)

Risk adjustment for non-financial risk (continued)

For the calculation of the risk adjustment, the Branch uses the Cost of Capital method. The Costs of Capital is calibrated to the risk margin as used in the standard formula in Solvency II followed by Group, where per product a factor is established that captures the ratio of the risk adjustment to the expected claims cash flows. This factor is then used to derive the respective risk adjustment per contract.

For reinsurance contracts held, the risk adjustment for non-financial risk represents the amount of risk being transferred by the Branch to the reinsurer. A factor is constructed from the claims cash flow weighted average of the direct business being ceded.

Discount rate

The Branch measures the value of money over time using discount rates that reflect the liquidity characteristics of insurance contracts and the characteristics of cash flows, consistent with current market prices and excluding factors influencing the market prices of the reference assets but not affecting the flows of insurance contracts. The discount rate is calculated using the “bottom-up” approach after the transition (“bottom-up”) based on the risk-free curve, mainly based on the curve published monthly by EIOPA (European Insurance and Occupational Pensions Authority) and applying an illiquidity premium of zero.

Contractual Service Margin

The contractual service margin (CSM) is a component of the carrying amount of the asset or liability for a group of insurance contracts issued representing the unearned profit that the Branch will recognise as it provides insurance contract services in the future.

At initial recognition, the CSM is an amount that results in no income or expenses (unless a group of contracts is onerous, or insurance revenue and insurance service expenses are recognised as in (d) below) arising from:

a. The initial recognition of the FCF;
b. Cash flows arising from the contracts in the group at that date;
c. The derecognition of any insurance acquisition cash flows asset; and
d. The derecognition of any other pre-recognition cash flows. Insurance revenue and insurance service expenses are recognised immediately for any such assets derecognised.

2. Material accounting policies (continued)

2.2 Insurance and reinsurance contracts (continued)

g) Other pre-recognition cash flows within the contract boundary (continued)

Contractual Service Margin (continued)

When the above calculation results in a net outflow, the group of insurance contracts issued is onerous. A loss from onerous insurance contracts is recognised in profit or loss immediately, with no CSM recognised on the balance sheet on initial recognition, and a loss component is established in the amount of loss recognised.

For groups of reinsurance contracts held, any net gain or loss at initial recognition is recognised as the CSM unless the net cost of purchasing reinsurance relates to past events, in which case the Branch recognises the net cost immediately in profit or loss. For reinsurance contracts held, the CSM represents a deferred loss that the branch will recognise as a reinsurance expense as it receives insurance contract services from the reinsurer in the future and is calculated as the sum of:

a. The initial recognition of the FCF; and
b. Cash flows arising from the contracts in the group at that date;
c. The amount derecognised at the date of initial recognition of any asset or liability previously recognised for cash flows related to the group of reinsurance contracts held (other pre-recognition cash flows); and
d. Any income recognised in profit or loss when the entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group.

A loss-recovery component is established or adjusted within the remaining coverage for reinsurance contracts held for the amount of income recognised in (d) above. This amount is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Branch expects to recover from the reinsurance contracts held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

When underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, the Branch applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

No insurance contracts acquired were assessed as onerous at initial recognition. The Branch did not acquire any reinsurance contracts held.

2. Material accounting policies (continued)

2.2 Insurance and reinsurance contracts (continued)

g) Other pre-recognition cash flows within the contract boundary (continued)

Subsequent measurement

The carrying amount at the end of each reporting period of a group of insurance contracts issued is the sum of:

a. The Liability for Remaining Coverage (LRC), comprising:
   i. The FCF related to future service allocated to the group at that date; and
   ii. The CSM of the group at that date; and
b. The liability for incurred losses (LIC), comprising the FCF related to past service allocated to the group at the reporting date.

The carrying amount at the end of each reporting period of a group of reinsurance contracts held is the sum of:

a. The remaining coverage, comprising:
   i. The FCF related to future service allocated to the group at that date; and
   ii. The CSM of the group at that date; and
b. The incurred claims, comprising the FCF related to past service allocated to the group at the reporting date.

Changes in fulfilment cash flows

The FCF are updated by the Branch for current assumptions at the end of every reporting period, using the current estimates of the amount, timing and uncertainty of future cash flows and of discount rates.

The way in which the changes in estimates of the FCF are treated depends on which estimate is being updated:

a. Changes that relate to current or past service are recognised in profit or loss; and
b. Changes that relate to future service are recognised by adjusting the CSM or the loss component within the LRC as per the policy below.

The following adjustments relate to future service and thus adjust the CSM:

a. Experience adjustments – arising from premiums received in the period that relate to future service and related cash flows;
b. Changes in estimates of the present value of future cash flows in the LRC, except those described in the following paragraph; and
c. Changes in the risk adjustment for non-financial risk that relate to future service.

2. Material accounting policies (continued)

2.2 Insurance and reinsurance contracts (continued)

g) Other pre-recognition cash flows within the contract boundary (continued)

Changes in fulfilment cash flows (continued)

The adjustments above are measured using discount rates determined on initial recognition (the locked-in discount rates).

The following adjustments do not adjust the CSM:

a. Changes in the FCF for the effect of the time value of money and the effect of financial risk and changes thereof;
b. Changes in the FCF relating to the LIC;
c. Experience adjustments – arising from premiums received in the period that do not relate to future service and related cash flows, and
d. Experience adjustments relating to insurance service expenses excluding insurance acquisition cash flows.

The Branch does not have any products with complex guarantees and does not use derivatives as economic hedges of the risks.

Changes to the contractual service margin

For insurance contracts issued, at the end of each reporting period the carrying amount of the CSM is adjusted by the Branch to reflect the effect of the following changes:

a. The effect of any new contracts added to the group.
b. Interest accreted on the carrying amount of the CSM.
c. Changes in the FCF relating to future service are recognised by adjusting the CSM. Changes in the FCF are recognised in the CSM to the extent that the CSM is available. When an increase in the FCF exceeds the carrying amount of the CSM, the CSM is reduced to zero, the excess is recognised in insurance service expenses and a loss component is recognised within the LRC. When the CSM is zero, changes in the FCF adjust the loss component within the LRC with correspondence to insurance service expenses. The excess of any decrease in the FCF over the loss component reduces the loss component to zero and reinstates the CSM.
d. The effect of any currency exchange differences.
e. The amount recognised as insurance revenue for insurance contract services provided during the period, determined after all other adjustments above

2. Material accounting policies (continued)

2.2 Insurance and reinsurance contracts (continued)

g) Other pre-recognition cash flows within the contract boundary (continued)

Changes to the contractual service margin (continued)

For reinsurance contracts held, at the end of each reporting period, the carrying amount of the CSM is adjusted by the Branch to reflect the effect of the following changes:

a. The effect of any new contracts added to the group.
b. Interest accreted on the carrying amount of the CSM.
c. Income recognised in profit or loss when the entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group. A loss recovery component is established or adjusted within the remaining coverage for reinsurance contracts held for the amount of income recognised.
d. Reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held.
e. Changes in the FCF, to the extent that the change relates to future service, unless the change results from a change in FCF allocated to a group of underlying insurance contracts that does not adjust the CSM for the group of underlying insurance contracts.
f. The effect of any currency exchange differences.
g. The amount recognised in profit or loss for insurance contract services received during the period, determined after all other adjustments above.

Income referred to in I above is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Branch expects to recover from the reinsurance contract held that is entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

For the purposes of I–I above, when underlying insurance contracts are included in the same group with insurance contracts issued that are not reinsured, The Branch applies a systematic and rational method of allocation to determine the portion of losses that relates to underlying insurance contracts.

Interest accretion on the CSM

Under the GMM, interest is accreted on the CSM using discount rates determined at initial recognition per individual new business subgroup that are applied to nominal cash flows that do not vary based on the returns of underlying items.

The CSM is adjusted for changes in the FCF, measured applying the discount rates as specified in the Changes in fulfilment cash flows section above.

2. Material accounting policies (continued)

2.2 Insurance and reinsurance contracts (continued)

g) Other pre-recognition cash flows within the contract boundary (continued)

Release of the CSM to profit or loss

The amount of the CSM recognised in profit or loss for insurance contract services in the period is determined by the allocation of the CSM remaining at the end of the reporting period over the current and remaining expected coverage period of the group of insurance contracts based on coverage units.

The total number of coverage units in a group is the quantity of service provided by the contracts in the group over the expected coverage period. The coverage units are determined at each reporting period-end prospectively by considering:

a. The quantity of benefits provided by contracts in the group;
b. The expected coverage period of contracts in the group; and
c. The likelihood of insured events occurring, only to the extent that they affect the expected coverage period of contracts in the group.

The Branch determines coverage units for Credit Insurance based on the expected exposure of the insurance contracts. The Branch has determined that, for the credit insurance contracts, the coverage units are determined based on the estimated payment behaviour of companies in a B2B relation.

The Branch reflects the time value of money in the allocation of the CSM to coverage units, using discount rates determined at initial recognition that are applied to nominal cash flows that do not vary based on the returns of underlying items.

For reinsurance contracts held, the CSM is released to profit or loss as insurance contract services are received from the reinsurer in the period. Coverage units for the proportional reinsurance contracts held are based on the insurance coverage provided by the reinsurer. The coverage period for these contracts is determined based on the coverage period of all underlying contracts whose cash flows are included in the reinsurance contract boundary.

Onerous contracts – Loss component

When adjustments to the CSM exceed the amount of the CSM, the group of contracts becomes onerous and the Branch recognises the excess in insurance service expenses, and it records the excess as a loss component of the LRC.

2. Material accounting policies (continued)

2.2 Insurance and reinsurance contracts (continued)

g) Other pre-recognition cash flows within the contract boundary (continued)

Onerous contracts – Loss component (continued)

When a loss component exists, the Branch allocates the following between the loss component and the remaining component of the LRC for the respective group of contracts, based on the ratio of the loss component to the FCF relating to the expected future cash outflows:

a. Expected incurred claims and other directly attributable expenses for the year;
b. Changes in the risk adjustment for non-financial risk for the risk expired; and
c. Finance income (expenses) from insurance contracts issued.

The amounts of loss component allocation in (a) and (b) above reduce the respective components of insurance revenue and are reflected in insurance service expenses.

Decreases in the FCF in subsequent periods reduce the remaining loss component and reinstate the CSM after the loss component is reduced to zero. Increases in the FCF relating to future service in subsequent periods increase the loss component.

Reinsurance contracts held – Loss-recovery component

A loss-recovery component is established or adjusted within the asset for remaining coverage for reinsurance contracts held for the amount of income recognised in profit or loss when the Branch recognises a loss on initial recognition of an onerous group of underlying insurance contracts or on addition of onerous underlying insurance contracts to that group.

Subsequently, the loss-recovery component is adjusted to reflect changes in the loss component of an onerous group of underlying insurance contracts discussed in the onerous contracts – Loss component section above. The loss-recovery component is further adjusted, if required, to ensure that it does not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that Atradius expects to recover from the group of reinsurance contracts held.

The loss-recovery component determines the amounts that are presented as a reduction of incurred claims recovery from reinsurance contracts held and are consequently excluded from the reinsurance expenses determination.

2. Material accounting policies (continued)

2.2 Insurance and reinsurance contracts (continued)

g) Other pre-recognition cash flows within the contract boundary (continued)

Insurance service result from insurance contracts issued

As the Branch provides insurance contract services under the group of insurance contracts, it reduces the LRC and recognises insurance revenue. The amount of insurance revenue recognised in the reporting period depicts the transfer of promised services at an amount that reflects the portion of consideration that the Branch expects to be entitled to in exchange for those services.

h) Insurance revenue

The insurance revenue comprises the following:

1. Amounts relating to the changes in the LRC:
   a. Claims and other directly attributable expenses incurred in the period measured at the amounts expected at the beginning of the period, excluding:
      i. Amounts allocated to the loss component;
      ii. Insurance acquisition expenses; and
      iii. Amounts related to the risk adjustment for non-financial risk (see (b));
   b. Changes in the risk adjustment for non-financial risk, excluding:
      i. Changes included in insurance finance income (expenses);
      ii. Changes that relate to future coverage (which adjust the CSM); and
      iii. Amounts allocated to the loss component;
   c. Amounts of the CSM recognised for the services provided in the period;
   d. Experience adjustments arising from premiums received in the period other than those that relate to future service; and
   e. Other amounts, including any other pre-recognition cash flows assets derecognised at the date of initial recognition.

2. Insurance acquisition cash flows recovery is determined by allocating the portion of premiums related to the recovery of those cash flows based on the passage of time over the expected coverage of a group of contracts.

2. Material accounting policies (continued)

2.2 Insurance and reinsurance contracts (continued)

i) Insurance service expenses

Insurance service expenses include the following:

a. Incurred claims, excluding investment components reduced by loss component allocations;
b. Other incurred directly attributable expenses, including amounts of any other pre-recognition cash flows assets (other than insurance acquisition cash flows) derecognised at the date of initial recognition;
c. Insurance acquisition cash flows amortisation;
d. Changes that relate to past service – changes in the FCF relating to the LIC;
e. Changes that relate to future service – changes in the FCF that result in onerous contract losses or reversals of those losses; and
f. Insurance acquisition cash flows assets impairment.

The amortisation of insurance acquisition cash flows is reflected in insurance service expenses in the same amount as insurance acquisition cash flows recovery reflected within insurance revenue, as described above.

Other expenses not meeting the above categories are included in other operating expenses in the consolidated statement of profit or loss.

j) Insurance service result from reinsurance contracts held

The Branch presents financial performance of groups of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held, comprising the following amounts:

a. Reinsurance expenses;
b. Incurred claims recovery, excluding investment components reduced by loss-recovery component allocations;
c. Other incurred directly attributable expenses;
d. Changes that relate to past service – changes in the FCF relating to incurred claims recovery;
e. Effect of changes in the risk of reinsurers' non-performance; and amounts relating to accounting for onerous groups of underlying insurance contracts issued:
    i. Income on initial recognition of onerous underlying contracts;

    ii. Reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held; and

    iii. Changes in the FCF of reinsurance contracts held from onerous underlying contract

2. Material accounting policies (continued)

2.2 Insurance and reinsurance contracts (continued)

j) Insurance service result from reinsurance contracts held (continued)

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that Atradius expects to pay in exchange for those services.

Reinsurance expenses comprise the following amounts relating to the changes in the remaining coverage:

a. Claims and other directly attributable expenses recovery in the period, measured at the amounts expected to be incurred at the beginning of the period, excluding:
   i. Amounts allocated to the loss-recovery component;
   ii. Repayments of investment components; and
   iii. Amounts related to the risk adjustment for non-financial risk (see (b))
b. Changes in the risk adjustment for non-financial risk, excluding:
   i. Changes included in finance income (expenses) from reinsurance contracts held;
   ii. Changes that relate to future coverage (which adjust the CSM); and
   iii. Amounts allocated to the loss-recovery component.
c. Amounts of the CSM recognised for the services received in the period; and
d. Experience adjustments – arising from premiums paid in the period other than those that relate to future service.

Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses. Ceding commissions that are contingent on claims of the underlying contracts issued reduce incurred claims recovery.

k) Net income (expenses) from reinsurance contracts held

The Branch presents financial performance of groups of reinsurance contracts held on a net basis in net income (expenses) from reinsurance contracts held, comprising the following amounts:

a. Reinsurance expenses;
b. Incurred claims recovery, excluding investment components reduced by loss-recovery component allocations;
c. Other incurred directly attributable expenses;
d. Changes that relate to past service – changes in the FCF relating to incurred claims recovery;

2. Material accounting policies (continued)

2.2 Insurance and reinsurance contracts (continued)

k) Net income (expenses) from reinsurance contracts held (continued)

e. Effect of changes in the risk of reinsurers' non-performance; and amounts relating to accounting for onerous groups of underlying insurance contracts issued:
   i. Income on initial recognition of onerous underlying contracts;
   ii. Reversals of a loss-recovery component other than changes in the FCF of reinsurance contracts held; and
   iii. Changes in the FCF of reinsurance contracts held from onerous underlying contracts.

Reinsurance expenses are recognised similarly to insurance revenue. The amount of reinsurance expenses recognised in the reporting period depicts the transfer of received insurance contract services at an amount that reflects the portion of ceding premiums that the Branch expects to pay in exchange for those services.

Reinsurance expenses comprise the following amounts relating to the changes in the remaining coverage:

f. Claims and other directly attributable expenses recovery in the period, measured at the amounts expected to be incurred at the beginning of the period, excluding:
   i. Amounts allocated to the loss-recovery component;
   ii. Repayments of investment components; and
   iii. Amounts related to the risk adjustment for non-financial risk (see (b))

g. Changes in the risk adjustment for non-financial risk, excluding:
   i. Changes included in finance income (expenses) from reinsurance contracts held;
   ii. Changes that relate to future coverage (which adjust the CSM); and
   iii. Amounts allocated to the loss-recovery component.

h. Amounts of the CSM recognised for the services received in the period; and

i. Experience adjustments – arising from premiums paid in the period other than those that relate to future service.

   Ceding commissions that are not contingent on claims of the underlying contracts issued reduce ceding premiums and are accounted for as part of reinsurance expenses. Ceding commissions that are contingent on claims of the underlying contracts issued reduce incurred claims recovery. It is on the top of the paragraph stated we present a net amount.

2. Material accounting policies (continued)

2.2 Insurance and reinsurance contracts (continued)

l) Insurance finance income or expenses

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

a. The effect of the time value of money and changes in the time value of money; and
b. The effect of financial risk and changes in financial risk.

The main amounts within insurance finance income or expenses are:

a. Interest accreted on the FCF and the CSM;
b. The effect of changes in interest rates and other financial assumptions; and
c. Foreign exchange differences.

The Branch disaggregates changes in the risk adjustment for non-financial risk between insurance service result and insurance finance income or expenses.

The groups of insurance contracts, including the CSM, that generate cash flows in a foreign currency are treated as monetary items.

2.3 Insurance finance expense reserve

For all insurance contracts issued and reinsurance contracts held, the Branch has chosen to disaggregate insurance finance income or expenses between profit or loss and OCI. The amount included in profit or loss is determined by a systematic allocation of the expected total insurance finance income or expenses over the duration of the group of contracts. The systematic allocation is determined using the discount rates as determined on initial recognition of the group of contracts.

Amounts presented in OCI are accumulated in the insurance finance reserve. If the Branch derecognises a contract as a result of a transfer to a third party or a contract modification, then any remaining amounts of accumulated OCI for the contract are reclassified to profit or loss as a reclassification adjustment.

2.4 Other income from ancillary insurance activities

Fee revenue is from services provided in relation to the trade credit insurance product and is recognised after the services are provided.

2. Material accounting policies (continued)

2.5 Property and equipment

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

Subsequent expenditure relating to property and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Branch and the cost of the item can be measured reliably. All other repair and maintenance expense are recognised in profit and loss when incurred.

Depreciation on property and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives. The estimated useful lives are as follows:

	Useful lives
Furniture, fittings and equipment	3 to 10 years
Computers	3 to 5 years

The residual values, estimated useful lives and depreciation method of property and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

2.6 Impairment of non-financial assets

Property and equipment and right-of-use assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing of assets, recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating-unit (“CGU”) to which the asset belongs.

If the recoverable amount of the asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

2. Material accounting policies (continued)

2.6 Impairment of non-financial assets (continued)

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset is recognised in profit or loss.

2.7 Financial instruments

All financial instruments are recognised at fair value on initial recognition.

All of the Branch's investments are debt securities classified as fair value through Other Comprehensive Income ("FVOCI") and are carried at fair value on the title on a trade date basis.

The fair value of debt securities is estimated based on published bid prices or bid quotations received from securities dealers. Any changes in fair values are recorded, net of income taxes, in Other Comprehensive Income ("OCI") until the financial asset is disposed of or has become impaired. When the asset is disposed of or has become impaired, the accumulated fair value adjustments recognised in Accumulated Other Comprehensive Income ("AOCI") are transferred to the statement of income and, accordingly, a corresponding adjustment (net of income taxes) is made to AOCI.

The Branch assesses on a forward-looking basis the Expected Credit Loss (ECL) associated with its debt securities carried at FVOCI. At each reporting date, the Branch measures the value adjustment for expected credit losses at an amount equal to the expected credit losses over the life of the asset or the expected credit losses over the next 12 months; depending on whether the credit risk on that financial instrument has increased significantly since initial recognition. The measurement of the ECL reflects:

a. an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
b. the time value of money; and
c. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

2. Material accounting policies (continued)

2.7 Financial instruments (continued)

A number of significant judgements are required in applying the accounting requirements for measuring ECL, such as:

a. determining criteria for a significant increase in credit risk (SICR);
b. choosing appropriate models and assumptions for the measurement of the ECL;
c. establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and establishing groups of similar financial assets for the purposes

The Branch outlines a three-stage model for impairment, based on changes in credit quality since initial recognition, as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1, and it has its credit risk continuously monitored by the Branch;
- If a significant increase in credit risk (SICR) since initial recognition is identified, the financial instrument is moved to Stage 2, but it is not yet deemed to be credit impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of the lifetime ECL that results from default events possible within the next 12 months. Instruments in Stage 2 or 3 have their ECL measured based on the ECL on a lifetime basis.
- A pervasive concept in measuring the ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

A provision for impairment for debt securities is established when there is objective evidence that the investment is impaired. Evidence that a debt security is impaired includes items such as:

- Significant financial difficulty of the borrower or issuer:
- A breach of contract such as default of being more than 90 days past due.

Discounts and premiums on acquisition of debt securities are amortised to income over the term to maturity using the effective interest method. Gains and losses on disposal are taken into income when realised. Transaction costs are capitalised at the time of purchase of securities. Investment income is recognised using the effective interest method.

2. Material accounting policies (continued)

2.7 Financial instruments (continued)

As at 1 January 2022	Original classification under FRS 39	New classification under FRS 109	Original carrying amount under FRS 39	New carrying amount under 109
Financial Assets				
Cash and cash equivalents	Loan and receivables	Amortised cost	51,004,755	51,004,755
Other assets	Loan and receivables	Amortised cost	594,021	594,021
Amounts due from related companies	Loan and receivables	Amortised cost	8,470	8,470
Debt instruments at fair value through other comprehensive income	Available-for-sale	FVOCI	12,060,000	12,060,000
Total financial assets			63,667,246	63,667,246
Financial liabilities				
Amount due to related companies	Amortised cost	Amortised cost	623,295	623,295
Other liabilities and accruals	Amortised cost	Amortised cost	5,763,818	5,763,818
Total financial liabilities			6,387,113	6,387,113

2.8 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.

2.9 Leases

When the Branch is the lessee

At the inception of the contract, the Branch assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

2. Material accounting policies (continued)

2.9 Leases (continued)

When the Branch is the lessee (continued)

- Right-of-use assets

  The Branch recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

  The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term (3 years).

  Right-of-use assets (except for those which meet the definition of an investment property) are presented separately on the balance sheet.

- Lease liabilities

  Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

  - There is a change in future lease payments arising from changes in an index or rate;
  - There is a change in the Branch's assessment of whether it will exercise an extension option; or
  - There are modifications in the scope or the consideration of the lease that was not part of the original term.

  Lease liability is remeasured with a corresponding adjustment to the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

- Short-term and low-value leases

  The Branch has elected to not recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

2. Material accounting policies (continued)

2.10 Provisions

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

2.11 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be recognised as an asset.

(a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Branch pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Branch has no further payment obligations once the contributions have been paid.

(b) 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 balance sheet date.

2.12 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of an asset or liability that affects neither accounting nor taxable profit or loss at the time of the transactions.

Deferred income tax is measured at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

2. Material accounting policies (continued)

2.12 Income taxes (continued)

Current and deferred income taxes are recognised as income or expenses in profit or loss, except to the extent that the tax arises from a transaction which is recognised directly in equity.

The Branch accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2.13 Currency translation

The financial statements are presented in Singapore Dollar, which is the functional currency of the Branch.

Transactions in a currency other than Singapore Dollar ("foreign currency") are translated into Singapore Dollar using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. Non-monetary items at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

Foreign exchange gains and losses are recognised in the profit or loss and presented as "foreign exchange gain/loss-net".

2.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.15 Cash and cash equivalents

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents include cash on hand, and deposits with financial institutions which are subject to an insignificant risk of change in value.

2. Material accounting policies (continued)

2.16 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Branch will comply with all the attached conditions. Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown as a deduction of the related expenses in the profit or loss.

3. Critical accounting estimates, assumptions and judgements

The preparation of financial statements in accordance with FRS requires management to make judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosures of at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results may differ from those estimates.

Judgments are made in the selection and assessment of the Branch's accounting policies. Estimates are used mainly in determining the measurement of recognised transactions and balances and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Judgment and estimates are often interrelated. The judgments and estimates are continually re-evaluated to ensure they remain appropriate and any revisions to accounting estimates are recognised in the year in which the estimates are revised and in future years affected.

The following are the areas that are subject to judgments and estimates that management believes could have the most significant impact on the amounts recognised in these financial statements:

The Branch applies significant judgements associated with FRS 117 in the following cases:

Determining the cash flows within the contract boundary

The measurement of a group of (re-)insurance contracts include all future cash flows that arise within the contract limit. In determining which cash flows fall within a contract boundary, the Branch considers its substantive rights and obligations arising from the terms of the contract as well as from the applicable law and regulations. Cash flows are considered to be outside the contract limit if the Branch has the practical ability to change the price of existing contracts to reflect their revaluation risks and if the contract price for the hedge to the revaluation date considers only the risks until that next reassessment date.

3. Critical accounting estimates, assumptions and judgements (continued)

The Branch applies its judgement assessing whether it has the practical ability to set a price that fully reflects all contract or portfolio risks. The Branch considers contractual, legal and regulatory restrictions in making its assessment.

Level of granularity information

The Branch uses judgement to determine at what level of granularity it has reasonable and supportable information that is sufficient to conclude that all contracts within a set are sufficiently homogeneous and will be allocated to the same portfolio without performing an individual contract assessment.

Assessment of directly attributable cash flows

The Branch applies its judgement in assessing whether cash flows are directly attributable to a specific portfolio of insurance contracts. Cash flows are included in the measurement of a portfolio of insurance contracts only if they are directly attributable to the individual contracts of a group, the group itself or the portfolio to which the contract belongs. In estimating fulfilment cash flows, the Branch also allocates fixed and variable overheads directly attributable to the performance of insurance contracts.

Assessment of whether the retrospective approach to the transition is impracticable

The Branch assessed all available information and determined that it would be impracticable to apply the full retrospective approach of all group of contracts before 2021.

a) Methods used and judgements applied in determining the FRS 117 transition amounts

The Branch has adopted FRS 117 retrospectively, applying alternative transition methods where the full retrospective approach was impracticable. The Branch applied the full retrospective approach to the insurance contracts in force at the transition date (1 January 2022) that were issued less than one year prior to the transition date. The Branch applied the modified retrospective approach to the insurance contracts that were originated more than one year prior to the transition date. However, on the annual cohorts that do relate to that period more than one year prior to transition date and have a liability for remaining coverage (LRC), the Branch applied the full retrospective approach as per 1 January 2022.

The Branch did not apply the fair value approach.

3. Critical accounting estimates, assumptions and judgements (continued)

a) *Methods used and judgements applied in determining the FRS 117 transition amounts* (continued)

The transition approach was determined at the level of a group of insurance contracts and affected the approach for calculating the CSM on initial adoption of FRS 117:

- Full retrospective approach – the CSM at initial recognition is based on initial assumptions when groups of contracts were recognised and rolled forward to the date of transition as if FRS 117 had always been applied; and
- Modified retrospective approach – the CSM at initial recognition is calculated based on assumptions at transition using some simplifications and taking into account the actual pre-transition fulfilment cash flows (FCF).

The Branch has used the full retrospective approach for approximately 90% of its portfolios.

The Branch has determined that it would be impracticable to apply the full retrospective approach where any of the following conditions existed:

- The full retrospective application required assumptions that would have been made in an earlier period, for example:
- The Branch's expectations on expected claims and recoveries would not have been possible to recreate without the use of hindsight;
- Difficulties in retrieving relevant reliable information existed where assumptions developed at the date of initial recognition were not on an FRS 117 basis (such as risk adjustment for non-financial risk or expenses);
- The older the contracts in force are, the Branch did not have the ability to retrieve data from the past on assumptions.
- The full retrospective application required significant estimates of amounts, and it was impossible to distinguish objectively between information about those estimates that provided evidence of circumstances that (i) existed on the date at which those amounts were to be recognised, measured or disclosed; and (ii) would have been available when the consolidated financial statements for that prior period were authorised for issue, and other information, for example:
- The Branch had limited or no information required for the allocation of acquisition cash flows to respective groups of insurance contracts issued or expected to be issued and other overhead expenses to respective groups under FRS 117. Systems have not been tracking or allocating acquisition costs, because previous accounting policies did not require this. In addition, the allocation of applicable overheads to groups of contracts could require information that has not historically been tracked/recorded.
- The Branch has not historically been accumulating information about the changes in estimates that would have been recognised in profit or loss for each accounting period, because they did not relate to future service, and the extent to which changes in the FCF would have been allocated to the loss component.

3. Critical accounting estimates, assumptions and judgements (continued)

a) *Methods used and judgements applied in determining the FRS 117 transition amounts (continued)*

The Branch applied this modified retrospective approach for all the products except for the Credit Insurance contracts mentioned above.

Full retrospective approach

The Branch has determined that reasonable and supportable information was available for all contracts in force at the transition date that were issued within one year prior to the transition date.

Accordingly, the Branch has:

a. identified, recognised and measured each group of insurance contracts and each insurance acquisition cash flows asset in this category as if IFRS 17 had always been applied (except that a retrospective impairment test has not been performed); and
b. derecognised any existing balances that would not exist if FRS 117 had always applied;
c. and recognised any resulting net difference in equity.

Modified retrospective approach

After making reasonable efforts to gather necessary historical information, the Branch has determined that for certain groups of contracts such information was not available or was not available in a form that would enable it to be used without undue cost and effort. It was therefore impracticable to apply the full retrospective approach. The Branch applied significant judgement in determining the transition amounts under this approach.

Judgements in applying the modified retrospective approach

The Branch has determined that transactional-level data and annual actuarial assumptions are available as far as seven years prior to the IFRS 17 transition date and that it includes nearly 100% of all insurance contract data. The Branch applies the modified retrospective approach to all groups of contracts in force as at the transition date and that originated within seven to one year prior to the transition date, where the full retrospective approach has not been applied because it was impracticable but the closest possible outcome could have been achieved using reasonable and supportable information. The modified retrospective approach was applied as follows:

3. Critical accounting estimates, assumptions and judgements (continued)

a) *Methods used and judgements applied in determining the FRS 117 transition amounts (continued)*

Judgements in applying the modified retrospective approach (continued)

a. Aggregation of contracts

Groups of contracts were divided into annual cohorts. Aggregation of insurance contracts by expected profitability was assessed as at the transition date to the extent that reasonable and supportable information was available to perform this assessment as at initial recognition. For this assessment, the Branch estimated the FCF at the initial recognition as described below. Further, to aggregate non-onerous insurance contracts issued into groups of contracts that had no significant possibility of becoming onerous subsequently or groups of remaining contracts, the Branch assessed the likelihood of changes in insurance, financial and other exposures on the FCF prospectively as at the transition date. Similarly, to aggregate reinsurance contracts held in a net cost position into groups of contracts for which there is no significant possibility of a net gain arising subsequently or groups of remaining contracts, the Branch assessed the likelihood of changes in insurance, financial and other exposures on the FCF prospectively as at the transition date.

b. Future cash flows

To the extent that reasonable and supportable information was not available to estimate future cash flows at initial recognition, future cash flows at the date of initial recognition of a group of insurance contracts were estimated as the future cash.

Flows at the transition date, adjusted by the actual cash flows that have occurred between the transition (or earlier) date and the date of initial recognition. Actual cash flows included cash flows from contracts derecognised before the transition date.

c. Risk adjustment for non-financial risk

Similar to the cash flow simplification above, the risk adjustment for non-financial risk was estimated at the transition date by adjusting the risk adjustment for non-financial risk at the transition date by the expected release of risk before the transition date. In estimating the release of risk, reference was made to the release of risk for similar insurance contracts that were issued at the transition date.

3. Critical accounting estimates, assumptions and judgements (continued)

a) Methods used and judgements applied in determining the FRS 117 transition amounts *(continued)*

Judgements in applying the modified retrospective approach (continued)

d. Discount rates

The Branch did not apply the modification for discount rates determination as permitted by paragraph C13 of FRS 117. The Branch did apply the bottom-up approach. The bottom-up approach is based on the EIOPA swap curve (after the entry into force of the single European currency).

e. Insurance acquisition cash flows assets

The Branch did not recognise any insurance acquisition cash flows assets for any insurance acquisition cash flows paid (or for which a liability has been recognised applying another IFRS standard) before the transition date.

f. CSM, loss component and loss-recovery component

The Branch has determined that it does not have reasonable and supportable information to determine the carrying value of the CSM, loss component or loss-recovery component prior to the transition date. Accordingly, the Branch has determined the amounts at transition, assuming that it had not prepared any interim reports prior to transition. For contracts measured under the GMM, the CSM, loss component and loss-recovery component of the LRC at the transition date were determined applying modifications in the FCF estimation, as described above. The CSM was reduced for the allocation to profit or loss for services provided or received before the transition date, by comparing the remaining coverage units as at the transition date with the coverage units provided or received under the group of contracts before the transition date.

For insurance contracts issued, where the calculated CSM resulted in a loss component, the Branch used the systematic approach to determine amounts allocated to the loss component before the transition date.

For groups of reinsurance contracts held that provide coverage for onerous groups of underlying contracts in force at the transition date that were in place by the time the underlying contracts were issued. Loss-recovery components of the asset for remaining coverage were determined at the transition date by multiplying the loss components of the LRC for the respective groups of underlying insurance contracts by the percentage of claims for the group of underlying insurance contracts that the Branch expects to recover from the group of reinsurance contracts held.

3. Critical accounting estimates, assumptions and judgements (continued)

b) *Reinsurance related estimates and assumptions*

This note provides an overview of items that are more likely to be materially adjusted due to changes in estimates and assumptions in subsequent periods. Detailed information about each of these estimates is included in the notes below, together with information about the basis of calculation for each affected line item in the financial statements.

In applying FRS 117 measurement requirements, the following inputs and methods were used that include significant estimates:

- The present value of future cash flows is estimated using deterministic scenarios, except where stochastic modelling is used to measure financial guarantees.
- The assumptions used in the deterministic scenarios are derived to approximate the probability-weighted mean of a full range of scenarios.

c) *Discount rates*

The Branch measures the value of money over time using discount rates that reflect the liquidity characteristics of insurance contracts and the characteristics of cash flows, consistent with current market prices and excluding factors influencing the market prices of the reference assets but not affecting the flows of insurance contracts. The discount rate is calculated by the "bottom-up" approach after the transition ("bottom-up") based on the risk-free curve, mainly based on the curve published monthly by EIOPA (European Insurance and Occupational Pensions Authority) and applying an illiquidity premium of zero.

The observable market information is available for up to 20 years. For the unobservable period, the yield curve was interpolated between an ultimate rate and the last observable point using the Smith-Wilson method.

The yield curves that are used to discount the estimates of future cash flows are as follows:

	1 year %	5 years %	10 years %	20 years %
2023				
SGD	**3.42**	**2.86**	**2.89**	**3.01**
USD	**5.12**	**3.99**	**3.99**	**4.01**
2022				
SGD	3.72	3.35	3.27	3.31
USD	4.57	3.88	3.75	3.63

3. Critical accounting estimates, assumptions and judgements (continued)

d) Estimates of future cash flows to fulfil insurance contracts

Included in the measurement of each group of contracts within the scope of FRS 117 are all of the future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability-weighted expected future cash flows. The Branch estimates which cash flows are expected as at the valuation date. In making these expectations, the Branch uses information about past events, current conditions and forecasts of future conditions. The Branch's estimate of future cash flows is the average of a range of scenarios that reflect the full range of possible outcomes. The estimated future cash flows are calculated using a deterministic scenario representing the probability-weighted average of a range of scenarios.

Where estimates of expenses-related cash flows are determined at the relevant level, these are allocated to contracts on a systematic basis, such as activity-based costing method. The Branch has determined that this method results in a systematic and rational allocation. Similar methods are consistently applied to allocate expenses of a similar nature. Expenses of an administrative policy maintenance nature are allocated to contracts based on premiums of contracts in force within groups.

Indirect acquisition cash flows are allocated to contracts based on, for example, gross invoiced premiums. This implies an allocation of acquisition cash flows among existing groups of insurance contracts.

Claims handling expenses are allocated based on the outstanding amount observed for each claim at each valuation date.

Uncertainty in the estimation of future claims payments arises primarily from the frequency and severity of claims and uncertainties regarding future inflation rates leading to claims and claims-handling expenses growth. The Branch is capturing, within the future cash-flows estimates, the higher uncertainty for most recent months of risk. Assumptions used to develop estimates about future cash flows are reassessed on quarterly bases and adjusted where required.

The Branch projects estimates of future expenses relating to fulfilment of contracts within the scope of FRS 117 using expected expense levels. Expenses comprise expenses directly attributable to contracts, including an allocation of fixed and variable overheads.

Possible increases in expense assumptions increase estimates of future cash outflows and thus decrease the CSM within the LRC for contracts measured under the GMM.

3. Critical accounting estimates, assumptions and judgements (continued)

e) Methods used to measure credit insurance

The Branch estimates insurance liabilities in relation to all bounded contracts. Estimates are performed on risk attaching period (e.g., months for short term – Credit Insurance), with further allocation to contracts in proportion to the loss estimation volume measure (depending on the model).

Judgement is involved in assessing the most appropriate technique to estimate insurance liabilities for the expected losses from claims.

The most methods employed to estimate claims are the chain-ladder, the Bornhuetter-Ferguson and Probability of default (PD) – loss given default (LGD) methods, which are the industry standards for this type of claims.

The Branch has not changed the methods used to estimate claims.

In its claims assessments, the Branch uses internal and market data. Internal data is derived mostly from the Branch's claims reports. This information is used to develop scenarios related to the latency of claims that are used for the projections of the ultimate number of claims.

f) Methods used to measure the risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that is required for bearing the uncertainty about the amount and timing of cash flows that arises from non-financial risk as the insurance contract is fulfilled. Because the risk adjustment represents compensation for uncertainty, estimates are made on the degree of diversification benefits and expected favorable and unfavorable outcomes in a way that reflects the Branch's degree of risk aversion. The Branch estimates an adjustment for non-financial risk separately from all other estimates.

The risk adjustment is calculated at the Group level and then allocated down to each group of contracts in accordance with their risk profiles. The cost of capital method was used to derive the overall risk adjustment for non-financial risk.

In the cost of capital method, the risk adjustment is determined by applying a cost rate to the present value of projected capital requirement relating to non-financial risk. The cost rate is set at 6% per annum, representing the return required to compensate for the exposure to non-financial risk. The capital requirement is determined at a 99.5% confidence level, and it is projected in line with the run-off of the business. The diversification benefit is included to reflect the diversification in contracts sold across geographies, because this reflects the compensation that the entity requires.

3. Critical accounting estimates, assumptions and judgements (continued)

f) Methods used to measure the risk adjustment for non-financial risk (continued)

The resulting amount of the calculated risk adjustment corresponds to the confidence level of 73.1% (2022: 49.3%).

The methods and assumptions used to determine the risk adjustment for non-financial risk were not changed in 2023 and 2022.

4. Insurance and financial risk management

(a) Insurance risk

(i) *Risk management objectives and policies for mitigating insurance risk*

Underwriting strategy

The underwriting strategy of the Branch is determined by 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 buyer (2) group of buyers (3) short-term and mid-term products.

Reinsurance strategy

The Branch cedes out 37% (2022: 37%) of all risks to a panel of reinsurance companies and retained 63% (2022: 63%) risks of the Branch are covered under three layers of excess of loss reinsurance treaty.

The reinsurance treaties are renewed annually.

(ii) Terms and conditions of insurance contracts

Risks covered

The branch only underwrites credit insurance risk.

4. Insurance and financial risk management (continued)

(a) Insurance risk (continued)

(ii) Terms and conditions of insurance contracts (continued)

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.

(iii) 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 significantly impact 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.

4. Insurance and financial risk management (continued)

(a) Insurance risk (continued)

(iii) Concentrations of insurance risk (continued)

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 reinsurance 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.

4. Insurance and financial risk management (continued)

(a) Insurance risk (continued)

(iv) Claims Development Table

Actual claims payments are compared with previous estimates of undiscounted amounts of the claims in the claims development disclosure below on gross of reinsurance basis as at 31 December 2023. The claims development tables provide an overview of how the Branch' recognised estimate of ultimate claim costs for underwriting years 2014 to 2023 have changed at successive financial year-ends. Underwriting year here means the year in which the risks occurred; for reinsurance business it is the treaty year.

Gross Claims Development

Accident Year	2019	2020	2021	2022	2023	Total
At the end of accident year	-	30,656,381	13,700,571	19,722,905	76,019,444	
One year later	6,912,481	31,445,255	16,433,415	12,335,790		
Two years later	3,914,224	31,887,556	14,838,006			
Three years later	1,701,098	31,559,318				
Four years later	1,395,140					
Actual cumulative claim payments	1,400,309	30,431,511	14,444,120	6,996,865	30,833,589	84,106,394
Cumulative expected claim payments (accident years in triangle)	(5,169)	1,127,807	393,886	5,338,925	45,185,855	52,041,304
Cumulative expected claim payments (accident years prior to triangle)						(31,193)
Effect of discounting						(803,068)
Effect of risk adjustment						6,072,603
Gross liability for incurred claims						57,279,646

4. Insurance and financial risk management (continued)

(a) *Insurance risk* (continued)

(iv) *Claims Development Table* (continued)

Net Claims Development

Accident Year	2019	2020	2021	2022	2023	Total
At the end of accident year	-	13,286,152	6,947,903	11,182,846	18,116,793	
One year later	2,323,488	13.224,563	8,330,368	6,630,306		
Two years later	1,348,732	13,145,711	7,515,676			
Three years later	653,325	13,014,397				
Four years later	554,746					
Actual cumulative claim payments	554,746	12,556,383	7,337,487	4,313,227	17,721,002	42,482,845
Cumulative expected claim payments (accident years in triangle)	-	458,014	178,189	2,317,079	395,791	3,349,073
Cumulative expected claim payments (accident years prior to triangle)						(6,567)
Effect of discounting						(464,153)
Effect of risk adjustment						2,978,414
Net liability for incurred claims						5,856,767

4. Insurance and financial risk management (continued)

(b) Financial instruments

(i) Categories of financial instruments

	2023 $	2022 $
Financial assets		
Cash and cash equivalents	**88,288,798**	72,073,624
Reinsurance contract assets	**54,386,868**	38,487,783
Insurance contract assets	**143,858**	257,136
Amount due from related companies	**1,311,019**	25,140
Other assets	**1,077,357**	795,633
Debt instruments at fair value through other comprehensive income	**17,680,750**	21,708,080
Financial liabilities		
Other liabilities and accruals	**8,646,885**	7,582,846
Amount due to related companies	**1,153,926**	683,842
Insurance contract liabilities	**87,376,065**	57,366,553
Reinsurance contract liabilities	-	14,364

(ii) 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 risks

(i) *Financial risk management policies and objectives*

The Branch has a set of 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 recognise potential adverse effects to the 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 management and periodic reviews are undertaken to ensure that the Branch's policy guidelines are complied with. Risk management is managed by the underwriting committee under the policies approved by management.

4. Insurance and financial risk management (continued)

(c) Financial risks (continued)

(i) Financial risk management policies and objectives (continued)

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.

(ii) Market risk

Interest rate risk management

Interest-bearing financial assets comprise mainly short-term bank deposits and available-for-sale financial assets. 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 Note 4(i).

(iii) Market risk management

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 balance sheet date, the carrying amounts of financial assets and liabilities that are denominated in currencies other than the Branch's functional currencies are as follows:

	2023		2022	
	Liabilities	**Assets**	Liabilities	Assets
	$	**$**	$	$
United States dollars	**117,407,451**	**157,138,329**	100,843,387	137,230,153
Euro	**584,794**	**2,036,382**	440,542	351,833
Thai Baht	**201,251**	**3,936,180**	175,418	3,275,821

4. Insurance and financial risk management (continued)

(c) Financial risks (continued)

(iii) Market risk management (continued)

Foreign currency risk management (continued)

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

If the USD, Euro, and THB change against the SGD by 5% (2022: 5%) respectively with all other variables including the tax rate being held constant, the effects arising from the net financial liability/asset (excluding equity instruments) that are exposed to currency risk will be as follows:

	▲ Increase/(Decrease) ▼	
	2023	2022
	Profit after tax	Profit after tax
	$	$
USD against SGD		
- Strengthened	**1,787,889**	1,637,404
- Weakened	**(1,787,889)**	(1,637,404)
Euro against SGD		
- Strengthened	**65,321**	(3,992)
- Weakened	**(65,321)**	3,992
THB against SGD		
- Strengthened	**168,702**	139,518
- Weakened	**(168,702)**	(139,518)

(iv) 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.

4. Insurance and financial risk management (continued)

(c) Financial risks (continued)

(iv) Credit risk management (continued)

The carrying amount of claim recoverable from reinsurers, insurance and other receivables, available-for-sale financial assets 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.

At the balance sheet date, 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 recognised below:

	Neither past-due nor impaired			
	Grade* (BBB to AAA)	Not rated	Past due but not impaired	Total
	$	$	$	$
2023				
Cash and cash equivalents	**88,288,798**	**-**	**-**	**88,288,798**
Other assets	**-**	**1,077,357**	**-**	**1,077,357**
Amount due from related companies	**-**	**1,311,019**	**-**	**1,311,019**
Insurance Contract Related Assets	**-**	**143,858**	**-**	**143,858**
Reinsurance contract related assets	**54,386,868**	**-**	**-**	**54,386,868**
Debt instruments at fair value through other comprehensive income	**17,680,750**	**-**	**-**	**17,680,750**

4. Insurance and financial risk management (continued)

(c) Financial risks (continued)

(iv) Credit risk management (continued)

	Neither past-due nor impaired			
	Grade* (BBB to AAA)	Not rated	Past due but not impaired	Total
	$	$	$	$
2022				
Cash and cash equivalents	72,073,624	-	-	72,073,624
Other assets and receivables		795,633	-	795,633
Amounts due from related companies		25,140		25,140
Insurance Contract Related Assets		257,136		257,136
Reinsurance contract related assets	38,487,783		-	38,487,783
Debt Instruments at fair value through other comprehensive income	21,708,080	-	-	21,708,080

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

(v) 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 issue arises.

4. Insurance and financial risk management (continued)

(c) *Financial risks* (continued)

(v) *Liquidity risk management* (continued)

The following table shows the maturity profile of the Branch's insurance contract liabilities (net) and reinsurance contract assets (net) based on contractual undiscounted cash flows (excluding risk adjustment and contractual service margin).

2023	Year 1	Year 2	Year 3	Year 4	Year 5	>5 years	Total
Insurance contract liabilities	**60,429,963**	**13,007,606**	**(2,869,586)**	**369,206**	**142,418**	**51,636**	**71,131,243**
Reinsurance contract assets	**41,328,897**	**4,406,943**	**(2,179,373)**	**20,507**	**1,240**	**(1,550)**	**43,576,664**
2022							
Insurance contract liabilities	33,879,325	12,132,888	266,960	46,293	33,573	2,820	46,361,859
Reinsurance contract assets	22,076,178	4,947,656	208,084	19,361	10,554	898	27,262,731

(d) *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.

As at 31 December 2023, the Branch has $17,680,750 (2022: $21,708,080) of financial assets carried at fair value. The Branch has no financial liabilities carried at fair value as at 31 December 2023 and 31 December 2022.

Management considers the fair values of financial assets and liabilities other than unpaid claims and adjustment expenses to approximate their carrying amounts due to the short-term nature of the balances. The value of gross unpaid claims and adjustment expenses represents management's best estimate of the ultimate amount required to settle the liabilities. The Branch uses an actuarial approach to discount insurance liabilities based on the time value of money.

FRS requires use of a three-level hierarchy that reflects the significance of the inputs used assessing the fair value of financial assets and liabilities and is presented below:

4. Insurance and financial risk management (continued)

(d) Fair value of financial assets and financial liabilities (continued)

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3: inputs for the asset or liability that are not based on observable market data (i.e., unobservable inputs).

The valuation of the Branch's financial assets under the above-mentioned fair hierarchy as at December 31 2023 and 31 December 2022 are as follows:

	Fair Value as at 31 December			
	Level 1	Level 2	Level 3	Total
	$	$	$	$
2023				
Cash and cash equivalents	**88,288,798**	**-**	**-**	**88,288,798**
Debt instruments at fair value through other comprehensive income	**-**	**17,680,750**	**-**	**17,680,750**
	88,288,798	**17,680,750**	**-**	**105,969,548**
2022				
Cash and cash equivalents	72,073,624	-	-	72,073,624
Debt instruments at fair value through other comprehensive income	-	21,708,080	-	21,708,080
	72,073,624	21,708,080	-	93,781,704

(e) Liquidity and interest risk analysis

Non-derivative financial liabilities and insurance liabilities
All financial liabilities as at 31 December 2023 and 31 December 2022 are not interest-bearing.

In respect of interest-earning financial assets, the following table indicates their weighted average effective interest rates per annum at the end of the balance sheet date 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.

4. Insurance and financial risk management (continued)

(e) Liquidity and interest risk analysis (continued)

	Effective interest rate	Within 1 year	Within 2 to 5 years	Total
	%	$	$	$
2023				
Short-term bank deposits	**1.05**	**46,488,552**	**-**	**46,488,552**
Debt instruments at fair value through other comprehensive income	**2.03**	**17,680,750**	**-**	**17,680,750**
2022				
Short-term bank deposits	0.79	37,107,538	-	37,107,538
Debt instruments at fair value through other comprehensive income	2.01	3,973,480	17,734,600	21,708,080

The Branch has no exposure to IBOR reform as at 31 December 2023 and 31 December 2022.

(f) Sensitivity analysis

The following tables present information on how reasonably possible changes in assumptions with regard to underwriting risk variables and discount rates impact insurance liabilities and profit or loss and equity before and after risk mitigation by reinsurance contracts held. The analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions might be correlated.

The risks associated with credit insurance and surety are subject to several factors that are not particularly open to quantitative sensitivity analysis. This section describes the quantitative sensitivity analysis that is feasible.

The Branch has defined the following three sensitivity assessments:

- Uplift shock on discounting rates (+50 basis points).
- Down lift shock on discounting rates (-50 basis points).
- Deterioration in underwriting risk: All expected cashflows related to all estimated claims are increased by 10%. Where all amounts imply indemnities, recoveries and claim handling expenses. This is applied irrespective of product, model and type of claims' related cashflows.

4. Insurance and financial risk management (continued)

(f) Sensitivity analysis (continued)

The loss component (LC) and loss recovery component (LREC) are broken out from the CSM for the sensitivity analysis and included in the FCF.

2023	FCF as at 31 Dec	CSM as at 31 Dec	LC as at 31 Dec	LREC as at 31 Dec	Total	Impact on FCF	Impact On CSM	Impact on LC	Impact on LREC	Total increase/ (decrease) in insurance contract liabilities	Remaining CSM	Impact on profit before income tax	Impact on equity
Non-Ceded	69,664,914	9,099,945	10,978,445	-	89,743,304								
Discounting -Increase by 50bps						(198,607)	(92)	545	-	(198,154)	9,099,853	22%	<1%
Discounting -Decrease by 50bps						200,276	92	(517)	-	199,851	9,100,037	(22%)	<1%
Underwriting Risk -claims increase by 10%						8,426,291	(614,391)	1,157,597	-	7,811,900	8,485,554	(875%)	12%
Ceded	(42,930,730)	(7,162,773)	-	(2,385,044)	(52,478,547)								
Discounting -Increase by 50bps						72,816	57	-	(512)	72,361	(7,162,716)	(8%)	<1%
Discounting -Decrease by 50bps						(73,269)	(58)	-	508	(72,819)	(7,162,831)	8%	<1%
Underwriting Risk -claims increase by 10%						(4,413,719)	266,590	-	(433,007)	(4,580,136)	(6,896,183)	513%	(7%)
Net of Direct and Reinsurance	26,734,184	1,937,172	10,978,445	(2,385,044)	37,264,757								
Discounting -Increase by 50bps						(125,791)	(35)	545	(512)	(125,793)	1,937,137	14%<1%	
Discounting -Decrease by 50bps						127,007	35	(517)	508	127,033	1,937,206	(14%)	<1%
Underwriting Risk -claims increase by 10%						4,012,572	347,800	1,157,597	(433,007)	3,231,765	1,589,371(362 %)	5%	

4. Insurance and financial risk management (continued)

(f) Sensitivity analysis (continued)

2022	FCF as at 31 Dec	CSM as at 31 Dec	LC as at 31 Dec	LREC as at 31 Dec	Total	Impact on FCF	Impact On CSM	Impact on LC	Impact on LREC	Total increase/ (decrease) in insurance contract liabilities	Remaining CSM	Impact on profit before income tax	Impact on equity
Non-Ceded	45,164,681	6,446,572	22,592,782	-	74,204,035								
Discounting -Increase by 50bps						(98,487)	(65)	1,483		(98,552)	6,446,507	5%	<1%
Discounting -Decrease by 50bps						99,314	66	(1,408)		99,380	6,446,638(5%)	<1%	
Underwriting Risk -claims increase by 10%						4,178,481	(435,246)	3,153,072		3,743,235	6,011,326(189 %)	5%	
Ceded	(26,656,353)	(9,347,792)	-	(6,808,422)	(42,812,567)								
Discounting -Increase by 50bps						49,130	30	-	(142)	49,160	(9,347,762)	(2%)	<1%
Discounting -Decrease by 50bps						(49,435)	(31)	-	1,450	(49,466)	(9,347,823)	2%	<1%
Underwriting Risk -claims increase by 10%						(2,977,963)	141,693	-	(1,236,074)	(2,836,270)	(9,206,099)	(143%)	(4%)
Net of Direct and Reinsurance	18,508,328	(2,901,220)	22,592,782	(6,808,422)	31,391,468								
Discounting -Increase by 50bps						(40,314)	(31)	1,483	(1,462)	(40,345)	(2,901,255)	2%	<1%
Discounting -Decrease by 50bps						40,704	32	(1,406)	1,450	40,736	(2,901,185)	(2%)	<1%
Underwriting Risk -claim increase by 10%						1,285,974	(314,405)	3,153,072	(1,236,074)	971,569	(3,194,773)	(49%)	1%

4. Insurance and financial risk management (continued)

(g) 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 it recognised the return to stakeholders through the debt and equity balance. The capital structure of the Branch comprises of head office account.

The Branch is in compliance with the externally imposed capital and solvency requirement of the Monetary Authority of Singapore ("MAS") for the financial year ended 31 December 2023 and 31 December 2022.

5. Head office, related company and related party transactions

The Branch is part of Atradius Credito Y Caucion S.A de Seguros Y Reaseguros. ("ACyC"), incorporated in Madrid Spain. The main shareholder of ACyC is Atradius Insurance Holding N.V.. The remaining one share in ACyC is 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 the 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 financial year, the Branch had the following significant transactions with its head office and related companies:

- A capital injection from the head office of $12,000,000 during 2022.
- An allocation of group expenses for services provided centrally that are reflected as part of the insurance service income and expenses, and as operating expenses are as below:

	2023	**2022**
Management fee paid to head office	**8,438,598**	5,589,794
Management fee paid to related corporation	**3,785,723**	2,600,501

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 appointed Chief Executive is considered a key management personnel of the Branch.

Short-term employee benefits paid to key management personnel (included in staff costs) was $364,786 (2022: $344,913).

6. Insurance service results

An analysis of insurance revenue and insurance service expenses for 2023 and 2022 is included in the following table:

	2023	2022
Insurance revenue		
Amounts relating to changes in liabilities for remaining coverage		
- CSM recognised for services provided	**20,092,416**	24,419,712
- Change in risk adjustment for non-financial risk for risk expired	**3,357,657**	755,565
- Expected incurred claims and other insurance service expenses	**55,488,380**	29,430,271
- Experience adjustments – arising from premiums received in the period other than those relate to future service	**(201,103)**	831,905
Recovery of insurance acquisition cash flows	**20,131,919**	18,176,428
Total insurance revenue	**98,869,269**	73,613,881
Insurance services expenses		
Incurred claims and other directly attributable expenses	**(79,049,724)**	(25,736,827)
Losses on onerous contracts and reversals of those losses	**(6,014,467)**	(24,608,127)
Amortisation of insurance acquisition cash flows	**(20,131,919)**	(18,176,426)
Changes in estimates not reflected in the contractual service margin or loss component	**145,410**	88,243
Adjustment to liabilities for incurred claims	**8,754,561**	(1,546,234)
Total insurance services expenses	**(96,296,139)**	(69,979,371)
Insurance service result before reinsurance contract held	**2,573,130**	3,634,510
Expenses from reinsurance contracts held		
Allocation of reinsurance premiums	**(34,366,843)**	(20,072,238)
Amounts recoverable from reinsurers for incurred claims	**32,186,595**	15,627,669
Net expenses for reinsurance contracts	**(2,180,248)**	(4,444,569)
Insurance service result	**392,882**	(810,059)

7. Investment income

	2023	2022
Investment income/(loss)		
Interest income		
- Debt securities	**432,153**	136,590
- Bank deposits	**1,664,427**	460,895
- Other income	**604,172**	149,362
Changes in allowance for expected credit losses	**2,038**	(3,148)
Total investment income	**2,702,790**	743,699
Net finance (expenses)/income from insurance contracts		
Interest accreted	**(1,156,059)**	(207,010)
Effect of changes in interest rates and other financial assumptions	**(38,885)**	-
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition	**(307,667)**	(193,361)
Foreign exchange differences	**(733,393)**	(1,364,013)
Total financial (expenses)/income of insurance recognised in P&L	**(2,236,004)**	1,764,384
Amount recognised in OCI	**22,584**	1,674,660
Total net finance (expenses)/income from insurance contracts	**(2,213,420)**	(89,724)
Net finance income/(expenses) from reinsurance contracts		
Interest accreted	**639,233**	81,824
Effect of measuring changes in estimates at current rates and adjusting the CSM at rates on initial recognition	**157,947**	97,954
Foreign exchange differences	**49,054**	(628,908)
Total financial income/(expenses) of retained reinsurance contracts recognised in P&L	**846,234**	(449,130)
Amount recognised in OCI	**(651,538)**	(227,366)
Total net finance income/(expenses) from reinsurance contracts	**194,696**	(676,496)

8. Cash and cash equivalents

	2023	2022
	$	$
Cash in banks	**41,800,246**	34,966,086
Short-term bank deposits	**46,488,552**	37,107,538
	88,288,798	72,073,624

Cash and cash equivalents balance is current.

9. Amounts due from/(to) related companies

	2023	2022
	$	$
Amounts due from related companies	**1,311,019**	25,140
Amounts due to related companies	**(1,153,926)**	(683,842)
	157,093	(658,702)

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

10. Other assets

	2023	2022
	$	$
Accrued interest receivable on debt securities and bank deposits	**669,018**	367,429
Deposits	**182,421**	186,315
Prepayments	**222,437**	238,572
Others	**3,481**	3,317
	1,077,357	795,633

The other assets balance is current.

11. Debt instruments at fair value through other comprehensive income

	2023	2022
	$	$
Beginning of financial year	**21,708,080**	12,060,000
Additions	**-**	13,968,275
Maturity	**(4,000,000)**	(4,000,000)
Amortisation	**(159,540)**	(277,812)
Unrealised fair value gain/(loss)	**132,210**	(42,383)
End of financial year	**17,680,750**	21,708,080

	2023	2022
	$	$
Government and public authority securities:		
Current	**17,680,750**	3,973,480
Non-current	**-**	17,734,600
	17,680,750	21,708,080

12. Property and equipment

	Furniture, fittings and equipment	Computers	Total
	$	$	$
Cost:			
At 1 January 2022	559,347	244,211	803,558
Additions	-	98,371	98,371
Disposals	-	(15,198)	(15,198)
At 31 December 2022	**559,347**	**327,384**	**886,731**
Additions	**-**	**20,966**	**20,966**
Disposals	**-**	**(83,445)**	**(83,445)**
At 31 December 2023	**559,347**	**264,905**	**824,252**
Accumulated depreciation:			
At 1 January 2022	11,699	127,813	139,512
Depreciation	69,940	57,446	127,386
Disposals	-	(13,189)	(13,189)
At 31 December 2022	**81,639**	**172,070**	**253,709**
Depreciation	**69,939**	**68,602**	**138,541**
Disposals	**-**	**(83,117)**	**(83,117)**
At 31 December 2023	**151,578**	**157,555**	**309,133**
Carrying amount			
At 31 December 2023	**407,769**	**107,350**	**515,119**
At 31 December 2022	477,708	155,314	633,022

The property and equipment balance is non-current.

13. Insurance and Reinsurance Contracts

An analysis of the amounts presented on Statement of Assets and Liabilities arising out of Operations in Singapore for insurance contracts is included in the table below, along with the presentation of current and non-current portions of the balances:

	2023			2022		
	Current	**Non-current**	**Total**	Current	Non-current	Total
Insurance contracts						
Insurance contract liabilities	**60,161,619**	**27,214,446**	**87,376,065**	38,889,645	18,476,908	57,366,553
Insurance contract assets	**143,858**	**-**	**143,858**	257,136	-	257,136
	60,017,761	**27,214,446**	**87,232,207**	38,632,509	18,476,908	57,109,417

The insurance contract assets include deferred acquisition costs of SGD 143,858 in 2023, and SGD 232,161 in 2022.

	2023			2022		
	Current	**Non-current**	**Total**	Current	Non-current	Total
Reinsurance contracts held						
Reinsurance contracts assets	**37,447,350**	**16,939,518**	**54,386,868**	26,086,058	12,401,725	38,487,783
Reinsurance contracts liabilities	**-**	**-**	**-**	14,364	-	14,364
	37,447,350	**16,939,518**	**54,386,868**	26,071,694	12,401,725	38,473,419

13. Insurance and Reinsurance Contracts

(a) Movements in insurance and reinsurance

(i) Insurance contracts

	2023				2022			
	Liabilities for remaining coverage				Liabilities for remaining coverage			
	Excluding loss component	Loss component	Liabilities for incurred claims	Total	Excluding loss component	Loss component	Liabilities for incurred claims	Total
Insurance contracts liabilities (net) as at 1 January	**22,786,602**	**22,592,782**	**11,962,164**	**57,341,578**	10,622,727	1,940,402	3,009,572	15,572,701
Changes in the Statement of Comprehensive Income								
Insurance revenue	**(98,869,269)**	**-**	**-**	**(98,869,269)**	(73,613,881)	-	-	(73,613,881)
Insurance service expenses								
Incurred claims and other insurance service expenses	**-**	**(18,514,683)**	**97,564,407**	**79,049,724**	-	(3,949,375)	29,686,202	25,736,827
Amortisation of insurance acquisition cash flows	**20,131,919**			**20,131,919**	18,176,426	-	-	18,176,426
Losses and reversal of losses on onerous contracts	**-**	**6,014,467**	**-**	**6,014,467**	-	24,608,127	-	24,608,127
Changes in estimates not reflected in the contractual service margin or loss components	**(145,410)**	**-**	**-**	**(145,410)**	(88,243)	-	-	(88,243)
Adjustments to liabilities for incurred claims	**-**	**-**	**(8,754,561)**	**(8,754,561)**	(49,983)	-	1,596,217	1,546,234
Total insurance service expenses	**19,986,509**	**(12,500,216)**	**88,809,846**	**96,296,139**	18,038,200	20,658,752	31,282,419	69,979,371
Insurance service result	**(78,882,760)**	**(12,500,216)**	**88,809,846**	**(2,573,130)**	(55,575,681)	20,658,752	31,282,419	(3,634,510)
Net income/(expense) from insurance contracts								
Net finance expense from insurance contracts recognised in P&L	**1,663,330**	**62,047**	**510,627**	**2,236,004**	1,430,284	7,393	326,707	1,764,384
Net finance expense from insurance contracts recognised in OCI	**574,180**	**823,832**	**(1,420,596)**	**(22,584)**	(1,481,085)	(13,765)	(179,810)	(1,674,660)
Total changes in the Statement of Comprehensive Income	**(76,645,250)**	**(11,614,337)**	**87,899,877**	**(359,710)**	(55,626,482)	20,652,380	31,429,316	(3,544,786)

13. Insurance and Reinsurance Contracts (continued)

(a) Movements in insurance and reinsurance (continued)

(i) Insurance contracts (continued)

	2023				2022			
	Liabilities for remaining coverage				Liabilities for remaining coverage			
	Excluding loss component	Loss component	Liabilities for incurred claims	Total	Excluding loss component yes	Loss component	Liabilities for incurred claims	Total
Cash flows								
Premiums received	**93,178,535**	**-**	**-**	**93,178,535**	87,665,430	-	-	87,665,430
Claims and other insurance service expenses paid, including investment components	**-**	**-**	**(31,912,136)**	**(31,912,136)**	-	-	(13,626,626)	(13,626,626)
Insurance acquisition cash flows and other pre-recognition cashflows recognised and other changes	**(20,201,913)**	**-**	**-**	**(20,201,913)**	(19,875,073)	-	-	(19,875,073)
Administration and other costs paid	**-**	**-**	**(10,670,289)**	**(10,670,289)**	-	-	(8,850,068)	(8,850,068)
Total cash flows	**72,976,622**	**-**	**(42,582,425)**	**30,394,197**	67,790,357	-	(22,476,694)	45,313,663
Insurance contracts liabilities (net) at 31 December	**19,117,974**	**10,978,445**	**57,279,646**	**87,376,065**	22,786,602	22,592,782	11,962,194	**57,341,578**

The table above excludes the insurance contract assets associated with deferred acquisition costs of SGD 143,858 in 2023, SGD 232,161 in 2022 and SGD 220,813 in 2021.

13. Insurance and Reinsurance Contracts (continued)

a) Movements in insurance and reinsurance (continued)

(ii) Reinsurance contracts held

	2023				2022			
	Remaining coverage component				Remaining coverage component			
	Excluding loss component	Loss component	Assets for incurred claims	Total	Excluding loss component	Loss component	Assets for incurred claims	Total
Reinsurance contract assets (net) as at 1 January	**12,207,096**	**6,808,422**	**19,457,901**	**38,473,419**	2,034,784	845,139	11,368,374	14,248,297
Changes in the Statement of Comprehensive Income								
Allocation of reinsurance premiums paid	**(34,366,843)**	-	-	**(34,366,843)**	(20,072,238)	-	-	(20,072,238)
Recoveries of incurred claims and other insurance service expenses / Losses and reversal of losses on loss recovery component	**(811)**	**(4,423,378)**	**36,610,784**	**32,186,595**	-	5,963,283	9,664,386	15,627,669
Net (expense)/income from reinsurance contracts held	**(34,367,654)**	**(4,423,378)**	**36,610,784**	**(2,180,248)**	(20,072,238)	5,963,283	9,664,386	(4,444,569)
Net income/(expense) from reinsurance contracts								
Net finance income/(expense) from reinsurance contracts recognised in P&L	**335,185**	-	**511,049**	**846,234**	(672,665)	-	223,535	(449,130)
Net finance expense from reinsurance contracts recognised in OCI	**(67,598)**	-	**(583,940)**	**(651,538)**	(194,512)	-	(32,854)	(227,366)
Total changes in the Statement of Comprehensive Income	**(34,100,067)**	**(4,423,378)**	**(36,537,893)**	**(1,985,552)**	(20,939,415)	5,963,283	9,855,067	(5,121,065)

13. Insurance and Reinsurance Contracts (continued)

a) Movements in insurance and reinsurance (continued)

(ii) Reinsurance contracts held (continued)

	2023				2022			
	Remaining coverage component				Remaining coverage component			
	Excluding loss component	Loss component	Assets for incurred claims	Total	Excluding loss component	Loss component	Assets for incurred claims	Total
Cash flows								
Premiums paid net of ceding commissions and other directly attributable expenses paid	**35,317,819**	**-**	**-**	**35,317,819**	44,396,266	-	-	44,396,266
Claims and other recoverable received	**(12,845,903)**	**-**	**(4,572,915)**	**(17,418,818)**	(13,284,539)	-	(1,765,540)	(15,050,079)
Total cash flows	**22,476,916**	**-**	**(4,572,915)**	**17,899,001**	31,111,727	-	(1,765,540)	29,346,187
Reinsurance contract assets (net) as at 31 December	**578,945**	**2,385,044**	**51,422,879**	**54,386,868**	12,207,096	6,808,422	19,457,901	38,473,419

13. Insurance and reinsurance contract liabilities (continued)

(b) Movements in carrying amounts – Analysis by measurement component (continued)

(i) <u>Insurance contracts</u>

	2023				2022			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Insurance contract liabilities (net) at 1 January	**45,164,681**	**5,730,325**	**6,446,572**	**57,341,578**	6,488,252	1,375,256	7,709,193	15,572,701
Changes in the Statement of Comprehensive Income								
Changes that relate to current services								
CSM recognised for services received	**-**	**-**	**(20,092,416)**	**(20,092,416)**	-	-	(24,419,712)	(24,419,712)
Experience adjustments	**22,763,165**	**-**	**-**	**22,763,165**	(4,775,096)	-	-	(4,775,096)
Risk adjustment recognised for the risk expired	**-**	**3,357,657**	**-**	**3,357,657**	-	755,565	-	755,565
Changes that relate to future services								
Contracts initially recognised in the year	**(31,169,050)**	**1,863,171**	**32,020,803**	**2,714,924**	(18,140,752)	777,790	23,001,048	5,638,086
Changes in estimates that do not adjust the contractual service margin	**(145,410)**	**-**	**-**	**(145,410)**	(88,243)	-	-	(88,243)
Changes in estimates that adjust the CSM	**8,062,483**	**1,415,290**	**(9,477,773)**	**-**	(2,338,455)	1,661,434	677,021	-
Changes in estimates that result in losses and reversal of losses on onerous contracts	**4,050,123**	**241,603**	**(953,300)**	**3,338,426**	13,821,428	1,635,761	(727,988)	14,729,201
Changes that relate to past services								
Adjustments to LIC	**(4,709,214)**	**(4,045,347)**	**-**	**(8,754,561)**	1,860,461	(314,227)	-	1,546,234
Adjustments to LRC	**(5,754,915)**	**-**	**-**	**(5,754,915)**	2,979,455	-	-	2,979,455
Insurance service results	**(6,902,818)**	**2,832,374**	**1,497,314**	**(2,573,130)**	(6,681,202)	4,516,323	(1,469,631)	(3,634,510)
Net finance expense from insurance contracts recognised in P&L	**995,736**	**84,209**	**1,156,059**	**2,236,004**	1,623,923	(66,549)	207,010	1,764,384
Net finance expense from insurance contracts recognised in OCI	**13,118**	**(35,702)**	**-**	**(22,584)**	(1,579,955)	(94,705)	-	(1,674,660)
Total changes in the statement of comprehensive income	**(5,893,964)**	**2,880,881**	**2,653,373**	**(359,710)**	(6,637,234)	4,355,069	(1,262,621)	(3,544,786)

13. Insurance and reinsurance contract liabilities (continued)

(b) Movements in carrying amounts – Analysis by measurement component (continued)

(i) Insurance contracts (continued)

	2023				2022			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Cash flows								
Premiums received	**93,178,535**	**-**	**-**	**93,178,535**	87,665,430	-	-	87,665,430
Claims and other insurance service expenses paid, including investment components	**(31,912,136)**	**-**	**-**	**(31,912,136)**	(13,626,626)	-	-	(13,626,626)
Insurance acquisition cash flows and other pre-recognition cashflows derecognised and other changes	**(20,201,913)**	**-**	**-**	**(20,201,913)**	(19,875,073)	-	-	(19,875,073)
Administration and other costs paid	**(10,670,289)**	**-**	**-**	**(10,670,289)**	(8,850,068)	-	-	(8,850,068)
Total cash flows	**30,394,197**	**-**	**-**	**30,394,197**	45,313,663	-	-	45,313,663
Insurance contract liabilities (net) at 31 December	**69,664,914**	**8,611,206**	**9,099,945**	**87,376,065**	45,164,681	5,730,325	6,446,572	57,341,578

Excluding deferred acquisition cost

13. Insurance and reinsurance contract liabilities (continued)

(b) Movements in carrying amounts – Analysis by measurement component (continued)

(ii) Reinsurance contracts

	2023				2022			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Reinsurance contract assets (net) as at 1 January	**26,656,353**	**2,469,273**	**9,347,792**	**38,473,419**	8,427,807	793,924	5,026,565	14,248,297
Changes in the Statement of Comprehensive Income								
Changes that relate to current services								
CSM recognised for services received	**-**	**-**	**(13,547,037)**	**(13,547,037)**	-	-	(10,748,387)	(10,748,387)
Experience adjustments	**15,948,697**	**-**	**-**	**15,948,697**	(1,992,547)	-	-	(1,992,547)
Risk adjustment recognised for the risk expired	**-**	**2,232,734**	**-**	**2,232,734**	-	371,626	-	371,626
Changes that relate to future services								
Contracts initially recognised in the year	**(19,129,758)**	**369,283**	**19,714,541**	**954,066**	(10,841,740)	79,253	12,839,033	2,076,546
Changes in estimates that adjust the CSM	**7,829,363**	**1,162,393**	**(8,991,756)**	**-**	(3,676,946)	1,528,189	2,148,757	-
Changes in estimates that do not adjust the contractual service margin	**(811)**	**-**	**-**	**(811)**	-	-	-	-
Changes that relate to past services								
Adjustments to LIC	**(3,749,014)**	**(1,907,641)**	**-**	**(5,656,655)**	665,716	(283,390)	-	382,326
Adjustments to LRC	**(2,111,242)**	**-**	**-**	**(2,111,242)**	5,465,867	-	-	5,465,867
Net income/(expense) from reinsurance contracts held	**(1,212,765)**	**1,856,769**	**(2,824,252)**	**(2,180,248)**	(10,379,650)	1,695,678	4,239,403	(4,444,569)
Net finance expense from reinsurance contracts recognised in P&L	**162,515**	**44,486**	**639,233**	**846,234**	(495,680)	(35,274)	81,824	(449,130)
Net finance expense from insurance contracts recognised in OCI	**(574,374)**	**(77,164)**	**-**	**(651,538)**	(242,311)	14,945	-	(227,366)
Total changes in the Statement of Comprehensive Income	**(1,624,624)**	**1,824,091**	**(2,185,019)**	**(1,985,552)**	(11,117,641)	1,675,349	4,321,227	(5,121,065)

13. Insurance and reinsurance contract liabilities (continued)

(b) Movements in carrying amounts – Analysis by measurement component (continued)

(ii) Reinsurance contracts (continued)

	2023				2022			
	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total	Estimates of present value of future cash flows	Risk adjustment for non-financial risk	CSM	Total
Cash flows								
Premiums paid net of ceding commissions and other directly attributable expenses paid	**35,317,819**	**-**	**-**	**35,317,819**	44,396,266	-	-	44,396,266
Claims and other recoverable received	**(17,418,818)**	**-**	**-**	**(17,418,818)**	(15,050,079)	-	-	(15,050,079)
Total cash flows	**17,899,001**	**-**	**-**	**17,899,001**	29,246,187	-	-	29,246,187
Reinsurance contract assets (net) as at 31 December	**42,930,730**	**4,293,364**	**7,162,773**	**54,386,868**	26,656,353	2,469,273	9,347,792	38,473,419

13. Insurance and reinsurance contract liabilities (continued)

(c) CSM Roll forward

(i) <u>Insurance contracts</u>

A reconciliation of the CSM by transition method is included in the following tables.

	2023 Transition				2022 Transition			
	Contracts under the modified retrospective approach	Contracts under the full retrospective approach	Post transition	Total	Contracts under the modified retrospective approach	Contracts under the full retrospective approach	Post transition	Total
Insurance revenue	**(559,711)**	**4,027,699**	**95,401,281**	**98,869,269**	5,971,171	38,758,467	28,884,243	73,613,881
CSM as at 1 January	**9,137**	**389,175**	**6,048,260**	**6,446,572**	746,217	6,962,976	-	7,709,193
Changes that relate to current services								
Contractual service margin recognised for services provided	**(10,229)**	**(252,479)**	**(19,829,708)**	**(20,092,416)**	(723,008)	(6,694,642)	(17,002,062)	(24,419,712)
Changes that relate to future services								
Contracts initially recognised in the period	**-**	**(1,383)**	**32,022,186**	**32,020,803**	2	2,638,204	20,362,842	23,001,048
Changes in estimates that adjust the CSM	**-**	**(282,896)**	**(9,194,877)**	**(9,477,773)**	(22,332)	(1,822,857)	2,522,210	677,021
Changes in estimates that result in losses and reversal of losses on onerous contracts	**1,090**	**145,262**	**(1,099,652)**	**(953,300)**	1,403	(729,391)	-	(727,988)
Insurance finance expenses	**-**	**2,336**	**1,153,723**	**1,156,059**	6,855	34,885	165,270	207,010
CSM as at 31 December	**(2)**	**15**	**9,099,932**	**9,099,945**	9,137	389,175	6,048,260	6,446,572

13. Insurance and reinsurance contract liabilities (continued)

(c) CSM Roll forward (continued)

(ii) Reinsurance contracts

A reconciliation of the CSM by transition method is included in the following tables.

	2023				2022			
	Transition				Transition			
	Contracts under the modified retrospective approach	Contracts under the full retrospective approach	Post transition	Total	Contracts under the modified retrospective approach	Contracts under the full retrospective approach	Post transition	Total
Allocation of reinsurance premiums	**75,591**	**(525,099)**	**(33,917,335)**	**(34,366,843)**	(851,765)	(12,903,251)	(6,317,221)	(20,072,238)
CSM as at 1 January	**142,801**	**321,726**	**8,883,265**	**9,347,792**	644,108	4,382,457	-	5,026,565
Changes that relate to current services								
Contractual service margin recognised for services provided	**(19,251)**	**(185,589)**	**(13,342,197)**	**(13,547,037)**	(523,154)	(3,358,948)	(6,866,285)	(10,748,387)
Changes that relate to future services								
Contracts initially recognised in the period	**8,102**	**2,363**	**19,704,076**	**19,714,541**	(1)	195,443	12,643,591	12,839,033
Changes in estimates that adjust the CSM	**(104,759)**	**145,921**	**(9,032,918)**	**(8,991,756)**	21,848	(897,226)	3,024,135	2,148,757
Insurance finance expenses	**316**	**-**	**638,917**	**639,233**	-	-	81,824	81,824
CSM as at 31 December	**27,209**	**284,421**	**6,851,143**	**7,162,773**	142,801	321,726	8,883,265	9,347,792

13. Insurance and reinsurance contract liabilities (continued)

(d) Effect of contracts initially recognised in the year

(i) Insurance contracts

	2023 Profitable contracts issued	Onerous contracts issued	Total	2022 Profitable contracts issued	Onerous contracts issued	Total
Insurance contracts						
Estimates of present value of cash outflows	**33,148,565**	**18,977,853**	**52,126,418**	21,662,004	12,461,378	34,123,382
- Insurance acquisition cash flows and other pre-recognition cashflows derecognised and other changes	**13,093,015**	**4,601,336**	**17,694,351**	9,716,431	3,678,547	13,394,978
- Claims and other insurance service expenses payable	**20,055,550**	**14,376,517**	**34,432,067**	11,945,573	8,782,831	20,728,404
Estimates of present value of cash inflows	**(66,277,110)**	**(17,018,358)**	**(83,295,468)**	(45,256,860)	(7,007,274)	(52,264,134)
Risk adjustment for non-financial risk	**1,107,742**	**755,429**	**1,863,171**	593,808	183,982	777,790
CSM	**32,020,803**	**-**	**32,020,803**	23,001,048	-	23,001,048
Losses recognised on initial recognition	**-**	**2,714,924**	**2,714,924**	-	5,638,086	5,638,086

13. Insurance and reinsurance contract liabilities (continued)

(e) Analysis of the remaining contractual service margin

Number of years until expected to be recognised	**Total CSM for Insurance Contracts issued**	**Total CSM for reinsurance contracts held**
As at 31 Dec 2023		
1	**7,508,446**	**4,849,468**
2-5	**1,380,591**	**2,110,316**
6-10	**210,908**	**202,989**
Total	**9,099,945**	**7,162,773**

Number of years until expected to be recognised	Total CSM for Insurance Contracts issued	Total CSM for reinsurance contracts held
As at 31 Dec 2022		
1	4,369,325	4,341,128
2-5	2,076,747	5,005,649
6-10	500	1,015
Total	6,446,572	9,347,792

14. Other liabilities and accruals

	2023	2022
	$	$
Accrued expenses	**5,604,792**	4,287,091
Sundry payables	**97,943**	159,158
GST payables	**108,138**	9,567
Prepaid premiums*	**2,212,006**	1,913,971
Lease liabilities (Note 19(f))	**624,006**	1,213,059
	8,646,885	7,582,846

*Prepaid premiums for policies not yet in force which, if cancelled, will be returned to Atradius' customers.

The other payables and accruals balance is current except for lease liabilities which is disclosed in Note 19(f).

15. Head office contributions

This represents an amount invested in the Branch by its Head office. The amount is non-interest bearing. During the 2022 financial year, the Branch received $12,000,000 capital from head office.

16. Other income

Disaggregation of revenue from contracts with customers:

	2023	2022
	$	$
Revenue from:		
Fees from rendering credit limit reviews	**2,220,708**	2,385,927
	2,220,708	2,385,927

All the revenue is recognised at a point in time.

17. Other operating expenses

	2023	2022
	$	$
Employee benefit expenses		
Salaries and Wages	**5,092,753**	4,681,979
Contributions to statutory defined contribution scheme	**360,142**	369,927
Claims and benefits	**70,149,754**	27,194,818
Depreciation and amortisation	**689,647**	678,492
Management fee paid to head office	**8,438,598**	5,589,794
Management fee paid to related corporation	**3,785,723**	2,600,501
Losses on onerous contract	**6,014,467**	24,608,127
Professional fee	**1,769,829**	1,619,554
Marketing expenses	**35,362**	28,512
License and association fee	**72,508**	70,834
Travelling expenses	**287,203**	209,950
Postages and telephone charges	**31,941**	28,605
Utilities	**18,339**	12,191
Other expenses	**461,342**	259,659
	97,207,608	67,952,943
Amount attributed to insurance acquisition cash flows incurred during the year	**(17,536,822)**	(14,605,697)
Amortisation of insurance acquisition cash flows	**20,131,919**	18,176,426
Total Expenses	**99,802,705**	71,523,672
Represented by:		
Insurance service expenses	**96,296,139**	69,979,371
Other expenses	**3,506,566**	1,544,301
Total	**99,802,705**	71,523,672

18. Income taxes

(a) Income tax

	2023	2022
	$	$
Tax expense attributable to results is made up of:		
- Current income tax		
- Current year	**1,192,326**	1,148,388
- Prior years	**43,825**	(94,963)
- Deferred income tax	**(1,067,728)**	(1,125,895)
	168,423	(72,470)

18. Income taxes (continued)

(b) Income tax (continued)

The tax on results differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

	2023	2022
	$	$
Loss before tax	**(893,029)**	(1,983,350)
Income tax calculated at tax rate of 17% (2022: 17%)	**(151,815)**	(337,170)
- Effect of different tax rate	**217,962**	305,849
- Tax incentives	**(10,250)**	(10,250)
- Expenses not deductible for tax purposes	**21,337**	17,776
- Others	**47,364**	46,288
- Under-provision/(over-provision) of tax in prior financial year	**43,825**	(94,963)
	168,423	(72,470)

(c) Deferred taxes

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	2023	2022
	$	$
Deferred tax assets		
- Unrealised fair value losses on the debt instruments at fair value through other comprehensive income	**-**	47,871
- Difference in insurance balances between accounting and tax basis	**1,809,185**	569,167
	1,809,185	617,038

19. Leases - The Branch as a lessee

Nature of the Branch's leasing activities

The Branch leases office space for the purpose of office operations.

(a) Carrying amounts

ROU assets

	$
Cost:	
At 1 January 2022	1,737,554
Additions	-
At 30 December 2022 and 1 January 2023	**1,737,554**
Addition	-
At 31 December 2023	**1,737,554**
Accumulated depreciation:	
At 1 January 2022	179,172
Depreciation	551,106
At 30 December 2022 and 1 January 2023	**730,278**
Depreciation	**551,106**
At 31 December 2023	**1,281,384**
Carrying amount	
At 31 December 2023	**456,170**
At 31 December 2022	1,007,276

The right-of-use assets balance is non-current.

(b) Depreciation charge during the year

	2023	2022
	$	$
Building	**551,106**	551,106
Total	**551,106**	551,106

(c) Interest expense

	2023	2022
	$	$
Interest expense on lease liabilities	**25,788**	42,433

19. Leases - The Branch as a lessee (continued)

Nature of the Branch's leasing activities (continued)

(d) Lease expense not capitalised in lease liabilities

	2023 **$**	2022 $
Low-value lease expense	**6,038**	6,038

(e) Total cash outflow for all leases in 2023 was $614,841 (2022: $591,699).

(f) Lease liabilities

	2023 **$**	2022 $
Current	**624,006**	585,353
Non-current	**-**	627,706
Total	**624,006**	1,213,059

Reconciliation of liabilities arising from financing activities

			Non-cash changes			
Lease liabilities	**1 January 2023 $**	**Principal and interest payments $**	**Interest expense $**	**Modification of lease liability $**	**Addition – new leases $**	**31 December 2023 $**
2023	**1,213,059**	**(614,841)**	**25,788**	**-**	**-**	**624,006**
2022	1,762,325	(591,699)	42,433	-	-	1,213,059

(g) Future cash outflow which are not capitalised in lease liabilities

Extension option

The leases for office space contain extension periods, for which the related lease payments had not been included in lease liabilities as the Branch is not reasonably certain to exercise the extension option. The Branch negotiates extension options to maximise operational flexibility in terms of managing the assets used in the Branch's operations. The majority of the extension options are exercisable by the Branch and not by the lessor.

20. New or revised accounting standards and interpretation

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Branch. These standards are not expected to have a material impact on the Branch in the current or future reporting periods and on foreseeable future transactions.

21. Authorisation of financial statements

These financial statements were authorised for issue by the Branch's management on 31 July 2024.