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

(Registration Number: T16FC0107G)

ANNUAL REPORT

For the financial year ended 31 December 2019

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

ANNUAL REPORT
For the financial year ended 31 December 2019

Contents

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

STATEMENT BY CHIEF EXECUTIVE

For the financial year ended 31 December 2019

In my opinion, the financial statements set out on pages 6 to 50 are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 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 2019, 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.

Heike Gerdes

Ms. Heike Gerdes
CHIEF EXECUTIVE

28 April 2020

INDEPENDENT AUDITOR'S REPORT TO
ATRADIUS CREDITO Y CAUCION S.A. DE SEGUROS Y REASEGUROS
For the financial year ended 31 December 2019

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, Chapter 50 ("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 2019, 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 2019;
- the statement of assets used in and liabilities arising out of operations in Singapore as at 31 December 2019;
- 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 a summary of significant accounting policies.

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.

Other Information

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.

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, 28 April 2020

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

STATEMENT OF COMPREHENSIVE INCOME ARISING OUT OF OPERATIONS IN SINGAPORE
For the financial year ended 31 December 2019

	Notes	**2019** **$**	2018 $
Revenue			
Gross written premiums	11(a)	**55,515,749**	48,168,403
Change in gross provision for unexpired risks		**(3,065,951)**	(3,654,610)
Gross earned premium revenue	11(a)	**52,449,798**	44,513,793
Written premiums ceded to reinsurers	11(a)	**(34,771,020)**	(35,121,195)
Reinsurers' share of change in provision for unexpired risks		**552,788**	1,214,255
Reinsurance premium expense	11(a)	**(34,218,232)**	(33,906,940)
Net earned premium	11(a)	**18,231,566**	10,606,853
Commission income	15	**13,302,682**	14,841,268
Investment income - net	16	**367,511**	278,383
Other income	17	**2,226,180**	1,619,282
Total income		**34,127,939**	27,345,786
Gross claims incurred	11(b)	**(22,269,357)**	(27,108,271)
Reinsurers' share of claims incurred	11(b)	**14,246,992**	18,926,473
Net claims incurred		**(8,022,365)**	(8,181,798)
Commission expense		**(8,669,060)**	(6,928,955)
Staff costs	18	**(4,936,862)**	(4,893,195)
Depreciation expense		**(621,277)**	(93,035)
Other expenses	19	**(7,184,557)**	(5,956,429)
Finance expenses		**(24,186)**	(63,087)
Total expenses		**(21,435,942)**	(17,934,701)
Foreign exchange gain - net		**75,832**	653,400
Profit before income tax		**4,745,464**	1,882,687
Income tax expense	20	**-**	-
Profit for the financial year, representing total comprehensive income for the financial year		**4,745,464**	1,882,687

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 2019

	Notes	**2019**	2018
		$	$
ASSETS			
Cash and cash equivalents	6	**31,280,341**	19,021,067
Amounts due from related companies	7	**4,428,935**	6,423,172
Other assets	8	**418,193**	439,422
Insurance receivables	9	**27,767,527**	24,932,293
Reinsurers' share of provision for unexpired risks	11(a)	**7,633,800**	7,081,012
Reinsurers' share of provision for insurance claims	11(b)	**28,326,311**	20,374,367
Right-of-use assets	22	**1,585,364**	-
Property and equipment	10	**314,331**	349,007
Total assets		**101,754,802**	78,620,340
LIABILITIES AND EQUITY			
Insurance payables	12	**13,118,595**	12,689,650
Amounts due to related companies	7	**269,215**	297,541
Provision for unexpired risks	11(a)	**16,831,945**	13,765,994
Other payables and accruals	13	**3,019,941**	1,194,448
Provision for insurance claims	11(b)	**42,121,692**	29,024,757
Total liabilities		**75,361,388**	56,972,390
Head office account			
Head office contributions	14	**22,140,042**	22,140,042
Accumulated profit/(losses)		**4,253,372**	(492,092)
		26,393,414	21,647,950
Total liabilities and equity		**101,754,802**	78,620,340

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 2019

	Note	Head office contributions	Accumulated profit/(losses)	Total
		$	$	$
Balance at 1 January 2019		**22,140,042**	**(492,092)**	**21,647,950**
Profit for the financial year, representing total comprehensive income for the financial year		-	4,745,464	4,745,464
Balance at 31 December 2019		**22,140,042**	**4,253,372**	**26,393,414**
Balance at 1 January 2018		**25,140,042**	**(2,374,779)**	**22,765,263**
Repatriation to Head office	14	(3,000,000)	-	(3,000,000)
Profit for the financial year, representing total comprehensive income for the financial year		-	1,882,687	1,882,687
Balance at 31 December 2018		**22,140,042**	**(492,092)**	**21,647,950**

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 2019

	Notes	**2019**	2018
		$	$
Cash flows from operating activities			
Profit before income tax		**4,745,464**	1,882,687
Adjustments for:			
- Net loss on disposal of property and equipment		**13,440**	2,065
- Depreciation		**621,277**	93,035
- Interest income	16	**(367,511)**	(350,585)
- Finance expenses		**24,186**	63,087
- Change in fair value of financial assets at fair value through profit or loss	16	**-**	45,308
- Realised losses from disposals of financial assets at fair value through profit or loss	16	**-**	26,894
		5,036,856	1,762,491
Changes in working capital:			
- Insurance receivables		**(2,835,234)**	(2,656,011)
- Other assets		**16,687**	(49,883)
- Amounts due from related companies		**1,994,237**	(910,601)
- Insurance payables		**428,945**	2,599,132
- Other payables and accruals		**202,353**	(262,876)
- Provision for unexpired risks – net		**2,513,163**	2,440,355
- Provision for insurance claims – net		**5,144,991**	(1,432,096)
- Amounts due to related companies		**(28,326)**	(97,128)
Cash generated from operations		**12,473,672**	1,393,383
Interest received		**372,053**	325,337
Net cash provided by operating activities		**12,845,725**	1,718,720
Investing activities			
Disposal of debt securities		**-**	11,920,274
Additions of property and equipment	10	**(74,556)**	(42,103)
Net cash (used in)/provided by investing activities		**(74,556)**	11,878,171
Financing activities			
Repayment of lease liabilities		**(508,214)**	-
Capital transfer to Head Office		**-**	(3,000,000)
Interest paid		**(3,681)**	(63,087)
Net cash used in financing activities		**(511,895)**	(3,063,087)
Net increase in cash and cash equivalents		**12,259,274**	10,533,804
Cash and cash equivalents at beginning of year		**19,021,067**	8,487,263
Cash and cash equivalents at end of year	6	**31,280,341**	19,021,067

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 8 Shenton Way, AXA Tower #22-02, Singapore 068811. 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, Chapter 142 to underwrite credit insurance business.

2. Significant 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 2019

On 1 January 2019, 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 these new or amended FRS and INT FRS did not result in substantial changes to the Branch’s accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the adoption of FRS 116 Leases.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2019 (continued)

Adoption of FRS 116 *Leases*

When the Branch is the lessee

Prior to the adoption of FRS 116, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Branch's accounting policy on leases after the adoption of FRS 116 is as disclosed in Note 2.12.

On initial application of FRS 116, the Branch has elected to apply the following practical expedients:

i) For all contracts entered into before 1 January 2019 and that were previously identified as leases under FRS 17 Lease and INT FRS 104 Determining whether an Arrangement contains a Leases, the Branch has not reassessed if such contracts contain leases under FRS 116; and

ii) On a lease-by-lease basis, the Branch has:

   a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
   b) relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review; and
   c) excluded initial direct costs in the measurement of the right-of-use ("ROU") asset at the date of initial application.

There were no onerous contracts as at 1 January 2019.

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

Interpretations and amendments to published standards effective in 2019 (continued)

Adoption of FRS 116 *Leases* (continued)

For leases previously classified as operating leases on 1 January 2019, the Branch has applied the following transition provisions:

i) On a lease-by-lease basis, the Branch chose to measure its ROU assets at amount equal to lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application (i.e. 1 January 2019).

ii) Recognised its lease liabilities by discounting the remaining lease payments as at 1 January 2019 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristic.

The effects of adoption of FRS 116 on the Branch's financial statements as at 1 January 2019 are as follows:

	Increase
	$
Right-of-use assets	**666,277**
Lease liabilities (within other payables and accruals)	**(666,277)**

An explanation of the differences between the operating lease commitments previously disclosed in the Branch's financial statements as at 31 December 2018 and the lease liabilities recognised in the balance sheet as at 1 January 2019 are as follows:

	$
Operating lease commitments disclosed as at 31 December 2018	608,065
Less: Low-value leases	(13,498)
Less: Discounting effects using weighted average incremental borrowing rate of 3.66%	(11,240)
Add: Others	82,950
Lease liabilities recognised as at 1 January 2019	666,277

2. Significant accounting policies (continued)

2.2 Revenue recognition

(a) Earned premiums from insurance contracts

The accounting policy for the recognition of gross earned premium revenue from insurance contracts is disclosed in Note 2.7.

(b) Commission income

The accounting policy for the recognition of commission income from insurance contracts is disclosed in Note 2.10.

(c) Investment income

Investment income comprises interest income and gains and losses arising from financial assets at fair value through profit or loss which are recognised as set out in Note 2.5. Interest income is recognised using the effective interest rate method. The components of investment income are disclosed in Note 16.

2.3 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. Significant accounting policies (continued)

2.4 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.

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.

2.5 Financial assets

(a) Classification

The Branch classifies its financial assets into loans and receivables and financial assets at fair value through profit or loss. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "cash and cash equivalents", "amounts due from related companies", "insurance receivables" and "other assets".

2. Significant accounting policies (continued)

2.5 Financial assets (continued)

(a) *Classification* (continued)

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

This category has two sub-categories: financial assets held for trading, and those designated as fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term.

Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis, in accordance with a documented investment strategy. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the balance sheet date.

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on the trade date – the date on which the Branch commits to purchase or sell the asset.

Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or have been transferred and the Branch has transferred substantially all risks and rewards of ownership.

On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss.

(c) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

(d) *Subsequent measurement*

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Changes in fair values of financial assets at fair value through profit or loss including the effects of currency translation, interests and dividends, are recognised in profit or loss when the changes arise.

2. Significant accounting policies (continued)

2.5 Financial assets (continued)

(e) Impairment

The Branch assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

2.6 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.

2.7 Insurance contracts

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. Significant risk is defined as the possibility of having to pay significantly more in a scenario where the insured event occurs than when it does not occur.

2. Significant accounting policies (continued)

2.7 Insurance contracts (continued)

(a) Written premiums and earned premium revenue

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

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

(b) Provision for unexpired risks

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

(c) Claims incurred and provision for insurance claims

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

Claims and loss expenses are charged to the profit or loss as incurred based on the estimated liability for compensation owed to contract holders. They include direct and indirect claims settlement costs and arise from the risks the Branch has taken up to the balance sheet date. The Branch does not discount its liabilities given the cycle of the business. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the Branch and statistical analysis for the claims incurred but not reported. When appropriate, deductions are made for salvage, subrogation and other expected recoveries from external parties.

Provision for outstanding claims is calculated based on statistical methods. For large cases, individual assessments are made. Estimates of expected losses are developed using historical claims experience, actual versus estimated claims experience and other known trends and developments.

2. Significant accounting policies (continued)

2.8 Reinsurance contracts held

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

Reinsurance premium expense and reinsurers' share of claims incurred are presented in the statement of comprehensive income on a gross basis. Reinsurance assets comprise reinsurers' share of insurance liabilities and balances due from reinsurance companies. The amounts recognised as reinsurers' share of insurance liabilities are measured on a basis that is consistent with the measurement of the liabilities held in respect of the related insurance contracts.

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

2.9 Deferred acquisition costs

Deferred acquisition costs comprise cedant commissions, brokerage and other expenses which relate to the acquisition of premiums. These costs are deferred and amortised on the same basis as the unearned premiums to the extent that they are expected to be recovered from unearned premiums.

2.10 Commissions

Commission expenses paid and payable to intermediaries (brokers) upon acquiring new and renewal insurance business are recognised in profit or loss. As disclosed in Note 2.9, these costs are deferred and amortised on the same basis as the unearned premiums.

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

2. Significant accounting policies (continued)

2.11 Liability adequacy test

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

2.12 Leases

The accounting policy for leases before 1 January 2019 are as follows:

When the Branch is the lessee

Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

The accounting policy for leases after 1 January 2019 are as follows:

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.

- 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 meets the definition of an investment property) are presented separately on the balance sheet as at 31 December 2019.

2. Significant accounting policies (continued)

2.12 Leases (continued)

The accounting policy for leases after 1 January 2019 are as follows: (continued)

When the Branch is the lessee (continued)

- 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 recognised 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.

2.13 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. Significant accounting policies (continued)

2.14 Employee compensation

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

2.15 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.

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. Significant accounting policies (continued)

2.16 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".

2.17 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.

2.18 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.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Estimation of provisions for unexpired risks and insurance claims

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

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

(i) Key sources of estimation uncertainty

The key assumptions concerning the future, and other main sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next financial year, are discussed below.

Process used to determine the assumptions for measuring insurance contracts

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

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

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

Estimation of provisions for unexpired risks and insurance claims (continued)

(ii) Main assumptions

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

(a) Expenses assumptions

For the indirect claims handling expenses ("ICHE"), the Branch has applied a rate of 10% for both SIF and OIF. This ICHE assumption was selected based on the historical expense information furnished by Head office, for claims handling purposes. In addition, it's assumed that 50% of the expenses are incurred at the inception of the claim and 50% during the process of claim handling.

For the premium liabilities, the Branch estimated the policy maintenance expenses ("PME") to be 10% of the UPR net of DAC. The Branch used the actual salary of the staff in charge of policy administration to estimate the PME ratio.

(b) Premium rate changes

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

(c) Loss development factors ("LDF")

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

(d) Ultimate loss ratios ("ULR")

The initial estimated loss ratio ("IELR") assumptions were selected by considering the estimated ULR for the recent accident years. These assumptions include adjustments for any large claims, changes in premium rates and/or changes in the business mix.

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

Estimation of provisions for unexpired risks and insurance claims (continued)

(ii) Main assumptions (continued)

(e) Reinsurance recoveries

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

(iii) Methods

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

The purpose is to examine the development of historical claims costs to identify patterns and trends to project future claims cost.

(a) Methodology for Best Estimate of Claims Liabilities

Ultimate claim incurred is computed by statistical methods. The best estimate of claims liabilities will then be computed by deducting the paid proportion from the ultimate claim incurred. The final claims liabilities also include margins to allow for potential adverse deviation and loading for indirect claims handling expense.

(b) Methodology of Best Estimate of Premium Liabilities

The ultimate loss ratios for the latest accident year have been used in assessing whether or not the unearned premium reserves adequately cover the outstanding risk with margin to allow for PAD percentage. A maintenance expense reserve, claim handling expense reserve and reinsurance cost is also added into unexpired risk reserve.

The unexpired risk reserve is then compared with the unearned premium reserves, and the higher of these two balances will be reflected as premium liabilities.

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

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

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

Estimation of provisions for unexpired risks and insurance claims (continued)

(iv) Sensitivity analysis

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

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

Assumption	Change in gross claim provision		Change in net claim provision
IELR	3,423,189	**If assumption is changed by 5%**	1,448,272
PAD	1,662,029	**If assumption is changed by 5%**	594,813
ICHE	553,923	**If assumption is changed by 5%**	553,923

In 2018, if the projected IELR, PAD and ICHE used in the calculation were changed by 5%, the corresponding net impact to net claims provision (net of reinsurance) would be $963,299, $348,253 and $384,766 respectively.

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 60% (2018: 70%) of all risks to a panel of reinsurance companies, out of which 22% is ceded to Atradius Reinsurance Ltd, a related company. The retained 40% (2018: 30%) 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.

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.

4. Insurance and financial risk management (continued)

(a) Insurance risk (continued)

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

Managing of risks (continued)

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.

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.

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2019

4. Insurance and financial risk management (continued)

(a) *Insurance risk* (continued)

(iv) *Claims Development Table*

The claims development table provides an overview of the total claim expenses for accident years 2009 to 2019.

Gross Claims Development

Accident Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Total
At end of financial year	4,828,281	8,409,536	7,933,551	4,991,380	8,583,103	34,877,061	12,655,485	28,173,316	21,942,004	25,629,440	24,449,736	
One year later	1,266,745	172,686	1,470,929	616,986	4,696,389	32,796,428	22,362,398	21,190,884	18,021,007	24,661,196		
Two years later	138,989	264,143	392,324	1,345,450	3,767,796	32,263,514	22,301,033	31,182,627	19,096,367			
Three years later	1,115,865	171,202	375,935	575,015	3,887,698	32,090,038	17,093,414	29,803,949				
Four years later	121,390	171,202	381,719	972,630	4,027,130	30,662,834	16,761,675					
Five years later	121,390	171,202	382,759	843,453	2,591,202	28,925,307						
Six years later	121,390	171,202	382,759	1,906,268	2,295,969							
Seven years later	121,390	247,644	368,725	1,815,493								
Eight years later	184,441	236,479	368,724									
Nine years later	235,325	236,480										
Ten years later	235,324											
Current estimate of ultimate claims	235,324	236,480	368,724	1,815,493	2,295,969	28,925,307	16,761,675	29,803,949	19,096,367	24,661,196	24,449,736	148,650,220
Cumulative payments	235,324	236,480	368,724	1,815,493	2,295,969	28,925,307	16,529,570	29,077,749	25,255,578	11,130,062	502,730	116,372,986
Estimate of claims reserves	-	-	-	-	-	-	232,105	726,200	(6,159,211)	13,531,134	23,947,006	32,277,234
Indirect claims expenses	-	-	-	-	-	-	6,927	21,674	(183,828)	403,850	714,721	963,344
Best estimate of claim liabilities	-	-	-	-	-	-	239,032	747,874	(6,343,039)	13,934,984	24,661,727	33,240,578
Estimated claims for prior accident years												-
Provision for adverse deviation												4,986,087
Others												3,895,027
Gross provision for insurance claims												42,121,692

4. Insurance and financial risk management (continued)

(a) *Insurance risk* (continued)

(iv) Claims Development Table (continued)

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

Net Claims Development

Accident Year	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**Total**
At end of financial year	1,065,000	1,821,514	1,736,745	1,117,664	1,875,711	8,713,928	3,265,004	7,911,152	6,106,200	7,688,831	9,813,948	
One year later	279,413	37,404	326,441	138,104	1,026,327	8,103,365	6,027,316	5,996,133	4,955,777	5,902,252		
Two years later	30,658	54,786	85,884	301,162	556,692	7,719,084	5,834,752	8,575,224	5,437,904			
Three years later	259,704	31,999	85,798	299,970	533,934	7,677,298	4,700,689	8,196,530				
Four years later	30,645	31,999	85,798	387,977	554,086	7,665,708	4,609,687					
Five years later	30,645	31,961	84,547	358,913	583,021	7,231,327						
Six years later	30,575	31,961	84,547	428,910	516,593							
Seven years later	30,575	52,983	82,963	408,486								
Eight years later	47,914	53,208	82,963									
Nine years later	52,948	53,208										
Ten years later	52,948											
Current estimate of ultimate claims	52,948	53,208	82,963	408,486	516,593	7,231,327	4,609,687	8,196,530	5,437,904	5,902,252	9,813,948	42,305,846
Cumulative payments	52,948	53,208	82,963	408,486	516,593	7,231,327	4,545,632	7,996,381	6,945,284	3,339,019	201,092	31,372,933
Estimate of claims reserves	-	-	-	-	-	-	64,055	200,149	(1,507,380)	2,563,233	9,612,856	10,932,913
Indirect claims expenses	-	-	-	-	-	-	5,644	17,636	(132,821)	225,858	847,029	963,346
Best estimate of claim liabilities	-	-	-	-	-	-	69,699	217,785	(1,640,201)	2,789,091	10,459,885	11,896,259
Estimated claims for prior accident years												-
Provision for adverse deviation												1,784,439
Others												114,683
Net provision for insurance claims												13,795,381

4. Insurance and financial risk management (continued)

(b) *Financial instruments*

(i) *Categories of financial instruments*

	2019	2018
	$	$
Financial assets		
Loans and receivables (including cash and cash equivalents)	**63,739,843**	50,638,059
Insurance assets		
Reinsurers' share of provision for insurance claims	**28,326,311**	20,374,367
Financial liabilities		
At amortised cost	**16,407,751**	14,181,639
Insurance liabilities		
Provision for insurance claims	**42,121,692**	29,024,757

(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.

4. Insurance and financial risk management (continued)

(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 minimise 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.

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. 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(e).

4. Insurance and financial risk management (continued)

(c) *Financial Risks* (continued)

(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:

	2019		2018	
	Liabilities	**Assets**	Liabilities	Assets
	$	**$**	$	$
United States dollars	**81,596,309**	**83,902,579**	59,754,751	61,886,997
Euro	**413,884**	**-**	594,423	367,734
Thai Baht	**109,493**	**1,381,954**	257,619	1,249,597

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% (2018: 5%) respectively with all other variables include 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)	
	2019	2018
	Profit after tax	Profit after tax
	$	$
USD against SGD		
- Strengthened	**115,313**	106,612
- Weakened	**(115,313)**	(106,612)
Euro against SGD		
- Strengthened	**(20,694)**	(11,334)
- Weakened	**20,694**	11,334
THB against SGD		
- Strengthened	**63,623**	49,599
- Weakened	**(63,623)**	(49,599)

4. Insurance and financial risk management (continued)

(c) Financial Risks (continued)

(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.

The carrying amount of claim recoverable from reinsurers, insurance and other receivables, and cash and cash equivalents represent the Branch's maximum exposure to credit risk.

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

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

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 summarised below:

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
	$	$	$	$
2019				
Cash and cash equivalents	**31,280,341**	**-**	**-**	**31,280,341**
Amount due from related companies	**4,381,630**	**47,305**	**-**	**4,428,935**
Other assets	**93,157**	**169,883**	**-**	**263,040**
Receivables arising from insurance contracts	**-**	**18,290,780**	**7,644,724**	**25,935,504**
Receivable arising from reinsurance contracts	**1,994,870**	**-**	**-**	**1,994,870**

	Neither past-due nor impaired			
	Grade* (BBB to AAA)	Not rated	Past due but not impaired	Total
	$	$	$	$
2018				
Cash and cash equivalents	19,021,067	-	-	19,021,067
Amount due from related companies	6,134,025	289,147	-	6,423,172
Other assets	97,699	163,828	-	261,527
Receivables arising from insurance contracts	-	16,338,703	6,267,892	22,606,595
Receivable arising from reinsurance contracts	2,400,137	-	-	2,400,137

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

4. Insurance and financial risk management (continued)

(c) Financial Risks (continued)

(iv) Credit risk management (continued)

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

	2019	2018
	$	$
Receivables arising from insurance contracts		
Less than 6 months	**5,675,686**	4,164,211
6 to 12 months	**1,500,831**	1,724,095
More than 12 months	**468,207**	379,586
	7,644,724	6,267,892

Receivables from insurance contracts include balances amounting to $162,847 (2018: $74,439) which have been provided for during the financial year.

(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. Details of the contractual maturities for the financial assets can be found in Note 4(e). The maturity analysis of the Branch's insurance liabilities is disclosed at Note 11(c).

(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.

The Branch has no financial assets and liabilities carried at fair value as at 31 December 2019 and 31 December 2018.

4. Insurance and financial risk management (continued)

(e) Liquidity and interest risk analysis

Non-derivative financial liabilities and insurance liabilities

All financial liabilities as at 31 December 2019 and 31 December 2018 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.

	Effective interest rate	Within 1 year	Within 2 to 5 years	Total
	%	$	$	$
2019				
Short-term bank deposits	1.85	**17,339,701**	**-**	**17,339,701**
2018				
Short-term bank deposits	1.87	12,540,315	-	12,540,315

(f) Capital risk management policies and objectives

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

The Branch is in compliance with the externally imposed capital and solvency requirement of the Monetary Authority of Singapore (MAS) for the financial year ended 31 December 2019 and 31 December 2018.

The COVID-19 outbreak since January 2020 may have an adverse impact on the capital position of the Branch. The Branch is closely monitoring the solvency position and will take actions to strengthen the capital position if required.

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, apart from the balances and transactions disclosed elsewhere in these financial statements, the Branch had the following significant transactions with its head office and related companies:

	2019	2018
	$	$
Written premium ceded to related corporation	**10,521,303**	13,018,613
Premium received from related corporation	**6,329,166**	6,419,785
Commission received from related corporation	**4,489,796**	6,225,910
Management fee paid to head office	**3,120,067**	2,309,418
Management fee paid to related corporation	**1,836,322**	1,146,366
Gross claims paid to related corporation	**636,130**	347,824
Reinsurance recoveries received from related corporation	**2,636,486**	8,560,171

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 $352,657 (2018: $348,955).

6. Cash and cash equivalents

	2019	2018
	$	$
Cash in banks	**13,940,640**	6,480,752
Short-term bank deposits	**17,339,701**	12,540,315
	31,280,341	19,021,067

The cash and cash equivalents balance is current.

7. Amounts due from (to) related companies

	2019	2018
	$	$
Amounts due from related companies:		
- Non-trade	**4,428,935**	6,423,172
Amounts due to related companies:		
- Non-trade	**269,215**	297,541

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

8. Other assets

	2019	2018
	$	$
Accrued interest receivable on debt securities and bank deposits	**93,157**	97,699
Deposits	**169,883**	163,828
Prepayments	**155,153**	177,895
	418,193	439,422

The other assets balance is current.

9. Insurance receivables

	2019	2018
	$	$
Receivables arising from insurance contracts	**25,935,504**	22,606,595
Receivables arising from reinsurance contracts	**1,994,870**	2,400,137
	27,930,374	25,006,732
Allowance for doubtful accounts receivables arising from insurance contracts	**(162,847)**	(74,439)
	27,767,527	24,932,293

The Branch has made an assessment on the impairment provision required for receivables that are past due for more than 3 months. The assessment has taken into account the estimated irrecoverable amounts determined by reference to past default experience. The insurance receivables balance is current.

10. Property and equipment

	Furniture, fittings and equipment	Computers	Total
	$	$	$
Cost:			
At 1 January 2018	435,444	95,554	530,998
Additions	-	42,103	42,103
Disposals	-	(2,565)	(2,565)
At 31 December 2018	**435,444**	**135,092**	**570,536**
Additions	66,087	8,469	74,556
Disposals	(24,999)	(14,563)	(39,562)
At 31 December 2019	**476,532**	**128,998**	**605,530**
Accumulated depreciation:			
At 1 January 2018	75,925	53,069	128,994
Depreciation	67,850	25,185	93,035
Disposals	-	(500)	(500)
At 31 December 2018	**143,775**	**77,754**	**221,529**
Depreciation	67,347	28,445	95,792
Disposals	(11,559)	(14,563)	(26,122)
At 31 December 2019	**199,563**	**91,636**	**291,199**
Carrying amount			
At 31 December 2019	**276,969**	**37,362**	**314,331**
At 31 December 2018	291,669	57,338	349,007

The property and equipment balance is non-current.

11. Insurance contracts provisions

Insurance contracts provisions are as follows:

(a) Movements in provision for unexpired risks

	Gross	Reinsurance	Net
	$	$	$
At 1 January 2019	**13,765,994**	**(7,081,012)**	**6,684,982**
Premiums written	**55,515,749**	**(34,771,020)**	**20,744,729**
Premiums earned	**(52,449,798)**	**34,218,232**	**(18,231,566)**
At 31 December 2019	**16,831,945**	**(7,633,800)**	**9,198,145**
At 1 January 2018	10,111,384	(5,866,757)	4,244,627
Premiums written	48,168,403	(35,121,195)	13,047,208
Premiums earned	(44,513,793)	33,906,940	(10,606,853)
At 31 December 2018	13,765,994	(7,081,012)	6,684,982

(b) Analysis of movements in provision for insurance claims

	Gross	Reinsurance	Net
	$	$	$
At 1 January 2019	**29,024,757**	**(20,374,367)**	**8,650,390**
Claims paid	**(9,172,422)**	**6,295,048**	**(2,877,374)**
Claims incurred	**22,269,357**	**(14,246,992)**	**8,022,365**
At 31 December 2019	**42,121,692**	**(28,326,311)**	**13,795,381**
At 1 January 2018	36,753,635	(26,671,149)	10,082,486
Claims paid	(34,837,149)	25,223,255	(9,613,894)
Claims incurred	27,108,271	(18,926,473)	8,181,798
At 31 December 2018	29,024,757	(20,374,367)	8,650,390

11. Insurance contracts provisions (continued)

(c) *Current and non-current disclosures*

	2019	2018
	$	$
Current assets		
Reinsurers' share of provision for unexpired risks	**7,501,590**	6,946,366
Reinsurers' share of provision for insurance claims	**12,616,896**	1,904,094
Non-current assets		
Reinsurers' share of provision for unexpired risks	**132,210**	134,646
Reinsurers' share of provision for insurance claims	**15,709,415**	18,470,273
Current liabilities		
Provision for unexpired risks	**16,509,110**	13,446,130
Provision for insurance claims	**17,084,579**	2,967,887
Non-current liabilities		
Provision for unexpired risks	**322,385**	319,864
Provision for insurance claims	**25,037,113**	26,056,870

12. Insurance payables

	2019	2018
	$	$
Payables arising from:		
Insurance contracts	**716,110**	285,912
Reinsurance contracts	**12,402,485**	12,403,738
	13,118,595	12,689,650

The insurance payables balance is current.

13. Other payables and accruals

	2019	2018
	$	$
Accrued expenses	**1,278,387**	1,056,936
Sundry payables	**49,158**	122,580
GST payables	**69,256**	14,932
Lease liabilities	**1,623,140**	-
	3,019,941	1,194,448

The other payables and accruals balance is current except for lease liabilities which is disclosed in Note 22.

14. Head office contributions

This represents an amount invested in the Branch by its Head office. The amount is non-interest bearing. During the 2018 financial year, the Branch has repatriated $3,000,000 of capital to head office.

15. Commission income

	2019	2018
	$	$
Reinsurance commission income	**13,092,028**	13,623,400
Profit commissions	**210,654**	1,217,868
	13,302,682	14,841,268

16. Investment income - net

	2019	2018
	$	$
Change in fair value of financial assets at fair value through profit or loss	**-**	(45,308)
Realised losses from disposals of financial assets at fair value through profit or loss	**-**	(26,894)
Interest income from:		
- Debt securities	**-**	119,240
- Short-term bank deposits	**239,076**	168,248
- Others	**128,435**	63,097
	367,511	278,383

17. Other income

Disaggregation of revenue from contracts with customers:

	2019	2018
	$	$
Revenue from:		
Fees from rendering credit limit reviews	**1,993,719**	1,619,282
Other contributions income for reinsurance contract	**232,461**	-
	2,226,180	1,619,282

All the revenue is recognised at a point in time.

18. Staff costs

Included in staff costs are contributions to a statutory defined contribution scheme of $312,368 (2018: $291,482).

19. Other expenses

	2019	2018
	$	$
Management fee paid to head office (Note 5)	**3,120,067**	2,309,418
Management fee paid to related corporation (Note 5)	**1,836,322**	1,146,366
Professional fees	**1,272,969**	1,191,051
Rental expense	**-**	488,623
Provision/(write-back) of doubtful debts	**85,739**	(25,276)
Marketing expenses	**62,655**	68,912
License and association fee	**70,712**	70,623
Travelling expenses	**293,094**	282,252
Postages and telephone charges	**63,493**	78,850
Utilities	**29,703**	26,818
Other expenses	**349,803**	318,792
	7,184,557	5,956,429

20. Income tax expense

	2019	2018
	$	$
Tax Expense attributable to results is made up of:		
- current income tax	-	-

20. Income tax expense (continued)

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

	2019	2018
	$	$
Profit before tax	**4,745,464**	1,882,687
Income tax calculated at tax rate of 17% (2018: 17%)	**806,729**	320,057
- Tax incentives	**(332,182)**	-
- Income not subject to tax	**(52,590)**	-
- Expenses not deductible for tax purpose	**24,331**	-
- Utilisation of previously unrecognised tax losses	**(446,288)**	(320,057)
	-	-

Subject to the agreement by the tax authorities, at the end of the balance sheet date, the Branch has unutilised tax losses of $- (2018: $2,190,006) available for offset against future profits.

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

21. Operating lease commitments

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

As at 31 December 2018, the future minimum lease payables under non-cancellable operating leases contracted for but not recognised as liabilities, are as follows:

	2018
	$
Not later than one year	493,158
Between one and five years	114,907
	608,065

21. Operating lease commitments (continued)

As disclosed in Note 2.1, the Company has adopted FRS 116 on 1 January 2019. These lease payments have been recognised as ROU assets and lease liabilities (within other payables and accruals) on the balance sheet as at 31 December 2019, except for low value leases.

22. 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 31 December 2018	-
Adoption of FRS 116	666,277
At 1 January 2019	666,277
Additions	1,444,572
At 31 December 2019	2,110,849
Accumulated depreciation:	
At 31 December 2018	-
Adoption of FRS 116	-
At 1 January 2019	-
Depreciation	525,485
At 31 December 2019	525,485
Carrying amount	
At 31 December 2019	**1,585,364**
At 31 December 2018	-

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

(b) Depreciation charge during the year

	2019 **$**
Building	**525,485**
Total	**525,485**

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

(c) Interest expense

	2019 **$**
Interest expense on lease liabilities	**20,505**

(d) Lease expense not capitalised in lease liabilities

	2019 **$**
Low-value lease expense	**4,764**

(e) Total cash outflow for all leases in 2019 was $508,214.

(f) Addition of ROU assets during the financial year 2019 was $1,444,572.

(g) Lease liabilities

	2019 **$**	2018 $
Current	**470,441**	-
Non-current	**1,152,699**	-
Total	**1,623,140**	-

Reconciliation of liabilities arising from financing activities

			Non-cash changes			
	1 January 2019 $	Principal and interest payments $	Adoption of FRS 116 $	Interest expense $	Addition – new leases $	31 December 2019 $
Lease liabilities	-	(508,214)	666,277	20,505	1,444,572	1,623,140

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

(h) 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.

23. Disclosure on temporary exemption from FRS 109

According to FRS 104 Amendments, the Branch made the assessment based on its financial position of 31 December 2016 (year during which the Branch was registered in Singapore), concluding that the carrying amount of the Branch's liabilities arising from contracts within the scope of FRS 104 was significant compared to the total carrying amount of all its liabilities. And the percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all its liabilities is greater than 80 percent, and the Branch does not engage in a significant activity unconnected with insurance. The Branch's sole business activity is to underwrite credit insurance policies. There had been no significant change in the activities of the Branch since then that requires reassessment. Therefore, the Branch's activities are predominantly connected with insurance, meeting the criteria to apply temporary exemption from FRS 109.

(a) The table below presents the fair value of the following groups of financial assets under FRS 109 as at 31 December 2019 and fair value changes for the year ended 31 December 2019:

	Fair value as at 31 December 2019	**Fair value changes for the year ended 31 December 2019**
	$	$
Financial assets that met solely payments of principal and interest on the principal amount outstanding ("SPPI") criteria and not held for trading or managed on fair value basis	**63,739,843**	(103,817)

23. Disclosure on temporary exemption from FRS 109 (continued)

	Fair value as at 31 December 2018 $	Fair value changes for the year ended 31 December 2018 $
Financial assets that met solely payments of principal and interest on the principal amount outstanding ("SPPI") criteria and not held for trading or managed on fair value basis	50,638,059	(147,797)

(b) The credit risk exposure for the aforementioned financial assets with contractual terms that give rise to SPPI are disclosed in Note 4 (c).

24. New or revised accounting standards and interpretations

The Accounting Standards Council Singapore (ASC) has issued a number of new FRS and amendments to FRS that are effective in the current accounting period of the Branch. Of these, the "Deferral for FRS 117 Insurance Contracts" is relevant to the Branch's financial statement.

FRS 117 Insurance Contracts will replace the current FRS 104 insurance contract standard. FRS 117 includes some fundamental differences to current accounting in both insurance contract measurement and profit recognition. The general model is based on a discounted cash flow model with a risk adjustment and deferral of unearned profits. A separate approach applies to insurance contracts that are linked to returns on underlying items and meet certain requirements. Additionally, FRS 117 requires more granular information and a new presentation format for the statement of comprehensive income as well as extensive disclosures. In November 2018, IASB proposed to defer IFRS 17 (equivalent of FRS 117) and the temporary IFRS 9 (equivalent of FRS 109) exemption available to insurers until the financial period beginning on or after 1 January 2021. Subsequently, IASB proposed in June 2019 to defer IFRS 17 and extend the temporary IFRS 9 exemption available to insurers until the financial period beginning on or after 1 January 2022. The proposed deferral was published in the Exposure Draft amendments to IFRS 17 for public consultation which ended on 25 September 2019. IASB subsequently decided on 17 March 2020 that the effective date of IFRS 17 will be deferred to annual reporting periods beginning on or after 1 January 2023. IASB also decided to extend the exemption currently in place for some insurers regarding the application of IFRS 9 to enable them to implement both IFRS 9 and IFRS 17 at the same time.

25. Comparatives

Certain reclassifications have been made to the comparatives to conform to current year presentation.

26. Authorisation of financial statements

These financial statements were authorised for issue by the Branch’s management on 28 April 2020.