



2010 Annual Review

Atradius Dutch State Business

Key Figures 2010

	2010	2009	2008
Premium Income:	€ 33 million	€ 41 million	€ 88 million
Claims Paid:	€ 79 million	€ 255 million	€ 10 million
Recoveries:	€ 131 million	€ 180 million	€ 134 million
Applications received:	194	183	242
Promises and notices of cover issued:	103	77	104
Insurance policies issued*:	64	65	138
Nominal risk exposure under promises and notices of cover issued:	€ 3,8 billion	€ 4,3 billion	€ 3,3 billion
Nominal risk exposure under insurance policies issued:	€ 1,8 billion	€ 2,4 billion	€ 3,0 billion
Aggregate nominal risk exposure:	€ 5,6 billion	€ 6,7 billion	€ 6,3 billion

* includes policies issued subsequent to promises or notices of cover issued in 2010.

Atradius Dutch State Business

2010 Annual Review

	Contents
3	Foreword
5	2010 at a glance
6	Cooperation between the Dutch State and Atradius Dutch State Business
8	Global economic review of 2010 and outlook for 2011
11	Country cover policy changes
13	New business in 2010
16	Foreign investment insurance
17	Claims and recoveries and debt rescheduling
18	Liabilities and receivables
18	Product innovation
19	Information services and events
20	International cooperation
22	Corporate Social Responsibility (CSR)
23	Staff and organisation
24	Financial results for account of the Dutch State



Mission: We promote Dutch exports and foreign investment by providing credit and investment insurance to complement market facilities.

Foreword

2010 marked the beginning of the recovery from the global financial crisis. 2009, the year in which Dutch exports declined by approximately 8%, seems far behind us, but the impact can still be felt. Domestic private consumption and private sector investment have not yet returned to their pre-crisis levels. The Dutch recovery is primarily due to the rapid revival of exports, especially to Germany and Asia. The growth of the German economy is also partly due to the increase in demand from Asia, including the demand for machinery and means of transport.

Although exports have increased considerably – by almost 12.7% in 2010 – export finance has become more expensive. Banks must pay more for capital, especially long-term capital, than prior to the crisis and therefore lend at higher rates. Long-term finance is expected to remain expensive. The impact of the credit crisis will also be felt elsewhere in the economy for a long time. Governments have had to dig deep into their pockets to rescue banks and other financial institutions. Budget deficits have increased. In order not to succumb to their debts, governments must make budget cuts. This means decreasing expenditure, which will be at the cost of economic growth. Governments are moreover facing the costs of an ageing population.

Some countries have deliberately depreciated their currency or kept their exchange rate low, since a low exchange rate means a competitive advantage for their exports. If every country resorts to this, resulting in a leap frog effect, nobody benefits. At present, the euro exchange rate is quite high relative to the US dollar. In theory this means that we are at a competitive disadvantage, but our exports have not appeared to suffer much yet.

The fact that many countries have crept out of the depths of the crisis is reflected in our country cover policies. Normal cover has been resumed for transactions with Kenya, Ghana, Honduras, Mali and Ukraine. We have also been able to expand our cover for a large number of countries, including Azerbaijan, Estonia, Hong Kong, Morocco, Russia, Sri Lanka, Turkey, Vietnam and South Africa. A number of these countries are very important for Dutch exporters of capital goods. However, matters have not improved everywhere. In 2010 we had to tighten our coverage for a few countries such as Dubai and Madagascar. Early in 2011 we adopted a more cautious stance on a number of countries in North Africa and the Middle East. The outcome of the political unrest in the region is still uncertain.

The impact of the credit crisis was still noticeable in our claims payments. Whereas in 2009 we had already paid substantial claims for exporters' losses incurred in the Gulf region (primarily Dubai), Ukraine, Kazakhstan, Mexico and Russia, some of our clients were still confronted with buyer non-payment or payment delays in 2010. Dubai and Mexico topped the list. In 2010 we paid claims totaling € 79 million for account of the Dutch State. There was however also good news, as this amount was considerably lower than the € 255 million we paid for account of the Dutch State in 2009. Moreover, we recovered substantial amounts of the claims paid, including from Dubai.

Despite claims payments, there was a net profit for account of the Dutch State in 2010. Whereas technical results showed a loss – for the first time in many years – of € 34 million for 2009, we saw a turnaround in 2010, as we earned a profit of € 86 million. This commendable figure was primarily due to good collections results, as € 131 million in overdue payments were recovered. € 59 million were recovered from Dubai and € 28 million from Angola. The high oil price helped Angola, as an oil exporting country, to redeem its old debts to public sector creditors.

The impact of the credit crisis was also noticeable in the number of policies issued in 2010. This remained at the modest 2009 level, when the crisis was still raging in full fury. As lead times for export contracts for capital goods and infrastructure projects are often lengthy, the economic recovery in 2010 was not immediately reflected in an increase in contracts and consequently in the issue of new policies. We expect to issue more policies in 2011 given the increase in applications in 2010 to 194 from 183 in 2009. Moreover, in 2010 the number of notices and promises of cover for pending export contracts increased more than 30 %, to 103 from 77 in 2009.

Despite the increase in the number of promises of cover, total outstanding exposure for account of the Dutch State declined. The total exposure comprises all current promises of cover, policies and claims paid for losses for account of the Dutch State. At the end of 2010 this was € 10.4 billion, compared to € 12.6 billion at the end of 2009.

In 2010 our highest exposure under promises of cover and policies was on Oman (€ 857 million), followed by Morocco (€ 851 million). We also had substantial exposures under promises of cover and policies on Indonesia, Mexico and

the United Arab Emirates. When including notices of cover (promises of cover subject to availability under the relative country limit) and claims, Indonesia tops the list at almost € 1.9 billion.

Due to the credit crisis, a number of measures were introduced to give Dutch exports extra support. Worthy of mention are working capital financing cover, export credit guarantees, the TASK facility and the facilities for short-term, one-off transactions with Russia, Kazakhstan and Serbia. As the economic climate in these three countries has improved and private market export credit insurance is available once again, this last crisis measure was rescinded in the autumn of 2010. Working capital financing cover, for which the first policy was issued in February 2010, is now one of our regular facilities. The export credit guarantee, which enables banks to obtain funds for export finance more readily, will be offered until the end of 2013. The TASK facility, a top-up facility under which the Dutch State can reinsure credit limits lowered by private market insurers up to their original level, has also been terminated, as the private market has meanwhile recovered sufficiently.

2010 saw a number of important changes in the relationship between Atradius and the Dutch State. We started issuing state policies at the beginning of 2010. Whereas prior to 2010, Atradius Dutch State Business was the insurer and the Dutch State the reinsurer, from 2010, the Dutch State is the insurer. Atradius will continue managing the Dutch State facilities, but now does so in the name of the Dutch State. There is no change in cover for our clients, but it is now clearer for all concerned that the counterparty risk is a risk on the Dutch State. Our documentation has been modified accordingly.

As concerns corporate social responsibility, in 2010 we screened all applications for their potential social and environmental impact and subsequently analysed 49 applications in more depth. This resulted in our assigning 11 applications an A rating (potentially large environmental and/or social impact). Ultimately we declined two of these applications on the grounds of unacceptable potential environmental and/or social risks.

There are a number of international developments to report. The most important achievement in 2010 was the OECD agreement on export credit insurance premium rates. Official export credit insurance agencies in OECD member countries had been bound to an agreement on minimum premiums for sovereign and monetary authority risk for many years. Minimum premiums have now also been agreed for non-sovereign, i.e. corporate and bank risks. These premiums are determined by the credit rating an export credit insurance agency assigns to a borrower. Although export credit insurance agencies' premiums may continue to differ because they may sometimes assess borrowers' creditworthiness differently, this agreement is expected to lead to smaller discrepancies in premium rates among official export credit insurance agencies. The agreement will come into force on 1 September 2011 and will help to level the international playing field in which Dutch exporters must compete. Furthermore, a number of initiatives were launched within the OECD to involve important non-OECD exporting countries more in matters related to international agreements on officially supported export credit insurance. Here too, the objective is to - in time - create a more level playing field for exporters in OECD and non-OECD countries.

In conclusion it can be stated that 2010 was a year in which the economy started on the road to recovery. It appears that this trend will continue. All in all we are carefully optimistic about the course of 2011. We hope that we may assist you with your export orders again this year.

May 2011
Johan Schrijver

Managing Director Atradius Dutch State Business

2010 at a glance

January	State policy introduced. From 1 January 2010, the Dutch State is the insurer of the policies issued by Atradius Dutch State Business. Atradius Dutch State Business continues managing the Dutch State's export credit insurance facilities.
February	OECD agreement on minimum premiums for buyer/borrower risk. The agreement will come into force 1 September 2011.
February	First working capital financing cover issued to a consortium of banks.
March	Underwriting on port authorities expanded.
March	Cover resumed for transactions with Kenya and Mali.
July	Cover resumed for transactions with Ghana and Honduras.
September	Claim filing waiting period reduced as well as claim filing period for losses due to business interruption as covered under a foreign investment insurance policy reduced.
September	The Ministry of Finance and Atradius published a benchmark for measuring Dutch State credit insurance competitiveness in 2009 against that of other countries. The Dutch programme is reasonably competitive but could be still more competitive as concerns country cover policy.
November	Cover resumed for transactions with Ukraine.
November	Atradius Dutch State Business takes over management of a large portfolio of soft loans from FMO.

Cooperation between the Dutch State and Atradius Dutch State Business

Atradius Dutch State Business N.V. is the Atradius Group company which the Dutch State has mandated to manage the following facilities:

- The export credit insurance facility (EKV: exportkredietverzekering) which includes a few special facilities such as the fair calling facility (FCC) and the trade finance facility (TFF)
- The foreign investment insurance scheme (RIV: Regeling Investeringsverzekering) established in 1969, offering insurance for the political risks related to Dutch investments abroad.

Atradius manages these facilities for account of the Ministry of Finance. The agreements with the Dutch State pertaining to these facilities date from 1932.

In addition, since 17 November 2010, Atradius Dutch State Business manages, for account of the Dutch State, a portfolio of more than € 800 million of soft loans granted to developing countries. Atradius took over the management of this portfolio, known as the NIO portfolio, from the FMO (the entrepreneurial development bank of the Netherlands.)

Risk-sharing arrangements with the Dutch State

It is the policy of the Dutch State to offer state export credit insurance for risks which are considered non-marketable. These are risks for which the private credit insurance market has no or insufficient capacity. In practice this is the case for long-term and/or very large transactions particularly, though not exclusively, with emerging markets and developing countries. In principle, marketable risks are left to private credit insurers. The Ministry of Finance determines annually which risks can be taken by the state; in other words, where the state can complement the private credit insurance market. In 2009 the state expanded its credit insurance facilities to counter the impact of the credit crisis. In the improved economic climate of 2010 a number of these facilities were no longer needed. In 2009 credit insurance for account of the Dutch State was expanded to include short-term risk cover for capital goods transactions with Russia, Kazakhstan and Serbia. In 2010 the private credit insurance market had recovered sufficiently to offer such cover again and the state therefore no longer offers this expanded cover. In 2010 the private credit insurance market capacity for long-term risks on high income countries (most OECD countries and a few other rich countries) also recovered. The Dutch State therefore raised the risk period threshold for transactions

it is prepared to cover back to the pre-crisis term of 60 months. The Dutch State has however maintained the current € 100 million threshold per transaction. Prior to the crisis, this threshold was € 250 million. The threshold amounts are substantially lower and the threshold periods shorter for most non-high-income countries (most countries in the world).

Application processing times

In 2010 the average application processing time improved to 72 days from 77 days in 2009. Although this is naturally a favourable development, we wish to reduce it further. We have analysed the reasons for the processing times together with the Ministry of Finance and the Ministry of Economic Affairs, Agriculture and Innovation. In 2011 we took measures to further reduce application processing times. These included changes in country policies, which allowed Atradius Dutch State Business to process more applications under its own authority and made it unnecessary to submit them to the Dutch State, thereby saving time. We note, however, that it is not always possible to shorten processing times. During the credit crisis it became increasingly clear that up-to-date financial information is essential for proper evaluation of payment risks on banks and corporate clients. In a rapidly changing economic environment, financial information which is not up-to-date does not allow proper risk evaluation. For both the applicant and Atradius Dutch State Business, obtaining specific, up-to-date information on the reliability of foreign borrowers is often a laborious process, as is analysing such information. We are conscious of our clients' need to have their applications processed as quickly as possible as well as of the importance of sound analysis for responsible risk underwriting. We will therefore continue to strive for the shortest possible processing times for applications processed under our own authority as well as those to be submitted to the Dutch State.

Portfolio

As well as assessing individual risks, we also closely monitor our total portfolio risk. Our portfolio comprises promises and notices of cover (notices of cover are promises of cover subject to the additional, crucial condition that there is sufficient capacity under the country limit), obligations under current policies, exporters' liabilities for recourse under buyer credit insurance policies, direct guarantees, counter-guarantees and receivables we have acquired on foreign borrowers upon having paid exporters' claims for losses. The portfolio model used

contains guidelines on the size and composition of the portfolio including the distribution of risks across country categories, countries and buyers/borrowers.

In almost all cases, country limits were high enough to allow us to continue underwriting risks. In exceptional cases we reinsured risks with other parties in order to remain within the relevant country limit.

Benchmark

Since 2003, in close cooperation with the Ministry of Finance, we have been comparing a number of aspects of our export credit insurance programme with that of Dutch exporters' competitor countries. This benchmarking provides insight into the competitiveness of the Dutch export credit insurance programme. The indicators included in the benchmark are country policy, cover policy, products, premiums and corporate social responsibility policy. The benchmarking exercise conducted in 2010 to measure our competitiveness in 2009 indicated that, overall, the Dutch programme was competitive with the most comparable export credit insurance programmes in other countries. Some aspects are more competitive than others, however. Our product range is assessed as above average, whereas our overall country cover policy is assessed as generally more restrictive than average. In 2010 we eased certain elements of our country cover policy by offering or re-offering cover for a number of countries and by easing the requirements for collateral. In 2011, in consultation with the National Committee for Export, Import and Investment Guarantees (Rijkscommissie voor Export-, Import- en Investeringsgaranties), we will further examine how we could perhaps reshape our country policy in order to be able to underwrite a higher volume of acceptable risks.

Introduction of the Dutch State policy

In 2009, both Houses of Parliament adopted the modified "Enabling Law on the Provision of Financial Resources by the Ministry of Finance" ("Kaderwet financiële verstrekkingen Financiën") which established inter alia that the Dutch State itself would henceforth be the insurer of the export credit risks underwritten for its account. The law came into effect 1 January 2010. The Dutch State's reinsurance agreement with Atradius, dating from 1932, was thereby terminated. As from 2010 Atradius Dutch State Business, therefore, no longer issues policies and promises of cover in its own name (with Dutch State reinsurance) but in the name of the Dutch State. We have

modified the general terms and conditions, application and other forms, our information brochures and documentation and our agreements with the Dutch State accordingly. One advantage of the state policy is that it is now immediately clear to our insured exporters that it is the Dutch State which provides the insurance. Atradius Dutch State Business is still the manager of the government programmes for export credit insurance and foreign investment insurance. In practice our customers will continue dealing with us just as they have before.

Global economic review of 2010 and outlook for 2011

Global economic review for 2010

The strong economic recovery in 2010 was as unexpected as was the deep economic recession in 2009. The decline in world trade volume was followed by a sharp increase last year, which largely compensated the macro-economic loss incurred in 2009. The price was high however, as it meant government financial position deterioration and global surplus liquidity as a result of the most expansionist budgetary and monetary policy ever known, introduced to pull the economy out of its 2009 depths as rapidly as possible. Rectifying these consequences of the crisis measures will doubtlessly burden the economy for the coming years.

The strong recovery last year was primarily due to the enduring dynamism of the Asian countries' economies, notably that of China. China's economic boom continued and was the basis for the surprisingly forceful recovery of China's supplier countries. One of these is Germany: German industry, specialised in automobile and machinery production, revived rapidly thanks to an upsurge in exports to China. In turn, the economic revival in Germany stimulated economic activity in countries exporting to German buyers: first and foremost the Netherlands. This positive domino effect proves how closely interwoven the elements of the global economy now are.

The economic recovery in 2010 was spread fairly reasonably across the industrialised countries. In the United States, the 2.6 % decline in GDP in 2009 was more than compensated by 2.8 % growth in 2010. However, to achieve this result, the Federal Reserve had to pump billions of US dollars into the economy (quantitative easing) and the US Treasury had to provide enormous amounts of money. Even though the US dollar is still the world's key currency, holders' (especially China's) declining confidence in its stability can undermine its position in the longer term.

The European economy received an unexpected impulse from China's economic boom, but its impact was unevenly distributed in the region. Moreover, budgetary policy in the euro area varied widely. A number of countries, above all Germany, were able to quickly "export themselves out of the recession" in 2009, but others lagged behind. Mainly in the periphery, a number of countries' economies are stagnating or scarcely growing because tough budget cuts are needed to help them safeguard their membership in Euroland (and indeed help safeguard the monetary union itself). The biggest problem is that financial markets are

unsure whether these restrictive policies will be successful. Some parties doubt whether debt rescheduling for Greece, Ireland and perhaps Portugal can be avoided in the short or long run, whereas others assume that debt rescheduling will not be necessary. Without such debt rescheduling, the recession in these countries will continue for a number of years while they try to rebalance their external position with the rest of the euro area. The EMU member countries' agreement to increase the European Financial Stability Facility to € 750 billion has helped stabilise markets to some degree.

Non-EMU economies are likewise wrestling with the aftershocks of the 2009 credit crisis. Economies everywhere are growing, but also at the cost of public funds. Especially in the United Kingdom, the budget deficit has never been so high (9.6% in 2010) and the new coalition government must make drastic budget cuts in order to keep public debt - and indirectly the exchange rate of the British pound and the sovereign debt rating - under control. On top of the impact of the credit crisis, Middle Eastern and Eastern European countries are feeling the effects of domestic overspending in previous years. Countries such as Hungary and the Baltic States are paying a high economic price for their runaway current account deficit after a boom period. Their present impressive budget discipline is, however, most praiseworthy.

As stated previously, Asia was also the driving force behind the global economic recovery in 2010. China is going full steam ahead with a mixture of high growth figures and a very strong external financial position. It has become the world's second-largest economy, behind the United States. Export is still the mainstay of the Chinese economy. This also carries obligations and risks, however. The Chinese government continues to strive for a too 'soft' currency, in order to maintain the export boom. Such a policy leads to trade tension and friction, especially if other Asian countries follow China's lead and keep their exchange rates artificially low. In 2010 these trade tensions were high on the political agendas, but little was achieved to improve the situation.

The largest risks for China's boom economy are rising inflation and the overheated real estate market, which could indicate that the economy will sooner or later spin out of control. For the time being however, the Chinese authorities seem to have these developments reasonably under control.

Other continents also benefited from the Asian boom last year, often as suppliers of raw materials. Most Latin American and some African countries were thus able to consolidate their pre-crisis economic development. Some economies were even so successful that they became safe havens for international investors. Capital import, sometimes in undesired volumes, led to the economically unsound appreciation of the local currency in countries such as Brazil, Chile and South Africa.

Outlook for the remainder of 2011

Significant events in the first quarter of 2011 have shown how difficult it is to forecast the course of the economy for this year. Although the political tensions in North Africa and the Middle East were not entirely unexpected, the pace of the insurrections and the ensuing instability and changes of power in the region were unforeseen. The question arises how the revolutions will evolve in the coming years and how the region's payment capacity will be affected. The western world has substantial interests in the region, as it is the largest oil producing area in the world and has a large payment capacity. It is also an important region for export credit insurance. The disasters in Japan, although shocking, have not had any major impact on the global economy. A slowdown in economic growth in the first half of the year will be followed by the stimulating effect of government expenditure on the economy in the second half.

Apart from the impact of such difficult to predict events, the international economic trend begun in 2010 seems to be continuing: modest growth, higher but not alarming inflation and an increase in exports supported by economic growth in Asia. The latter is, however, slowing a little due to policy measures taken to prevent overheating of the economy.

Nevertheless, there are a number of structural shortcomings which will temper economic growth in 2011 and the coming years. Firstly, public finances. Rescue packages for banks and other financial institutions and measures taken to combat increasing unemployment have left their mark on public finances. Budget deficits and public debt have increased so greatly since 2008 that their reduction will have a substantial impact on the economy in the coming years; increases in the tax burden and social security contributions and budget cuts will continue to put pressure on consumer spending.

Secondly, monetary expansion has resulted in enormous global excess liquidity. This liquidity must be cautiously drained, by carefully navigating between putting the brakes on the economy too firmly (resulting in lower growth) or not firmly enough (resulting in higher inflation). Governments are hesitating to carry out budget cuts, especially in the United States. Continuation of the Bush government's tax cuts and the extra expenditure required for the Obama government's programmes have contributed to undiminished large budget deficits and ever-increasing national debt (which will be more than 100 % of GDP in 2012 if the government doesn't change its policies). Various American local governments (states and cities) are currently facing acute liquidity problems. Other problems are the relatively heavy debt burden of the Japanese government (2012: 210% GDP) and the budget deficits in the euro area which are decreasing only slowly.

Moreover, last year's bottlenecks, headed by international economic tensions, remain unresolved. Preventing even more trade and capital restrictions and improving the balance of payments should be the basis for more solid economic growth in the world in the coming years. But progress is uncertain, now that China's political influence is increasing with its economic power, diminishing the likelihood that the Chinese authorities will let themselves be persuaded to change their exchange-rate policy.

The euro area also remains exposed to tensions in the international financial markets. Economic activity will decrease slightly if the driving force of German exports decelerates compared to 2010. Domestic expenditure will not be able to fill the ensuing vacuum. A government which must increase the tax burden, increase social contributions and cut expenditure to better balance the budget will not be stimulating the economy.

Investments are faring better in 2011, as corporate financial results have generally regained their pre-crisis level. This is certainly the case in the Netherlands. Businesses are investing as a result of the recovery of their profits and sales, which continue to be driven mainly by exports. Overall there seems to be little change in the modest growth, slightly increasing inflation, slightly improved government finances and gradually increasing returns in the private sector. This scenario assumes stable energy and raw materials prices.

Key figures for 2010 and forecast for 2011

	Real GDP growth (%)		Inflation (%)		Current account (%GDP)	
	2010	2011	2010	2011	2010	2011
U.S.A.	2.9	3.2	1.6	1.9	(3.4)	(3.7)
Euro area	1.7	1.6	1.6	2.0	(0.2)	0.3
The Netherlands	1.7	1.7	1.3	1.8	5.3	6.2
Germany	3.6	2.5	1.1	1.9	5.1	5.9
France	1.5	1.6	1.5	1.7	(2.2)	(2.3)
Asia	9.0	7.5	2.4	3.0	3.0	3.0
China	10.3	9.5	3.2	5.0	4.7	5.1
Eastern Europe	3.9	4.0	6.5	6.0	(3.7)	(4.0)
Latin America	5.8	4.2	7.3	7.2	(1.2)	(1.6)

Source: Consensus/IMF/CPB Netherlands Bureau for Economic Policy Analysis

The Netherlands

(% change year-on-year)

	2008	2009	2010	2011
Gross Domestic product	1.9	(3.9)	1.7	1.7
Private consumption	1.1	(2.5)	0.4	0.7
Private sector investment	7.1	(18.2)	(1.6)	4.0
Public expenditure	3.0	4.0	0.9	0
Exports	1.2	(9.2)	12.7	7.5
Inflation	3.5	2.7	1	1.7
Public Debt (% GDP)	0.6	(5.4)	(5.2)	(3.7)
Private sector profit ratio(% GDP)	13.8	7.7	9.4	10.5
Unemployment (%)	3.1	3.7	4.5	4.2

Source: CPB Netherlands Bureau for Economic Policy Analysis

Country cover policy changes

Country policy for credit insurance for account of the Dutch State is reviewed in the Risk Policy Advisory Committee (Commissie Advisering Risicobeleid (CAR), which includes representatives of Atradius Dutch State Business, The Ministry of Finance, the Ministry of

Economic Affairs, Agriculture and Innovation and the Ministry of Foreign Affairs. The Committee makes recommendations to the Minister of Finance, who ultimately decides on country policy.

Changes in country cover terms for medium-term transactions in 2010:

Country policy	1 January – 31 December 2010
Verruiming	
Azerbaijan	Case-by-case policy lifted
Bangladesh	Security requirement changed from unconditional to conditional Bulgaria Case-by-case policy introduced
Djibouti	Case-by-case policy introduced
Estonia	Case-by-case policy lifted and conditional security requirement introduced
Gabon	Case-by-case policy introduced
Ghana	Normal export credit cover resumed subject to case-by-case policy
Guatemala	Case-by-case policy lifted
Honduras	Normal export credit cover resumed subject to unconditional security requirement
Hong Kong	Insurance cover for credit on open account introduced
Hungary	Case-by-case policy lifted
Indonesia	Security requirement changed from unconditional to conditional
Kenya	Reinstatement of cover subject to unconditional security requirement
Latvia	Case-by-case policy introduced
Lithuania	Case-by-case policy introduced
Macau	Case-by-case policy lifted
Mali	Reinstatement of cover subject to conditional security requirement
Nigeria	Case-by-case policy introduced
Ukraine	Cover resumed at end of year after having been withdrawn at beginning of year
Paraguay	Export credit cover introduced subject to unconditional security requirement
Romania	Case-by-case policy lifted
Russia	Case-by-case policy adjusted for banks and lifted for private buyers
Serbia	Case-by-case policy lifted
Sierra Leone	Cover for SIF transactions introduced
Turkey	Case-by-case policy lifted, except for banks with rating below BB-
South Africa	Insurance cover for credit on open account introduced
Tightened	
Iran	Cover withdrawn
Madagascar	Off cover for public sector buyers and for SIF transactions

Cover terms were expanded for 26 countries and tightened for two countries, while for one country (Ukraine) the effect of changes in cover terms was neutral. We were able

to expand terms of cover for a large number of countries due to their economic recovery following the credit crisis.

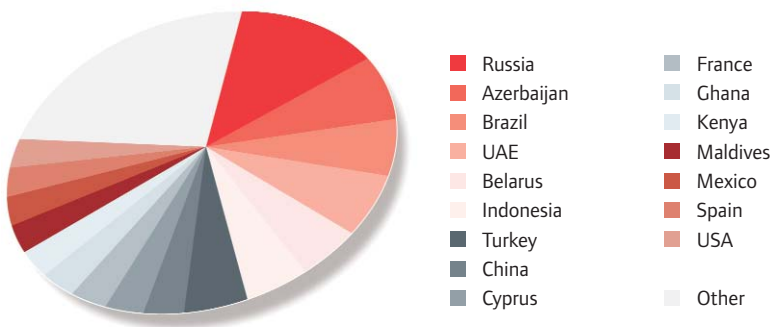
New business in 2010

Policies issued according to type of facility:

	2010	2009	2008
EKV (export credit insurance)	58	62	123
RIV/RHI/TRHI (investment insurance)	1	1	1
GGP (concessional transactions)	5	2	14
Total	64	65	138

(GGP = Good Projects Guarantee Scheme)

Policies issued in 2010 by country::



Meat Processing Systems

Atradius Dutch State Business insures MPS export to Spain



MPS Meat Processing Systems in Lichtenvoorde approached Atradius Dutch State Business for export credit insurance for the delivery of a pig slaughter line to Le Porc Gourmet, a Spanish industrial meat processor established in Santa Eugenia de Berga near Barcelona. Since the outbreak of the global credit crisis, many companies in OECD countries have been finding it difficult to obtain medium-term financing for investments in their company. In 2009 the Dutch State's policy for insuring export transactions to OECD countries through Atradius Dutch State Business was expanded to include transactions with a risk period longer than three years (including a credit period of at least 24 months).

MPS, established in 1904, is one of the leading suppliers in the food processing industry. MPS comprises five strong market-oriented product groups: MPS Red Meat Slaughtering, Butina, MPS Meat Logistics, AQUA Industrial Water Treatment and MPS Service & Spares. MPS, whose head office is in Lichtenvoorde, has ten sales offices abroad and two production units, of which the largest is in Beijing. MPS specialises in slaughtering techniques and evisceration systems as well as in industrial waste water treatment and logistics systems. MPS employs 500 people around the world.

Rabobank financed this transaction. The buyer, Le Porc Gourmet, will repay the total loan amount of more than € 12 million over a period of eight years, whereas MPS will receive the entire contract value upon delivery.

Le Porc Gourmet is part of the Jorge Group, one of Spain's largest meat processing and sustainable energy (solar energy) companies. The Jorge Group has substantially increased its investment in its meat processing companies in the last decennium. To avoid dependence on any particular sector, Jorge Group aims at diversifying its activities. Last year, Jorge Group's activities included investments in solar energy parks supported by a Spanish government subsidy programme and financed by a number of Spanish banks.

Compared to that of northern Europe, the Spanish meat processing industry is fragmented. A wave of consolidation similar to the one which swept over northern Europe is expected in this sector in Spain. This will result in a market with a few large players with sufficient critical mass for survival.

The slaughter line MPS delivered to Le Porc Gourmet modernised and expanded their existing slaughtering capacity from 550 to 1000 pigs per hour. Jorge Group gained a market share of more than ten percent through this expansion. The slaughter line is equipped with MPS F-Lines (automated slaughter lines) and CO₂ stunning.

Atradius Dutch State Business helps young, innovative Dutch enterprise break into market

SIM Industries designs and manufactures flight simulators for the two most common types of civil aviation aircraft: the Boeing 737 and the Airbus 320. The company was established in 2003. SIM assembles the simulators in its factory in Sassenheim in the province of Zuid-Holland. SIM purchases the parts required (such as the aircraft nose, visual system, electrical-pneumatic motion system, instruments, etc.) and integrates them with original Boeing and Airbus software to produce full-fledged simulators.

SIM competes against two established players which, until recently, dominated the market: CAE from Canada and Thales from France. SIM distinguishes itself from its competitors with its “high fidelity but low cost of ownership” concept. The simulators are equipped with very reliable components and assembled using standardised, readily available parts, which can be replaced or repaired by local technicians.

SIM’s customers are airlines - in OECD countries as well as emerging markets - and independent training centres. SIM realises a substantial part of its simulator turnover through financial leases, whereby it acts as lessor.

A leasing company wishing to expand its operations naturally needs a strong balance sheet. SIM therefore wanted to increase its capital. Atradius played a significant role in this matter: as a result of SIM’s insuring a number of its lease contracts with Atradius, SIM was able to obtain additional financing. NIBC, the Hague investment bank, granted SIM a long-term loan, knowing that SIM had insured a large portion of its lease receivables with Atradius.

SIM’s proposal caught on. The company’s expansion has taken shape and their order book is well filled.



Foreign investment insurance

Exposure under the foreign investment insurance scheme totaled € 214 million at the end of 2010 (2009: € 265 million; 2008: € 213 million). The exposure for 2010 was entirely for policies. Policies were current for 26 transactions in 10 countries (2009: 30 transactions in 12 countries).

This decrease is due to changes in a number of countries. The most important of these was the termination of a € 57 million policy on Bonaire. On 10 October, 2010 Bonaire became a “special municipality” of the Netherlands and risks on Bonaire are therefore now considered domestic risks. As such, they cannot be insured under the investment insurance scheme as this was established to cover risks abroad. Noteworthy is also that, for the first time, we issued an insurance policy for an investment in Vietnam, valued at € 22 million.

At the end of 2010 our highest exposures under the investment insurance scheme were:

Indonesia	€ 88.8 million
Ukraine	€ 60.6 million
Vietnam	€ 22.3 million

In 2010 the facility’s name was changed from Temporary Investment Reinsurance Scheme (Tijdelijke Regeling Herverzekering Investerings (TRHI)) to Investment Insurance Scheme (Regeling Investeringsverzekering (RIV)) to reflect the fact that, from 1 January, the Dutch State is no longer the reinsurer but the insurer. This modification has no consequences for the terms and conditions of the cover provided.

In close consultation with the Ministry of Finance and the Ministry of Economic Affairs, Agriculture and Innovation, investment cover was improved in 2010. The claim filing waiting period was reduced from six to three months (except in a few exceptional cases where the country cover policy stipulates a longer period.) Moreover the claim filing waiting period for losses due to business interruption as covered by the policy was reduced from twelve to three months (except in the case of breach of contract, where the period was reduced from twelve to nine months). These improvements mean that the insured’s claims will be paid earlier.

Claims and recoveries and debt rescheduling

In 2010 claims paid under the Export Credit Insurance scheme totalled € 78.6 million, which included € 0.3 million for exchange rate risk. € 0.6 million was paid under the Good Projects Scheme. Total claims were therefore much lower than in 2009, when claims payments totalled € 255 million.

Once again, as in previous years, recoveries (amounts Atradius collected after having paid claims under insurance policies) were high in 2010. They totalled € 131 million, including € 50.9 million payments on debts rescheduled in the Paris Club. Recoveries totalled € 180 million in 2009 and € 134 million in 2008.

The largest portion, € 59.4 million, came from the United Arab Emirates. Due to collection activities in 2009 and 2010, approximately half of the claims paid have meanwhile been recovered. Substantial amounts were also received from Angola (€ 27.7 million), Indonesia (€ 25.2 million), Russia (€ 3.7 million) and Kazakhstan (€ 3.4 million).

In 2010 the largest claims were paid under policies for the United Arab Emirates (€ 50.4 million), Mexico (€ 15.5 million), Ukraine (€ 4.6 million) and Kazakhstan (€ 2.8 million). Claims were paid following sovereign and private sector non-payment as well as non-payment by banks.

In 2010 no claims were paid under investment insurance policies.

Liabilities and receivables

At the end of 2010, the maximum liability under current policies for all government facilities totalled € 9 billion (net of matured instalments) (year end 2009: € 9.4 billion). The maximum liability for promises of cover totalled € 4.7 billion (year end 2009: € 3.2 billion). Notices of cover outstanding at the end of 2010 totalled € 0.7 billion (year end 2009: € 1.1 billion). A notice of cover is a commitment from Atradius Dutch State Business on behalf of the Dutch State that it will insure payment risk subject to there being sufficient capacity under the relevant country limit at the time the export contract comes into effect.

The nominal maximum liability at the end of 2010 includes all limits issued under the Trade Finance Facility, totalling € 1.1 billion. The maximum indemnification for cover provided under the Trade Finance Facility is however substantially lower: € 138 million.

Atradius Dutch State Business' claims, on behalf of the Dutch State, on borrowers and borrower countries subsequent to claims payments to policy holders (excluding insureds' own risk and interest payable after payment of claims) totalled € 1.03 billion in 2010, slightly less than in 2009. € 722 million of this amount was rescheduled in the Paris Club. At the end of 2009, receivables totalled € 1.1 billion, of which € 789 million was rescheduled in the Paris Club.

Product innovation

In 2010 Atradius Dutch State Business continued to improve its products and introduced product modifications.

Atradius reached a milestone in February 2010 when it issued the first working capital finance insurance policy to IHC's bank consortium. Working capital cover insures banks against the risk that companies whom they have granted working capital finance for a specific export order cannot repay this. This cover was launched late in 2009 to combat the liquidity crisis. It has meanwhile become a permanent facility.

Small and medium-sized enterprises (SMEs) have made relatively little use of Dutch State export credit insurance facilities, although these are certainly also intended for them. Under the auspices of the Dutch Trade Board, a project group met in the autumn to make export credit insurance more accessible to SMEs. Participants included the Ministry of Finance and the Ministry of Economic Affairs, Agriculture and Innovation, FME-CWM*, bank representatives and Atradius. This resulted in the launching of the SME Export Accelerator early in 2011. This facility includes simplified and shortened application procedures and guidance for SMEs applying for financing and credit insurance.

* the largest organisation in the Netherlands representing employers and businesses in the technological industry

Information services and events

Atradius Dutch State Business considers it important to inform the business community about the facilities it manages for the Dutch State. Atradius therefore visits clients and prospects, participates in export missions and is also a guest speaker at various export forums and seminars

organised by others. It also provides information through media such as its website www.atradiusdutchstatebusiness.nl and its customer news magazine, Creditnotes. Atradius Dutch State Business also organises its own information seminars for the Dutch business community.

Events organised in 2010 included:

May	Country cover policy conference with exporters, banks and the Dutch State
June	Shipbuilding seminar in cooperation with Scheepsbouw Nederland
June	Informal meeting with the State
June	Introductory seminar for (new) staff of Atradius Dutch State Business clients
September	Premium calculation methodology conference with banks
October	Environmental Practitioners Meeting organised by Atradius for CSR staff of OECD member countries' export credit agencies
November	Introductory seminar for (new) staff of Atradius Dutch State Business clients
November	Exporters' meeting with guest speaker Mr. H.J. Brouwer, director of the Dutch central bank responsible for banking supervision. He gave an explanation of Basel III, the new global regulatory standard on capital adequacy and liquidity for banks.

International Cooperation

Reinsurance

Atradius has reinsurance agreements for export credit insurance with several of the official export credit insurance agencies in its extensive international network. These agreements provide a framework for reinsuring transactions involving suppliers, and their export credit insurance agencies, from several countries. The advantage of such agreements for exporters or their financiers is that they need deal with only one insurer. This insurer will then obtain reinsurance from each relevant foreign credit insurance agency for the part of the transaction sourced from its country. If foreign export credit agencies (ECAs) cannot conclude reinsurance agreements for legal reasons, Atradius concludes Memorandums of Understanding (MoU) wherever possible. Atradius concluded a MoU with Sinosure in 2007 and with ECIC, our fellow South African credit insurer, in 2008. These MoUs provide a framework for future cooperation but are not specifically aimed at, nor confined to, reinsurance. Discussions will be held in 2011 about the potential cooperation with the Trade Bank of Iraq on short-term transactions.

Reinsurance agreements are currently in effect with the following insurers:

Ashra	Israel
CESCE	Spain
COFACE	France
ECGD	United Kingdom
EDC	Canada
EFIC	Australia
EGAP	Czech Republic
EKF	Denmark
EKN	Sweden
EulerHermes	Germany
Finnvera	Finland
GIEK	Norway
KUKE	Poland
MEHIB	Hungary
NEXI	Japan
ODL	Luxembourg
OeKB	Austria
ONDD	Belgium
SACE	Italy
SID	Slovenia
SERV	Switzerland
US-EXIM BANK	United States of America

European Union (EU) and Organisation for Economic Cooperation and Development (OECD)

The EU working party on export credits is an important EU forum. It coordinates the viewpoints of the EU member countries for discussions and decision-making among the Participants to the Arrangement on Officially Supported Export Credits in the OECD. The Participants, comprising the EU and most other OECD countries, form the body which decides on Arrangement matters. The Arrangement (formerly known as the Consensus) is the principal international covenant on credit insurance. The OECD also has various committees and working groups which deal with various subjects, including combating bribery.

In 2009 the European Union extended the period for allowing certain exceptions to the Communication on Short-Term Export Credit Insurance (which limits state involvement in short-term credit insurance). It was decided to extend this period further, until 1 January 2012. In the Netherlands, the TASK facility (also called top-up insurance) under which the Dutch State could raise the limits which commercial credit insurers had lowered, doubling them at the most, was however not extended, but terminated 1 January 2011.

The impact of the Lisbon Treaty is of importance in Europe. Until recently, the European Parliament had no role in transforming OECD agreements into European law. The Lisbon Treaty which came into effect at the end of 2009, has given the European Parliament authority to act on these matters. It is not yet clear how the European Parliament is going to exercise this authority.

An important development in the OECD is the negotiation - under the special ruling for renewable energy and water projects - of more favourable conditions for techniques which combat climate change. Such on-going discussions make it clear that agreements on export credit cannot be disassociated from widespread social developments.

A second subject of much discussion in the OECD is competition from emerging economies, especially China. The OECD intends to start a dialogue with China on export credits.

The most important OECD achievement in 2010 in the field of export credit insurance is, however, the agreement

reached on buyer/borrower premiums. For many years, the minimum premiums allowed reflected the underlying political risks. There were, however, large discrepancies in premiums charged by various official export credit agencies for risks on banks and private sector borrowers. The new agreement on premiums sets minimum premiums for buyers/borrowers with the same risk rating. This is an important step on the way to creating a more level playing field for exporters from different countries.

Berne Union

The Berne Union is the international organisation of private and public sector export credit and investment insurers. Its goals include exchanging information on countries, industries, products and clients and promoting sound risk underwriting practices. Atradius is a prominent member of the Berne Union and of its Management Committee. Atradius' Johan Schrijver was Vice-President of the Berne Union in 2010. In the past year the Berne Union concerned itself with matters such as advocating for changes in capital requirements for banks (Basel III) which would not disrupt trade finance. It presented its views to the Basel Committee which is developing the capital requirement rules.

Corporate Social Responsibility (CSR)

The evaluation of applications for export credit insurance and foreign investment insurance to be issued on behalf of and for account of the Dutch State will in many cases include an environmental and social impact assessment in addition to the financial analysis. The Atradius Dutch State Business CSR desk conducts these assessments. All applications are screened in order to determine whether an environmental and social impact assessment is necessary.

This assessment is based on the agreements made in the OECD, known as the “Common Approaches”, which have been set out and developed further in the Dutch State policy document “Environmental and Social Impact Assessment” (“Milieu en Sociale Beoordeling” (2009)). This policy document can be viewed at: http://www.atradiusdutchstatebusiness.nl/Images/beleidsdocument_tcm1008-133093.pdf

The new evaluation framework clarifies how the project, which the transaction is part of, is to be defined. For each application, in accordance with procedures agreed with the Dutch State, the CSR desk will define the project which the transaction is part of and determine to what extent the supply chain will be included in the assessment.

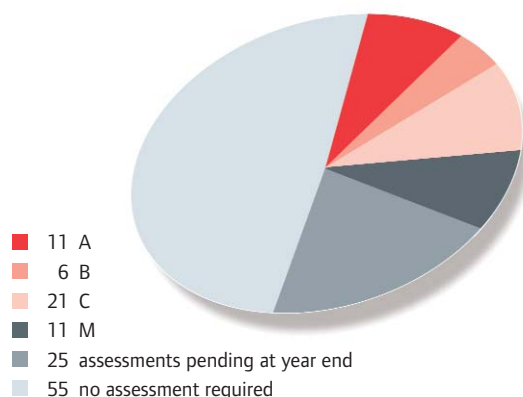
In 2010 we started to assign M ratings in addition to A, B, and C ratings. The M rating, introduced in the Dutch State’s 2009 policy document, stands for marginal assessment. This assessment is conducted for transactions consisting of deliveries to existing projects, which do not change significantly as a result of the deliveries. This is in line

with the “Common Approaches”. A marginal assessment is also conducted on projects for which we receive credit insurance applications for refinancing or letter of credit confirmation. The marginal assessment focusses on the project developer’s activities with regard to environmental and social policies, on compliance with local laws and regulations and on whether the recipient country endorses relevant international guidelines (e.g. those of the ILO, the International Labour Organisation).

Last year we gained experience with the new questions in the application forms pertaining to the exporter’s supply chain. The questions relate to the exporter’s knowledge of the Dutch State’s CSR policy on supply chain responsibility and how the exporter deals with this responsibility. The exporter is also asked to name his five most important suppliers, excluding intermediaries. Dutch exporters generally know their most important suppliers well and they are able to answer the questions on the application form. The additional questions about the chain of responsibility did not lead to extra research or reassessments in 2010.

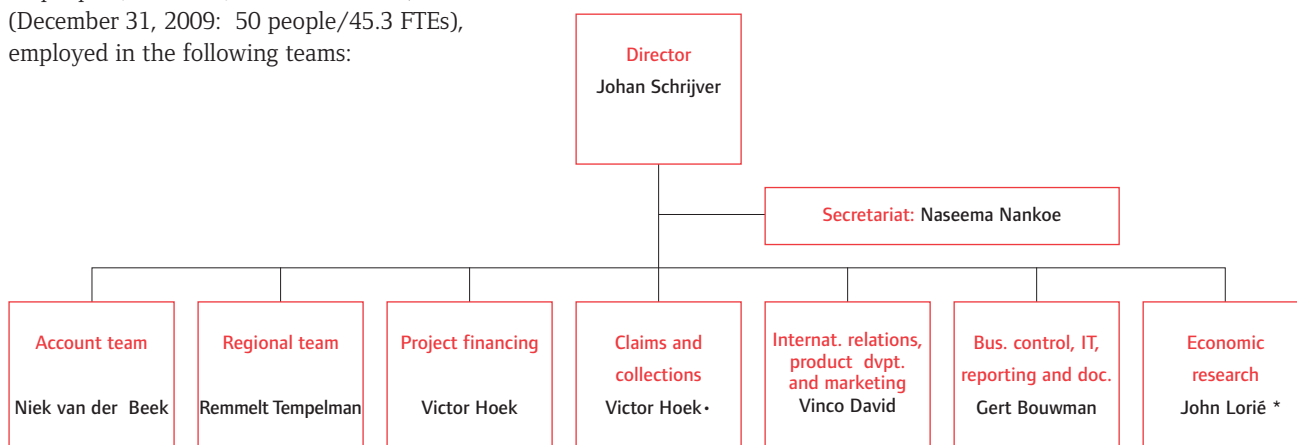
In 2010 we assessed 129 applications on their environmental and social impact. This decline from 183 assessments in 2009 is in line with the decrease in applications in 2010. The pie chart below shows the results of the environmental and social assessments.

Environmental and social assessments in 2010



Staff and organisation

Atradius Dutch State Business staff totalled 51 people (45.8 FTEs) on December 31, 2010 (December 31, 2009: 50 people/45.3 FTEs), employed in the following teams:



* as per April 1, 2011

Financial return for account of the Dutch State

Atradius Dutch State Business insures risks exclusively on behalf of and for account of the Dutch State. The following results were booked on the basis of *invoiced amounts*:

	2010	2009
Premium income - EKV	27,113	39,083
Premium income - GGP (Good projects scheme)	5,742	1,128
Premium income - investment insurance	722	791
Premium income - total	33,577	41,002
Claims paid - EKV	78,621	255,531
Claims paid - GGP	644	(1,336)
Claims paid - investment insurance	-	453
Claims paid - total	79,265	254,648
Claims recoveries - EKV	131,078	179,751
Claims recoveries - GGP	177	264
Claims recoveries - investment insurance	-	-
Claims recoveries - total	131,255	180,015
Net cash flows - EKV	79,570	(36,697)
Net cash flows - GGP	5,275	(2,728)
Net cash flows - investment insurance	722	(338)
Net cash flows - total	85,567	(33,631)

(amounts in thousands of euros)

In 2010, as economies began to recover from the credit crisis, our results clearly improved, due primarily to the decline in losses. Whereas we paid € 255 million in claims for account of the Dutch State in 2009, we paid € 79 million in 2010. Moreover, we were able to recover a substantial amount of the claims paid, most significantly, but not exclusively, from Dubai.

Premium income in 2010 was lower than in 2009. This had to do with long lead times for capital goods exports and infrastructure projects. As negotiations can take a long time, the economic recovery in 2010 did not immediately lead to an increase in contracts and consequently in the issue of new policies. This meant that our premium income remained modest. Country cover policy restrictions still valid at the beginning of 2010 were one of the reasons for relative reticence in issuing policies. Now that country cover policy has been eased, given the improved economic climate, we expect to issue more policies in 2011.

Overall the net operating result for account of the Dutch State was certainly favourable. Whereas a € 33.6 million loss was recorded in 2009, a € 85.6 million surplus was booked in 2010.

In addition to presenting our results on an invoice basis, we have presented them below on an accruals basis. State programmes must break even. Export credit insurance facilities must break even too, as laid down in international agreements, including those of the World Trade Organisation (WTO) and the OECD. Breaking even means that proceeds (premiums and recoveries) must cover costs (claims payments and operating costs) in the long run. This is to prevent unauthorised government support. The accruals model (bedrijfseconomische resultaatbepaling: BERB) is used to determine whether the facilities do indeed break even. One of the features of this model is that provisions are made for outstanding risks. This model also incorporates the facilities' operating costs, which the method of reporting results on an invoice basis does not.

For our calculations we took all policies issued since 1999 into account. The model calculated that revenues covered costs for the period from 1999-2010. The cumulative return for this twelve-year period was € 123 million (see table below). The cumulative return for the period from 1999-2009 was € 92 million. Thus, according to the accruals model calculations, the cumulative result increased

€ 31 million in 2010. This increase was partly due to premium income, successful collections and a decrease in provisions. Nominal provisions for expected claims decreased from € 98 million in 2009 to € 80 million in 2010, due to lower imminent losses. The risk rating upgrade for a number of countries allowed a reduction in provisions for outstanding political risk from € 143 million to € 129 million. It must be noted that a very important country in the Dutch State's portfolio, Dubai, was downgraded, but this was more than compensated by rating upgrades for other countries.

The multi-year positive return has given us a solid base with which to counter setbacks we may face in the future. We are, however, confident of a positive return again in 2011.

Cumulative commercial result of all facilities (underwritten after 1998) for 1999-2010 in millions of euros:

1 Current assets	180	
1.1 Premium income		623
1.2 Net claims paid		(275)
1.3 Net foreign exchange losses		(20)
1.4 Net interest income		38
1.5 Operating costs		(186)
2 Receivables	233	
3 Provisions	(290)	
3.1 For outstanding political risk		(129)
3.2 For outstanding commercial risk		(26)
3.3 For expected claims		(80)
3.4 For uncollectible receivables		(54)
3.5 For foreign exchange rate risk		(1)
Total	123	

