MOODY'S
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CREDIT OPINION
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Update

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Atradius N.V.

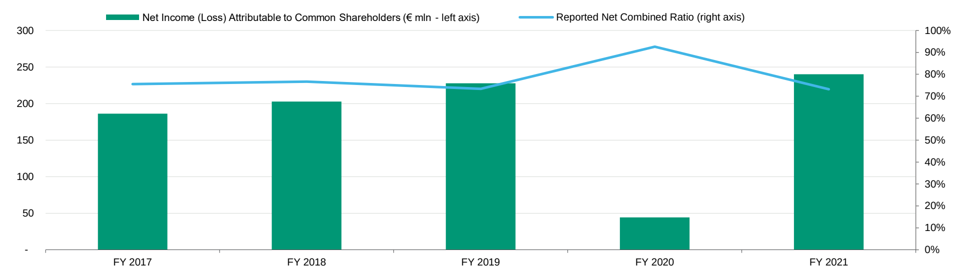
Update to credit analysis

Summary

The credit profile of Atradius N.V. (whose main operating companies are rated A2 for insurance financial strength) is supported by its strong market position as the second largest global credit insurer, strong economic capitalisation, underpinned by Atradius' dynamic management of insured exposure, and good underwriting profitability through the-cycle. These strengths are partially offset by Atradius' limited diversification beyond credit insurance which increases its susceptibility to economic stresses.

Atradius is owned by Grupo Catalana Occidente (GCO), a Spanish insurance group with an even distribution between Spanish retail Life and P&C insurance, as well as a globally diversified credit insurance activity. Although Atradius' ratings are partly linked to the rating of Spain through its parent and its business in Spain (12% of credit insurance exposure in Iberia as at the end of December 2021) notably via Atradius Credito y Caucion S.A., the global nature of its business and minimal exposure to Spanish invested assets limits the constraint on Atradius' ratings.

Exhibit 1
Net Income and reported net combined ratio



Sources: Company's filings and Moody's Investors Service

Credit Strengths

» Leading market position as the second largest global credit insurer

» Conservative balance sheet profile with a modest level of investment risk and sound liquidity

» Strong capitalisation, with low net underwriting leverage and moderate credit limit exposure relative to capital

» Dynamic management of exposure and effective underwriting risk monitoring tools

Credit Challenges

» Maintaining a strong underwriting and pricing discipline, while claims are at low levels but the economy is slowing down and risks of recession increase

» Limited diversification beyond credit insurance exposes the company to deterioration in the economic environment

» Some linkage with the credit profile of Spain through its parent GCO and its business exposure to Spain

Outlook

The positive outlook reflects our expectations that Atradius will maintain a conservative underwriting risk appetite and be able to manage credit risk exposures to limit the impact of the deterioration in the economic activity on its profitability. The positive outlook also reflects our expectations that Atradius will maintain strong capital levels and a low financial leverage

Factors that Could Lead to an Upgrade

Atradius's ratings could be upgraded if

» the group maintains a strong profitability with a combined ratio below 80% through the cycle, with moderate volatility,

» the group consistently maintains a Solvency II ratio above 180%, and

» the group maintains a conservative asset and underwriting risk appetite.

Factors that Could Lead to a Downgrade

Given the positive outlook, the risk of a downgrade is limited. The outlook could revert to stable in case of

» a volatile underwriting profitability, with for example a spike in the combined ratio above 100%,

» a decline in capital, as evidenced for example by a Solvency II capital coverage below 180%,

» a meaningful change in asset or underwriting risk appetite, or

» a meaningful weakening in the credit profile of its parent, Grupo Catalana Occidente or the Spanish sovereign.

Key Indicators

Atradius N.V. [1][2]

Atradius N.V. [1][2]	2021	2020	2019	2018	2017
As Reported (Euro Millions)					
Gross Premiums Written	1,945	1,706	1,798	1,672	1,612
Net Premiums Written	1,025	775	1,104	998	930
Net Income (Loss) Attributable to Common Shareholders	240	44	228	203	186
Total Shareholders' Equity	2,142	1,913	2,009	1,821	1,753
Moody's Adjusted Ratios					
High Risk Assets % Shareholders' Equity	29.0%	26.3%	24.3%	19.0%	22.1%
Reinsurance Recoverable % Shareholders' Equity	39.8%	45.0%	32.2%	34.4%	34.9%
Goodwill & Intangibles % Shareholders' Equity	14.2%	16.6%	16.1%	17.3%	16.8%
Net Total Exposure % Shareholders' Equity	-	-	-	-	-
Net Underwriting Leverage (Credit Insurers)	90.7%	78.1%	89.5%	90.0%	86.8%
Combined Ratio (1 yr.)	62.0%	93.8%	81.6%	77.6%	75.3%
Sharpe Ratio of ROC (5 yr.)	230.5%	225.9%	1291.4%	1289.3%	-
Adjusted Financial Leverage	14.0%	19.6%	18.3%	19.3%	19.7%
Total Leverage	16.5%	22.2%	20.8%	22.0%	22.4%
Earnings Coverage	17.0x	4.5x	14.3x	12.1x	12.1x

[1] Information based on IFRS financial statements as of the fiscal year ended 31 December. [2] Certain items may have been relabeled and/or reclassified for global consistency.
Sources: Moody's Investors Service and company filings

Profile

Atradius N.V. (Atradius) is the Netherlands based holding company for the group of insurance operating companies that primarily include Atradius Crédito y Caución S.A. de Seguros y Reaseguros (ACyC), Atradius Trade Credit Insurance Inc. (ATCI, USA) and Atradius Reinsurance DAC (AtradiusRe, Ireland).

Grupo Catalana Occidente (GCO, unrated), the parent of Atradius, owns 83.2% of its capital. GCO is a listed Spanish insurance group with a diversified portfolio of life and non-life insurance operations, including credit insurance. The group operates through several insurance entities and brands, including Atradius. In 2021, GCO reported €1,900 million and €242 million in earned premiums and recurring results for its credit insurance business respectively.

Detailed credit considerations

Moody's rates Atradius A2 for insurance financial strength, which is in line with the adjusted outcome produced by Moody's rating scorecard.

Market Position and Distribution: Strong franchise as top tier insurer in the global credit insurance market

As the second largest trade credit insurer by premiums, with a market share of around 25%, Atradius has a very strong position in the global credit insurance market.

Consistent with its credit insurance peers, brokers (66% of earned premiums) are Atradius' main form of distribution, followed by agents (19%), and direct sales (15%). Tied agents and direct sales comprise a meaningful portion of the group's distribution capabilities, particularly in Spain, where it has a strong distribution network. In addition to its primary credit insurance business, Atradius provides reinsurance to a number of smaller credit insurers, through its Irish based reinsurer, Atradius Re, which further broadens its market access and adds to the diversification of its portfolio. However, despite its direct sales and reinsurance business, Atradius remains heavily dependent on third-party brokers, a feature that we believe reduces the group's ability to control pricing and access to markets.

Notwithstanding Atradius' very strong position in the credit insurance market, we believe the group's overall franchise strength is somewhat constrained by its limited diversification beyond credit insurance, an industry that we view as highly competitive and exposed to economic cycles.

Product Risk and Diversification: Strong sector and good country diversification amongst insured exposures, but limited diversification beyond credit insurance

Consistent with its peers, Atradius is heavily focused on credit insurance, with approximately 88% of its 2021 revenues being sourced from business lines related to credit insurance or bonding. The remainder of its revenue comprises fee income, including from credit assessment fees, debt collection and information services, as well as fee income it earns for the export credit guarantee business it conducts as an agent of the Dutch state. As a specialist credit insurer, Atradius' product risk focus is typically dependent on market-specific credit and economic dynamics.

The group's exposure is granular and well diversified by country and by sector, although Atradius has elevated concentrations to certain regions. As at end December 2021, the group's largest country exposures for its credit insurance business were Germany (15%), Spain & Portugal (12%), USA (10%), UK (7%), and France (7%).

Atradius has exposure to multi-year policies which could potentially restrict the flexibility of underwriting, however we believe this risk is mitigated by the fact that the vast majority of such policies still have cancelable limits. Many multi-year policies also contain break clauses or premium surcharge features that allow the group to either cancel the policy or change pricing or policy features if the claims environment deteriorates substantially. While multi-year policies could have a negative impact on underwriting flexibility, they also benefit the group as a protection against price decreases, and year-to-year competition to secure renewal business. Similar to its peers, Atradius has a small special products business that provides non-cancelable trade credit insurance. The absence of cancelable limits is a negative, however, it is offset by more stringent policy conditions and underwriting relative to policies with cancelable limits.

The low average duration of credit insurance policies enables the company to act quickly and to actively manage its exposure. Hence, Atradius has reshaped its risk portfolio to reduce limits and exposure to sectors the most affected by the coronavirus crisis and the increase in inflation.

Asset Quality: High quality, conservative investment portfolio adds strength to balance sheet

Asset quality is a key credit strength for Atradius and reflects a modest level of investment risk and low level of intangible assets, slightly offset by an elevated level of reinsurance recoverables, relative to peers. The group's high-risk assets as a percentage of shareholders' equity is very low at 29% as at YE2021, and is comprised mainly of equities. The majority of the portfolio is comprised of high-quality short-term and fixed income securities, with no exposure to investments in Eurozone peripherals.

Moody's 2021 ratio of reinsurance recoverable as a percentage of equity was higher than the historical average, after peaking at 45% at YE2020. However, this is due to the reinsurance agreements between several countries and credit insurers during the coronavirus pandemic, requiring credit insurers to cede material portions of their business to several states, which ended in June 2021. Hence, reinsurance recoverables will decrease and we expect the ratio to go back to around 30% going forward.

The group benefits from strong and long-standing relationships with its panel of quality reinsurers that provides a valuable source of capital and loss management capacity in down cycles. Atradius' reinsurance exposure is to strong reinsurance counterparties, rated single-A or higher, mitigating the credit risk associated with the group's reinsurance recoverables.

Moody's also considers Atradius' liquidity to be good, as the group's assets are predominantly invested in high-quality and liquid assets with relatively short durations. In addition, reinsurance treaties benefit from certain liquidity covenants (e.g. cash call agreements) enabling the group to settle large claims in a very short period of time, if necessary.

Atradius holds a moderate amount of intangible assets, at c.14% of shareholders' equity at YE2021.

Capital Adequacy: Strong capital adequacy supported by high quality of capital and robust reinsurance program

Moody's views Atradius' capitalisation as strong, driven by strong capital metrics and good quality of capital. In recent years, Atradius has continued to build up its capitalisation, thanks to robust earnings and a conservative dividend policy which has allowed the company to reinvest a significant portion of its profits into the business.

The very strong net underwriting leverage ratios and net exposure as a percentage of equity ratios reported in 2020 and 2021 were enhanced by the government reinsurance schemes implemented during the pandemic, but as these schemes terminated in June 2021, these ratios will normalise going forward.

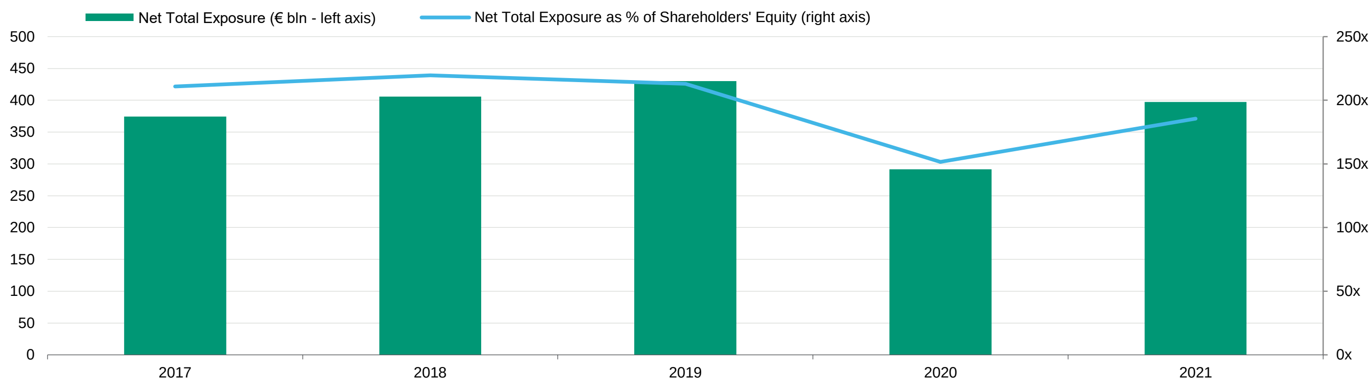
Nonetheless, Atradius' good capitalisation is evidenced by the group's strong Solvency II ratio. As at 31 December 2021, Atradius N.V.'s Solvency II coverage ratio (based on a partial internal model used for the underwriting risk requirements of credit and bonding lines of business) remained resilient at above 200%. While the ratio could go down as the group grows its exposures and has a 175% target, we expect the ratio to remain strong through 2022.

Atradius' solid capitalisation is supported by a robust reinsurance program, that includes quota-share and excess-of-loss facilities that protect the group's profitability and capital in the event of high-loss scenarios. In 2021 Atradius ceded 37% of its traditional business to reinsurers under quota-share agreements.

The group has also improved its risk management framework in the last decade, including more conservative limits on insured exposure relative to equity, and a focus on improved insured portfolio quality, including increased geographic diversification, and significant reductions in the exposure to lower-rated buyers and countries with more difficult operating environments.

Exhibit 3

Net total exposure in absolute terms and relative to shareholders' equity



Sources: Company reports and Moody's Investors Service

Profitability: Good profitability across the cycle

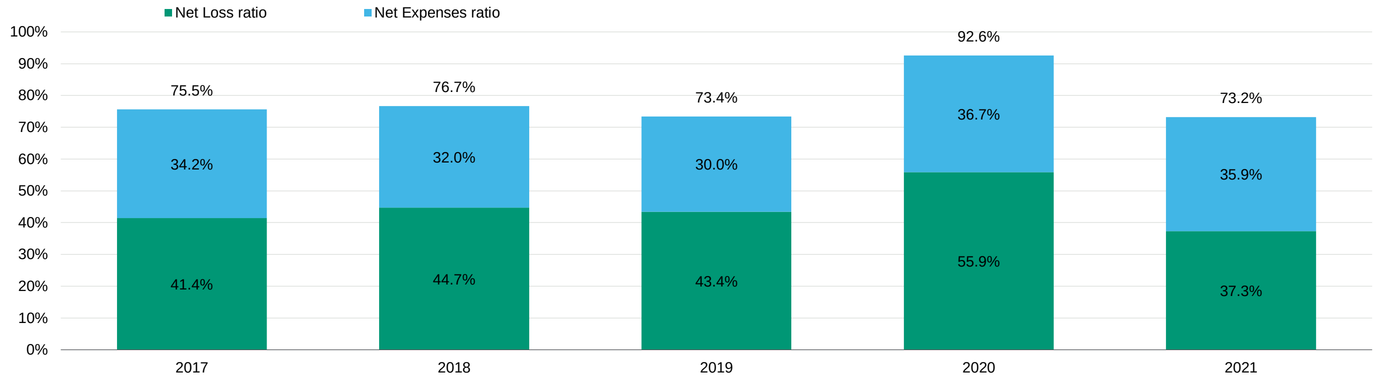
Consistent with peers, our view of Atradius' profitability is tempered by the intrinsic volatility of credit insurance through the cycle. However, Atradius has taken tangible steps to limit the volatility of its underwriting results, including reducing its exposure to the Iberian market to 12% as at year-end 2021 from 24% in 2011. In addition, Atradius has strengthened its underwriting practices, evaluation of buyer risk, and overall enterprise risk management, which we expect will contribute to less volatile profitability through the cycle.

Atradius' results were distorted in 2020 and 2021 by the reinsurance schemes implemented during the pandemic. These schemes, mostly made of large quota-shares, have depleted the revenue base of credit insurers and have not always compensated for their expenses. In addition, the reserve releases attached to underwriting year 2020 and first half of 2021 would mostly benefit to the governments.

In 2020 and in early 2021, prices increased in the credit insurance market, which together with the rebound in the global economy, supported growth in revenues, with earned premiums up 10% year-on-year in 2021. However, price competition intensified and prices started to decline in the second half of 2021.

The military conflict in Ukraine poses short term risks to the group's profitability, while a scenario of global recession would also likely lead to a significant increase in claims. Nonetheless, the low claims environment has supported very strong levels of profitability so far in the first half of 2022.

Exhibit 4
Atradius' reported net combined ratio



Sources: Company's filings and Moody's Investors Service

Reserve Adequacy: Short-tail business and consistent positive reserve development moderates reserving risk

Atradius has reported consistent reserve releases in the last nine years, demonstrating meaningful improvement compared to the period after the 2008 financial crisis when the company had to strengthen reserves. While the group's Spanish exposures were a large contributor to the adverse development, reserve development on the Spanish book has been on an improving trend since 2012. The group's reserves on its bonding business have been somewhat volatile, although the exposure to bonding remains modest relative to the group's overall exposures.

The conservative reserving stance taken in 2020 reduces the risk of material reserve increases, but in countries where credit insurers have benefitted from government reinsurance schemes, any movement in reserves (positive or negative) will largely be offset by these schemes.

We also consider that Atradius' level of provisioning for underwriting year 2022 is relatively conservative as of 30 June 2022 in light of the low level of reported claims.

Financial Flexibility: Very strong stand-alone financial flexibility, some ability to finance independently from the parent company

Atradius' standalone financial flexibility metrics are very strong, with Moody's adjusted financial leverage of 14% at year-end 2021 and earnings coverage of debt service at 17x in 2021 (5yr average: 12x). Despite the ownership by a Spanish-based insurance group, Atradius has demonstrated some ability to finance independently from its parent. Although Atradius is not a frequent debt issuer, it has one bond outstanding issued by Atradius Finance B.V., a company domiciled in the Netherlands At YE 2021, the group's capital structure consisted of Tier I equity capital, along with €250 million in subordinated notes, guaranteed by Atradius N.V.. The €75 million subordinated loan was repaid in Q3 2021, thus reducing leverage by around 2.5% (when keeping shareholders' equity constant at YE 2020 levels).

ESG considerations

Atradius NV's ESG Credit Impact Score is Neutral-to-Low CIS-2

Exhibit 5
ESG Credit Impact Score

CIS-2
Neutral-to-Low

For an issuer scored CIS-2 (Neutral-to-Low), its ESG attributes are overall considered as having a neutral-to-low impact on the current rating; i.e., the overall influence of these attributes on the rating is non-material.

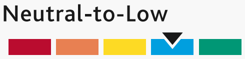
Source: Moody's Investors Service

Atradius' ESG Credit Impact Score is neutral-to-low (**CIS-2**), reflecting the limited credit impact of environmental and social risks on the rating to date. The group's strong governance, including risk management and capitalisation, along with its predominant focus on trade credit insurance and its diversified portfolio of very short-tail exposures help reduce its physical climate and social risks.

Exhibit 6
ESG Issuer Profile Scores

ENVIRONMENTAL
E-2
Neutral-to-Low

SOCIAL
S-2
Neutral-to-Low



GOVERNANCE
G-2
Neutral-to-Low

Source: Moody's Investors Service

Environmental

Atradius has neutral-to-low exposure to environmental risk, although it does have indirect exposure to environmental risk through the exposures the group insures. These include, for example, companies in the automotive sector which are exposed to carbon transition risk, and manufacturers and retailers with large physical footprints that are meaningfully exposed to physical climate risks. These indirect risks are mitigated by the significant geographic and sectoral diversification of Atradius' portfolio and the very short-term nature of these exposures, which allows credit insurers to quickly manage down their exposures to sectors facing rising environmental risks.

Social

Atradius faces neutral-to-low exposure to social risks. Social pressures may affect indirectly Atradius because its clients or its insured exposures may be affected by new societal trends, but the impact is low because of the exposures' short-term nature and extensive diversification. Nonetheless, as credit insurers also play a role in the global economy by facilitating the development of trade, they are subject to an increasing level of political scrutiny which could result in new business or financial constraints.

Governance

Atradius faces neutral-to-low governance risks. As a leading credit insurer, Atradius is committed to maintain a strong level of solvency, which is a key requirement from brokers and clients. Risk management is also a pillar of the business model of credit insurers which monitor the quality of their exposures and can cut limits quickly to adapt their risk profile. Atradius' supervisory board includes board members independent from the parent company, which helps offset governance risk related to the concentrated ownership of its parent company.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Rating methodology and scorecard factors

Exhibit 7

Atradius N.V.

Financial Strength Rating Scorecard [1][2]	Aaa	Aa	A	Baa	Ba	B	Caa	Score	Adj Score
Business Profile								A	A
Market Position and Brand (10%)								A	A
-Relative Market Share Ratio			X						
-Distribution and Access to New Markets			X						
Product Focus and Diversification (20%)								A	A
-Business Diversification				X					
-Flexibility of Underwriting			X						
-Risk Diversification		X							
Financial Profile								Aa	A
Asset Quality (15%)								Aa	Aa
-High Risk Assets % Shareholders' Equity		29.0%							
-Reinsurance Recoverable % Shareholders' Equity		39.8%							
-Goodwill & Intangibles % Shareholders' Equity	14.2%								
Capital Adequacy (20%)								Aa	A
-Net Total Exposure to Shareholders' Equity		X							
-Net Underwriting Leverage (Credit Insurers)	0.9x								
Profitability (20%)								A	A
-Combined Ratio (5 yr. avg.)			78.0%						
-Sharpe Ratio of ROC (5 yr.)			230.5%						
Reserve Adequacy (5%)								Aaa	A
-Worst Reserve Development for the Last 10 Years % Beg. Reserves	0.0%								
Financial Flexibility (10%)								Aa	A
-Adjusted Financial Leverage	14.0%								
-Earnings Coverage (5 yr. avg.)		12.0x							
Operating Environment								Aaa - A	Aaa - A
Preliminary Standalone Outcome								Aa3	A2

[1] Information based on IFRS financial statements as of fiscal year ended December 31, 2021. [2] The Scorecard rating is an important component of the company's published rating, reflecting the standalone financial strength before other considerations (discussed above) are incorporated into the analysis.
Source: Moody's Investors Service

Support and structural considerations

Atradius' A2, stable, IFSR reflects its standalone credit fundamentals and its partial insulation from GCO due to a combination of: (i) its limited correlation with GCO's credit profile due to the different business models within the group, and (ii) Moody's expectation that GCO will remain committed to maintaining Atradius' solid capitalisation. While we consider the partial insulation of Atradius from the GCO group to be meaningful, and sufficient to support our assessment of its credit profile on a standalone basis, there remains a link between the credit profiles of Atradius and its parent, GCO.

GCO's link to, and constraint by, the Spanish sovereign is primarily driven by its fixed income portfolio that has significant exposure to domestic assets, in the extent of 54% of the total portfolio at year-end 2021. Similar to other domestic Spanish insurers, GCO maintains significant domestic assets to match its domestic life insurance technical liabilities. GCO is currently well capitalized (consolidated Solvency II ratio of 216% at YE 2021, with transitionals) and its traditional businesses have a low-risk business profile, a strong track record of profitability (combined ratio consistently below 90% in its credit insurance business in years before the coronavirus) and very modest financial leverage.

The backed subordinated notes issued by Atradius Finance B.V. are rated Baa2(hyb), stable, three notches below Atradius's IFS rating, and reflects the unconditional and irrevocable subordinated guarantee from Atradius N.V. In addition, the notes benefit from narrower notching between the ratings of the holding company (Atradius N.V.) and the operating entities (ACyC) due to the holding company being within the ambit of enhanced regulatory supervision under a Solvency II regime.

The P-1, stable, short term IFSR of ACyC reflects its solid liquidity including a highly liquid investment portfolio of relatively short duration, supported by contractual accommodations specific to credit insurers, such as simultaneous settlement provisions in reinsurance agreements which provide the Group with additional sources of liquidity in the event of large claims.

Ratings

Exhibit 8

Category	Moody's Rating
ATRADIUS CREDITO Y CAUCION S.A.	
Rating Outlook	POS
Insurance Financial Strength	A2
ST Insurance Financial Strength	P-1
ATRADIUS TRADE CREDIT INSURANCE INC.	
Rating Outlook	POS
Insurance Financial Strength	A2
ATRADIUS REINSURANCE DAC	
Rating Outlook	POS
Insurance Financial Strength	A2
ATRADIUS FINANCE B.V.	
Rating Outlook	POS
BACKED Subordinate	Baa2 (hyb)

Source: Moody's Investors Service

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CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

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