

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

(Registration Number: T16FC0107G)

ANNUAL REPORT

For the financial year ended 31 December 2022

**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 2022

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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 2022

In my opinion, the financial statements set out on pages 6 to 51 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 2022, 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

26 April 2023

**INDEPENDENT AUDITOR'S REPORT TO
ATRADIUS CREDITO Y CAUCION S.A. DE SEGUROS Y REASEGUROS
For the financial year ended 31 December 2022**

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 2022, 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 2022;
- the statement of assets used in and liabilities arising out of operations in Singapore as at 31 December 2022;
- 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.

**INDEPENDENT AUDITOR'S REPORT TO
ATRADIUS CREDITO Y CAUCION S.A. DE SEGUROS Y REASEGUROS (continued)
For the financial year ended 31 December 2022**

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.

**INDEPENDENT AUDITOR'S REPORT TO
ATRADIUS CREDITO Y CAUCION S.A. DE SEGUROS Y REASEGUROS (continued)
For the financial year ended 31 December 2022**

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.

**INDEPENDENT AUDITOR'S REPORT TO
ATRADIUS CREDITO Y CAUCION S.A. DE SEGUROS Y REASEGUROS (continued)
For the financial year ended 31 December 2022**

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, 26 April 2023

**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 2022

	Notes	2022 \$	2021 \$
Revenue			
Gross written premiums	12(a)	88,918,425	71,022,643
Change in gross provision for unexpired risks		(11,592,310)	(992,982)
Gross earned premium revenue	12(a)	<u>77,326,115</u>	<u>70,029,661</u>
Written premiums ceded to reinsurers	12(a)	(44,559,075)	(37,016,662)
Reinsurers' share of change in provision for unexpired risks		3,554,119	(1,705,657)
Reinsurance premium expense	12(a)	<u>(41,004,956)</u>	<u>(38,722,319)</u>
Net earned premium	12(a)	36,321,159	31,307,342
Commission income	16	13,860,016	12,391,282
Investment income - net	17	746,846	109,357
Other income	18	2,385,927	2,180,730
Total income		<u>53,313,948</u>	<u>45,988,711</u>
Gross claims incurred	12(b)	13,116,456	(23,947,160)
Reinsurers' share of claims incurred	12(b)	(8,410,435)	6,598,831
Net claims incurred		<u>4,706,021</u>	<u>(17,348,329)</u>
Commission expense		(14,083,404)	(10,842,921)
Staff costs	19	(5,052,979)	(4,774,729)
Depreciation expense		(678,492)	(728,204)
Other expenses	20	(10,454,250)	(10,544,223)
Finance expenses		(43,382)	(54,428)
Total expenses		<u>(30,312,507)</u>	<u>(26,944,505)</u>
Foreign exchange (loss)/gain - net		(2,078,900)	971,892
Profit before income tax		<u>25,628,562</u>	<u>2,667,769</u>
Income tax	21	(1,053,429)	(579,327)
Profit after income tax		<u>24,575,133</u>	<u>2,088,442</u>
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Financial assets, available for sale			
- Fair value (loss)/gain, net of tax		(38,145)	154,826
Other comprehensive (loss)/income for the year, net of tax		<u>(38,145)</u>	<u>154,826</u>
Total comprehensive income for the year		<u>24,536,988</u>	<u>2,243,268</u>

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 2022

	Notes	2022 \$	2021 \$
ASSETS			
Cash and cash equivalents	6	72,073,624	51,004,755
Other assets	8	974,755	646,621
Insurance receivables	9	46,651,389	39,094,467
Available-for-sale financial assets	10	21,708,080	12,060,000
Reinsurers' share of provision for unexpired risks	12(c)	10,737,307	7,183,188
Reinsurers' share of provision for insurance claims	12(c)	26,675,707	36,687,046
Property and equipment	11	633,022	664,046
Right-of-use assets	22	1,007,276	1,558,382
Deferred tax asset	21	47,871	43,633
Total assets		180,509,031	148,942,138
LIABILITIES AND EQUITY			
Insurance payables	13	17,435,930	14,956,489
Amounts due to related companies	7	658,702	614,825
Other payables and accruals	14	2,839,921	3,763,545
Income tax payable		1,148,388	579,327
Provision for unexpired risks	12(a)	33,376,011	21,783,701
Provision for insurance claims	12(b)	51,118,837	69,849,997
Total liabilities		106,577,789	111,547,884
Head office account			
Head office contributions	15	57,108,119	45,108,119
Retained earnings/(accumulated losses)		17,253,969	(7,321,164)
Fair value reserve		(430,846)	(392,701)
		73,931,242	37,394,254
Total liabilities and equity		180,509,031	148,942,138

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 2022

	Head office contributions	Retained earnings/ (accumulated losses)	Fair value reserve	Total
	\$	\$	\$	\$
Balance at 1 January 2022	45,108,119	(7,321,164)	(392,701)	37,394,254
Profit for the financial year	-	24,575,133	-	24,575,133
Other comprehensive loss for the financial year	-	-	(38,145)	(38,145)
Total comprehensive income/ (loss)	-	24,575,133	(38,145)	24,536,988
Total transactions with owners, recognised directly in equity				
- Capital injection from head office	12,000,000	-	-	12,000,000
Balance at 31 December 2022	57,108,119	17,253,969	(430,846)	73,931,242
Balance at 1 January 2021	39,153,981	(9,409,606)	(547,527)	29,196,848
Profit for the financial year	-	2,088,442	-	2,088,442
Other comprehensive income for the financial year	-	-	154,826	154,826
Total comprehensive income	-	2,088,442	154,826	2,243,268
Total transactions with owners, recognised directly in equity				
- Capital injection from head office	5,954,138	-	-	5,954,138
Balance at 31 December 2021	45,108,119	(7,321,164)	(392,701)	37,394,254

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 2022

	Notes	2022 \$	2021 \$
Cash flows from operating activities			
Profit before income tax		25,628,562	2,667,769
Adjustments for:			
- Net loss on disposal of property and equipment		2,009	80,973
- Net gain on disposal of right-of-use assets	18	-	(74,603)
- Depreciation		678,492	728,204
- Interest income	17	(746,846)	(109,357)
- Finance expenses		43,382	54,428
		25,605,599	3,347,414
Changes in working capital:			
- Insurance receivables		(7,556,922)	(7,555,588)
- Other assets		76,953	(150,150)
- Insurance payables		2,479,441	539,799
- Other payables and accruals		(374,358)	911,940
- Provision for unexpired risks – net		8,038,191	2,698,639
- Provision for insurance claims – net		(8,719,821)	3,114,484
- Amounts due to related companies		43,877	(854,576)
Cash generated from operations		19,592,960	2,051,962
Tax paid		(484,368)	-
Interest received		619,571	425,302
Net cash generated from operating activities		19,728,163	2,477,264
Cash flows from investing activities			
Purchase of available-for-sale financial assets	10	(13,968,275)	-
Maturity of available-for-sale financial assets	10	4,000,000	-
Additions of property and equipment	11	(98,371)	(677,767)
Net cash used in investing activities		(10,066,646)	(677,767)
Cash flows from financing activities			
Repayment of lease liabilities	22(e)	(591,699)	(436,643)
Capital injection from Head Office	15	12,000,000	5,954,138
Interest paid		(949)	(40)
Net cash generated from financing activities		11,407,352	5,517,455
Net increase in cash and cash equivalents		21,068,869	7,316,952
Cash and cash equivalents at beginning of year		51,004,755	43,687,803
Cash and cash equivalents at end of year	6	72,073,624	51,004,755

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

1. General information

Atradius Credito Y Cauccion 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. 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 2022

On 1 January 2022, 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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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 available-for-sale financial assets 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 17.

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:

	<u>Useful lives</u>
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.

**ATRADIUS CREDITO Y CAUCION S.A. DE SEGUROS Y REASEGUROS SINGAPORE
BRANCH****NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2022*

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 available-for-sale financial assets. 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".

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

2. Significant accounting policies (continued)

2.5 Financial assets (continued)

(a) *Classification* (continued)

(ii) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets 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. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to 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*

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently carried at fair value.

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.

**ATRADIUS CREDITO Y CAUCION S.A. DE SEGUROS Y REASEGUROS SINGAPORE
BRANCH****NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2022*

2. Significant accounting policies (continued)**2.5 Financial assets** (continued)*(d) Subsequent measurement* (continued)

Changes in fair values of available-for-sale debt securities are recognised in other comprehensive income and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. Interest income from these financial assets is recognised using the effective interest rate method and presented in “investment income – net” (Note 17). Changes in the fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

(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.

(i) 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.

**ATRADIUS CREDITO Y CAUCION S.A. DE SEGUROS Y REASEGUROS SINGAPORE
BRANCH****NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2022*

2. Significant accounting policies (continued)**2.5 Financial assets** (continued)*(e) Impairment* (continued)*(ii) Available-for-sale financial assets*

In addition to the objective evidence of impairment described in Note 2.5(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired. If there is objective evidence of impairment, the cumulative loss that had been recognised in other comprehensive income is reclassified from equity to profit or loss. The amount of cumulative loss that is reclassified is measured as the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. The impairment losses recognised as an expense for an equity security are not reversed through profit or loss in subsequent 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.

(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.

**ATRADIUS CREDITO Y CAUCION S.A. DE SEGUROS Y REASEGUROS SINGAPORE
BRANCH****NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2022*

2. Significant accounting policies (continued)**2.7 Insurance contracts** (continued)*(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 1/360th 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.

2.8 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.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

2. Significant accounting policies (continued)

2.8 Reinsurance contracts held (continued)

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.

2.11 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

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.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

2. Significant accounting policies (continued)

2.12 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.

**ATRADIUS CREDITO Y CAUCION S.A. DE SEGUROS Y REASEGUROS SINGAPORE
BRANCH****NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2022*

2. Significant accounting policies (continued)**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.

2.14 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.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

2. Significant accounting policies (continued)

2.15 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.

2.16 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.

**ATRADIUS CREDITO Y CAUCION S.A. DE SEGUROS Y REASEGUROS SINGAPORE
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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

2. Significant accounting policies (continued)

2.19 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

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.

ATRADIUS CREDITO Y CAUCION S.A. DE SEGUROS Y REASEGUROS SINGAPORE BRANCH**NOTES TO THE FINANCIAL STATEMENTS***For the financial year ended 31 December 2022*

3. Critical accounting estimates, assumptions and judgements (continued)***Estimation of provisions for unexpired risks and insurance claims (continued)*****(i) Key sources of estimation uncertainty (continued)****Process used to determine the assumptions for measuring insurance contracts**

The actuarial determination of the insurance contract liabilities is statistical in nature. Actuaries will examine the development of historical claim payments, incurred costs and notification of non-payments (“NNP”) 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.

(ii) Main assumptions

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

(a) Expenses assumptions

For the indirect claims handling expenses (“ICHE”), the Branch has applied a rate of 4.5% 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 0.5% of the UPR gross 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.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

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

(ii) Main assumptions (continued)

(c) Loss development factors ("LDF")

Development factors have been selected which led to ratios of percentages paid, incurred cost and NNPs to ultimate claims cost.

(d) Initial expected assumptions

The initial estimated loss ratio ("IELR") or initial expected NNP rate assumptions were selected by considering the estimated ultimate loss ratio or ultimate NNP rate for recent accident years.

(e) Reinsurance recoveries

The Branch assumes that reinsurance recoveries are in line with the reinsurance programme, in particular the quota share arrangements.

(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.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

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

(iii) *Methods* (continued)

(b) *Methodology of Best Estimate of Premium Liabilities* (continued)

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 24% and 35% has been applied for claims reserves and unexpired risk reserves, respectively.

(iv) *Sensitivity analysis*

Impact on Claim Liability

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, the initial expected NNP rate, ICHE and PAD assumptions. An indication of the sensitivities of those assumptions are as follows:

Assumption	Change in gross claim provision		Change in net claim provision
IELR	1,529,643	If assumption is changed by 5% for accident year 2022	988,047
Initial expected NNP rate	1,127,500	If assumption is changed by 1% for accident year 2022	728,289
PAD	1,159,612	If assumption is changed by 5%	1,159,612
ICHE	1,628,757	If assumption is changed by 3%	985,610

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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

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

(iv) Sensitivity analysis (continued)

Impact on Claim Liability (continued)

If the adopted IELR and initial expected NNP rate were changed by 5 and 1 percentage point respectively for the 2022 accident year, the impact to the net claim provision (net of reinsurance) would be \$988,047 and \$728,289 respectively.

If the PAD and ICHE assumptions that were used in the calculation were changed by 5 and 3 percentage points respectively, the corresponding impact to net claims provision (net of reinsurance) would be \$1,159,612 and \$985,610 respectively.

Impact on Premium Liability

The key assumptions used in valuing the premium liability is the loss ratio. If the loss ratio was changed by 5 percentage points, the impact to the gross premium liability and net premium liability (net of reinsurance) would be \$937,944 and \$605,849 respectively.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 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% (2021: 48%) of all risks to a panel of reinsurance companies, out of which 0% (2021: 11%) is ceded to Atradius Reinsurance Ltd, a related company. The retained 63% (2021: 52%) risks of the Branch are covered under three layers of excess of loss reinsurance treaty.

The reinsurance treaties are renewed annually.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

4. Insurance and financial risk management (continued)

(a) *Insurance risk (continued)*

(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.

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.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

4. Insurance and financial risk management (continued)

(a) Insurance risk (continued)

(iii) Concentrations of insurance risk (continued)

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.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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 2012 to 2022.

Gross Claims Development

Accident Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
At end of financial year	4,991,380	8,583,103	34,877,061	12,655,485	28,173,316	21,942,004	25,629,440	24,449,736	40,255,027	26,140,529	34,868,870	
One year later	616,986	4,696,389	32,796,428	22,362,398	21,190,884	18,021,007	24,661,196	30,210,130	30,609,597	22,199,856		
Two years later	1,345,450	3,767,796	32,263,514	22,301,033	31,182,627	19,096,367	16,087,100	23,300,103	23,382,984			
Three years later	575,015	3,887,698	32,090,038	17,093,414	29,803,949	23,481,756	16,313,875	21,572,580				
Four years later	972,630	4,027,130	30,662,834	16,761,675	29,275,575	22,824,297	17,940,166					
Five years later	843,453	2,591,202	28,925,307	16,721,944	29,121,122	23,091,593						
Six years later	1,906,268	2,295,969	28,680,021	16,929,433	28,646,257							
Seven years later	1,815,493	2,158,993	28,684,504	16,990,195								
Eight years later	1,815,494	2,109,371	28,689,599									
Nine years later	1,815,494	1,990,197										
Ten years later	1,815,494											
Current estimate of ultimate claims	1,815,494	1,990,197	28,689,599	16,990,195	28,646,257	23,091,593	17,940,166	21,572,580	23,382,984	22,199,856	34,868,870	221,187,791
Cumulative payments	1,815,494	1,990,197	28,689,599	16,990,195	28,646,257	23,091,332	17,937,706	21,409,200	21,239,121	14,754,195	2,726,446	179,289,742
Estimate of claims reserves	-	-	-	-	-	261	2460	163,380	2,143,863	7,445,661	32,142,424	41,898,049
Indirect claims expenses	-	-	-	-	-	5	57	5,007	67,342	296,629	1,033,717	1,402,757
Best estimate of claim liabilities	-	-	-	-	-	266	2,517	168,387	2,211,205	7,742,290	33,176,141	43,300,806
Provision for adverse deviation												7,818,031
Gross provision for insurance claims												51,118,837

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
At end of financial year	1,117,664	1,875,711	8,713,928	3,265,004	7,911,152	6,106,200	7,688,832	9,813,948	16,504,561	13,593,075	15,210,216	
One year later	138,104	1,026,327	8,103,365	6,027,316	5,996,133	4,955,777	5,902,252	12,084,052	12,549,935	11,543,925		
Two years later	301,162	556,692	7,719,084	5,834,752	8,575,222	5,437,904	4,826,130	9,320,041	9,587,023			
Three years later	299,970	533,934	7,677,298	4,700,689	8,196,530	6,457,483	4,894,162	8,629,032				
Four years later	387,977	554,086	7,665,708	4,609,687	8,050,783	6,276,682	5,382,050					
Five years later	358,913	583,020	7,231,327	4,598,535	8,008,309	6,350,188						
Six years later	428,910	516,593	7,170,005	4,655,594	7,877,721							
Seven years later	408,486	485,773	7,171,126	4,672,304								
Eight years later	408,486	474,609	7,172,400									
Nine years later	408,486	447,794										
Ten years later	408,486											
Current estimate of ultimate claims	408,486	447,794	7,172,400	4,672,304	7,877,721	6,350,188	5,382,050	8,629,032	9,587,023	11,543,925	15,210,216	77,281,139
Cumulative payments	408,486	447,794	7,172,400	4,672,304	7,877,721	6,350,116	5,381,312	8,563,680	8,708,040	7,672,182	1,717,661	58,971,696
Estimate of claims reserves	-	-	-	-	-	72	738	65,352	878,983	3,871,743	13,492,555	18,309,443
Indirect claims expenses	-	-	-	-	-	5	57	5,007	67,342	296,629	1,033,717	1,402,757
Best estimate of claim liabilities	-	-	-	-	-	77	795	70,359	946,325	4,168,372	14,526,272	19,712,200
Provision for adverse deviation												4,730,930
Net provision for insurance claims												24,443,130

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

4. Insurance and financial risk management (continued)

(b) Financial instruments

(i) Categories of financial instruments

	<u>2022</u>	<u>2021</u>
	\$	\$
Financial assets		
Loans and receivables (including cash and cash equivalents)	119,461,196	90,569,908
Available-for-sale financial assets	21,708,080	12,060,000
	<hr/>	<hr/>
Financial liabilities		
At amortised cost	20,934,553	19,334,859
	<hr/>	<hr/>

(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 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.

**ATRADIUS CREDITO Y CAUCION S.A. DE SEGUROS Y REASEGUROS
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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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(e).

(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:

	<u>2022</u>		<u>2021</u>	
	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>
	\$	\$	\$	\$
United States dollars	100,843,387	137,230,153	106,996,961	122,071,535
Euro	440,542	351,833	808,547	300,753
Thai Baht	175,418	3,275,821	61,682	470,519

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

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% (2021: 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) →	
	2022	2021
	Profit after tax \$	Profit after tax \$
USD against SGD		
- Strengthened	1,637,404	678,356
- Weakened	(1,637,404)	(678,356)
Euro against SGD		
- Strengthened	(3,992)	(22,851)
- Weakened	3,992	22,851
THB against SGD		
- Strengthened	139,518	18,398
- Weakened	(139,518)	(18,398)

(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.

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For the financial year ended 31 December 2022

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 summarised below:

	<u>Neither past-due nor impaired</u>		Past due but not impaired	Total
	<u>Grade*</u>			
	(BBB to AAA)	Not rated		
	\$	\$	\$	\$
2022				
Cash and cash equivalents	72,073,624	-	-	72,073,624
Other assets	549,868	186,315	-	736,183
Receivables arising from (re)insurance contracts	-	29,985,805	16,128,279	46,114,084
Receivable arising from outwards reinsurance contracts	931,166	-	-	931,166
Available-for-sale financial assets	21,708,080	-	-	21,708,080

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4. Insurance and financial risk management (continued)

(c) *Financial Risks (continued)*

(iv) *Credit risk management (continued)*

	<u>Neither past-due nor impaired</u>		Past due but not impaired	Total
	Grade*			
	(BBB to AAA)	Not rated		
	\$	\$	\$	\$
2021				
Cash and cash equivalents	51,004,755	-	-	51,004,755
Other assets	144,780	325,906	-	470,686
Receivables arising from (re)insurance contracts	-	27,635,436	10,509,149	38,144,585
Receivable arising from outwards reinsurance contracts	1,203,361	-	-	1,203,361
Available-for-sale financial assets	12,060,000	-	-	12,060,000

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

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

	<u>2022</u>	<u>2021</u>
	\$	\$
Receivables arising from insurance contracts		
Less than 6 months	10,960,973	7,816,627
6 to 12 months	3,991,623	2,006,812
More than 12 months	1,175,683	685,710
	<u>16,128,279</u>	<u>10,509,149</u>

Receivables from insurance contracts include balances amounting to \$393,861 (2021: \$253,479) which have been provided for during the financial year.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

4. Insurance and financial risk management (continued)

(c) Financial Risks (continued)

(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 12(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.

As at 31 December 2022, the Branch has \$21,708,080 (2021: \$12,060,000) of financial assets carried at fair value. The Branch has no financial liabilities carried at fair value as at 31 December 2022 and 31 December 2021.

(e) Liquidity and interest risk analysis

Non-derivative financial liabilities and insurance liabilities

All financial liabilities as at 31 December 2022 and 31 December 2021 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.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

4. Insurance and financial risk management (continued)

(e) Liquidity and interest risk analysis (continued)

Non-derivative financial liabilities and insurance liabilities (continued)

	Effective interest rate	Within 1 year	Within 2 to 5 years	Total
	%	\$	\$	\$
2022				
Short-term bank deposits	0.44	37,107,538	-	37,107,538
Available-for-sale financial assets	2.01	3,973,480	17,734,600	21,708,080
2021				
Short-term bank deposits	0.27	16,173,335	-	16,173,335
Available-for-sale financial assets	0.39	4,000,000	8,060,000	12,060,000

The Branch has no exposure to IBOR reform as at 31 December 2022 and 31 December 2021.

(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 2022 and 31 December 2021.

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For the financial year ended 31 December 2022

5. Head office, related company and related party transactions

The Branch is part of Atradius Credito Y Cauccion 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:

	2022	2021
	\$	\$
Written premium ceded to related corporation	1,105,808	5,148,827
Premium received from related corporation	9,051,200	5,396,781
Commission received from related corporation	1,154,827	2,264,563
Management fee paid to head office	5,589,794	6,094,239
Management fee paid to related corporation	2,600,501	2,260,011
Reinsurance recoveries received from related corporation	141,113	6,599,290
Gross recoveries received from related corporation	1,210,148	1,890,969
Capital injection from head office	12,000,000	5,954,138

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 \$344,913 (2021: \$278,747).

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NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2022

6. Cash and cash equivalents

	2022	2021
	\$	\$
Cash in banks	34,966,086	34,831,420
Short-term bank deposits	37,107,538	16,173,335
	72,073,624	51,004,755

7. Amounts due to related companies

	2022	2021
	\$	\$
Amounts due to related companies:		
- Non-trade	(658,702)	(614,825)

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

8. Other assets

	2022	2021
	\$	\$
Accrued interest receivable on debt securities and bank deposits	549,868	144,780
Deposits	186,315	321,385
GST receivable	-	4,521
Prepayments	238,572	175,935
	974,755	646,621

The other assets balance is current.

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NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2022

9. Insurance receivables

	2022	2021
	\$	\$
Receivables arising from (re)insurance contracts	46,114,084	38,144,585
Receivables arising from outwards reinsurance contracts	931,166	1,203,361
	47,045,250	39,347,946
Allowance for doubtful accounts receivables arising from insurance contracts	(393,861)	(253,479)
	46,651,389	39,094,467

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. Available-for-sale financial assets

	2022	2021
	\$	\$
Beginning of financial year	12,060,000	12,200,000
Additions	13,968,275	-
Maturity	(4,000,000)	-
Amortisation	(277,812)	(312,030)
Unrealised fair value (loss)/gain	(42,383)	172,030
End of financial year	21,708,080	12,060,000

At the balance sheet date, available-for-sale financial assets included the following:

	2022	2021
	\$	\$
Government and public authority securities:		
Current portion	3,973,480	4,000,000
Non-current portion	17,734,600	8,060,000
	21,708,080	12,060,000

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

11. Property and equipment

	Furniture, fittings and equipment	Computers	Total
	\$	\$	\$
<u>Cost:</u>			
At 1 January 2021	476,532	135,226	611,758
Additions	558,638	119,129	677,767
Disposals	(475,823)	(10,144)	(485,967)
At 31 December 2021	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
<u>Accumulated depreciation:</u>			
At 1 January 2021	343,826	93,842	437,668
Depreciation	62,723	44,115	106,838
Disposals	(394,850)	(10,144)	(404,994)
At 31 December 2021	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
<u>Carrying amount</u>			
At 31 December 2022	477,708	155,314	633,022
At 31 December 2021	547,648	116,398	664,046

The property and equipment balance is non-current.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

12. Insurance contracts provisions

Insurance contracts provisions are as follows:

(a) Movements in provision for unexpired risks

	Gross	Reinsurance	Net
	\$	\$	\$
At 1 January 2022	21,783,701	(7,183,188)	14,600,513
Premiums written	88,918,425	(44,559,075)	44,359,350
Premiums earned	(77,326,115)	41,004,956	(36,321,159)
At 31 December 2022	33,376,011	(10,737,307)	22,638,704
At 1 January 2021	20,790,719	(8,888,845)	11,901,874
Premiums written	71,022,643	(37,016,662)	34,005,981
Premiums earned	(70,029,661)	38,722,319	(31,307,342)
At 31 December 2021	21,783,701	(7,183,188)	14,600,513

(b) Analysis of movements in provision for insurance claims

	Gross	Reinsurance	Net
	\$	\$	\$
At 1 January 2022	69,849,997	(36,687,046)	33,162,951
Claims paid	(5,614,704)	1,600,904	(4,013,800)
Claims incurred	(13,116,456)	8,410,435	(4,706,021)
At 31 December 2022	51,118,837	(26,675,707)	24,443,130
At 1 January 2021	77,185,885	(47,137,418)	30,048,467
Claims paid	(31,283,048)	17,049,203	(14,233,845)
Claims incurred	23,947,160	(6,598,831)	17,348,329
At 31 December 2021	69,849,997	(36,687,046)	33,162,951

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NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2022

12. Insurance contracts provisions (continued)

(c) *Current and non-current disclosures*

	<u>2022</u>	<u>2021</u>
	\$	\$
<u>Current assets</u>		
Reinsurers' share of provision for unexpired risks	10,722,260	7,178,173
Reinsurers' share of provision for insurance claims	20,434,983	28,469,641
	<hr/>	<hr/>
<u>Non-current assets</u>		
Reinsurers' share of provision for unexpired risks	15,047	5,015
Reinsurers' share of provision for insurance claims	6,240,724	8,217,405
	<hr/>	<hr/>
<u>Current liabilities</u>		
Provision for unexpired risks	33,321,380	21,764,384
Provision for insurance claims	38,878,768	53,728,154
	<hr/>	<hr/>
<u>Non-current liabilities</u>		
Provision for unexpired risks	54,631	19,317
Provision for insurance claims	12,240,069	16,121,843
	<hr/>	<hr/>

13. Insurance payables

	<u>2022</u>	<u>2021</u>
	\$	\$
Payables arising from:		
(Re)insurance contracts	3,816,318	2,720,712
Outwards reinsurance contracts	13,619,612	12,235,777
	17,435,930	14,956,489
	<hr/>	<hr/>

The insurance payables balance is current.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

14. Other payables and accruals

	2022	2021
	\$	\$
Accrued expenses	1,458,137	1,444,484
Sundry payables	159,158	556,736
GST payables	9,567	-
Lease liabilities (Note 22(g))	1,213,059	1,762,325
	<u>2,839,921</u>	<u>3,763,545</u>

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

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 has received \$12,000,000 (2021: \$5,954,138) of capital in cash from head office.

16. Commission income

	2022	2021
	\$	\$
Reinsurance commission income	13,150,433	11,703,615
Profit commission income	709,583	687,667
	<u>13,860,016</u>	<u>12,391,282</u>

17. Investment income - net

	2022	2021
	\$	\$
Interest income from:		
- Available-for-sale financial assets	136,590	42,970
- Short-term bank deposits	460,895	52,122
- Others	149,361	14,265
	<u>746,846</u>	<u>109,357</u>

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For the financial year ended 31 December 2022

18. Other income

Disaggregation of revenue from contracts with customers:

	2022	2021
	\$	\$
Revenue from:		
Fees from rendering credit limit reviews	2,385,927	2,029,846
Other contributions income for reinsurance contract	-	76,281
Gain on disposal of right-of-use assets	-	74,603
	2,385,927	2,180,730

All the revenue is recognised at a point in time.

19. Staff costs

Included in staff costs are contributions to a statutory defined contribution scheme of \$369,927 (2021: \$358,179).

20. Other expenses

	2022	2021
	\$	\$
Management fee paid to head office (Note 5)	5,589,794	6,094,239
Management fee paid to related corporation (Note 5)	2,600,501	2,260,011
Professional fees	1,619,554	1,596,851
Provision for doubtful debts	54,072	28,257
Marketing expenses	28,512	52,960
License and association fee	70,834	70,680
Travelling expenses	209,950	20,355
Postages and telephone charges	28,605	22,230
Utilities	12,190	25,678
Other expenses	240,238	372,962
	10,454,250	10,544,223

21. Income taxes

(a) Income tax

	2022	2021
	\$	\$
Tax expense attributable to results is made up of:		
- Current income tax	1,053,429	579,327
- Deferred income tax	-	-

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For the financial year ended 31 December 2022

21. Income taxes (continued)

(a) 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:

	<u>2022</u>	<u>2021</u>
	\$	\$
Profit before tax	25,628,562	2,667,769
Income tax calculated at tax rate of 17% (2021: 17%)	4,356,856	453,521
- Effect of different tax rate	(1,793,999)	(186,744)
- Expenses not deductible for tax purpose	17,776	1,307,274
- Income not subject to tax	(1,677,250)	-
- Utilisation of previously unrecognised:		
- capital allowances	(14,604)	-
- tax losses	-	(994,724)
- Under-provision of tax in prior financial year	164,650	-
	1,053,429	579,327

(b) 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:

	<u>2022</u>	<u>2021</u>
	\$	\$
Deferred tax assets	47,871	43,633

Deferred tax assets at the balance sheet date is relating to deferred tax on unrealised fair value losses on the available-for-sale financial assets.

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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

	\$
<u>Cost:</u>	
At 1 January 2021	2,110,849
Additions	1,737,554
Derecognition	<u>(2,110,849)</u>
At 30 December 2021 and 1 January 2022	1,737,554
Addition	<u>-</u>
At 31 December 2022	1,737,554
 <u>Accumulated depreciation:</u>	
At 1 January 2021	1,013,290
Depreciation	621,366
Derecognition	<u>(1,455,484)</u>
At 30 December 2021 and 1 January 2022	179,172
Depreciation	<u>551,106</u>
At 31 December 2022	730,278
 Carrying amount	
At 31 December 2022	1,007,276
 At 31 December 2021	<u>1,558,382</u>

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

(b) Depreciation charge during the year

	2022	2021
	\$	\$
Building	551,106	621,366
Total	<u>551,106</u>	<u>621,366</u>

(c) Interest expense

	2022	2021
	\$	\$
Interest expense on lease liabilities	<u>42,433</u>	<u>54,389</u>

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For the financial year ended 31 December 2022

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

(d) Lease expense not capitalised in lease liabilities

	2022	2021
	\$	\$
Low-value lease expense	6,038	4,367

(e) Total cash outflow for all leases in 2022 was \$591,699 (2021: \$436,643).

(f) Addition of ROU assets during the financial year 2022 was \$Nil (2021: \$1,737,554).

(g) Lease liabilities

	2022	2021
	\$	\$
Current	585,353	547,344
Non-current	627,706	1,214,981
Total	1,213,059	1,762,325

Reconciliation of liabilities arising from financing activities

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

	1 January 2021 \$	Principal and interest payments \$	Non-cash changes			31 December 2021 \$
			Interest expense \$	Modification of lease liability \$	Addition – new leases \$	
Lease liabilities	1,136,993	(436,643)	54,389	(729,968)	1,737,554	1,762,325

(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.

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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:

	Fair value as at 31 December 2022 \$	Fair value changes for the year ended 31 December 2022 \$
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	141,169,276	(959,441)
	Fair value as at 31 December 2021 \$	Fair value changes for the year ended 31 December 2021 \$
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	102,629,908	299,643

- (b) The credit risk exposure for the aforementioned financial assets with contractual terms that give rise to SPPI are disclosed in Note 4(c).
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24. New or revised accounting standards and interpretations

FRS 117 Insurance Contracts

ASC adopted IFRS 17 Insurance Contracts without modification into FRS 117 and shall be applied for annual reporting periods on 1 January 2023 (date of first application). It is compulsory 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, which allows continued use of local accounting practices and has resulted in insurance contracts 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 must be recognised when these occur. 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.

Since the financial year 2018, the Branch has been engaged in its implementation project. An action plan with defined milestones has been developed as part of this project. During the year 2022, the work has progressed with the full involvement of all areas covering Actuarial, Accounting and Consolidation, Policies, Data and Systems and Risk Control. The project work focused on the following:

- i) the development and calibration of an actuarial based modelling;
- ii) the improvement of the quality of data, including historical records;
- iii) the continued validation of the correct transfer of information throughout the end-to-end data chain, starting from the source systems through the actuarial application to the accounting application;
- iv) the parameter validation for the purposes of the transition from FRS 104 to FRS 117;
- v) the preparatory work and the ongoing review of the transitional balance sheet as at 1 January 2022;
- vi) the development of a new Target Operating Model that includes both the set-up and integration of the updated governance processes; and
- vii) the review of internal and external reporting requirements.

The FRS 117 project governance board monitors and steers all the activities. This board consists of Atradius Management Board members and their directors. The Branch is in the midst of conducting a detailed assessment on the impact to the financial statements on adopting the new standard.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

24. New or revised accounting standards and interpretations (continued)

FRS 109 Financial Instruments

The Branch continues its assessment of the implications of FRS 109 standard in relation to its financial assets currently classified as Available-for-Sale.

25. Authorisation of financial statements

These financial statements were authorised for issue by the Branch's management on 26 April 2023.