MOODY'S
INVESTORS SERVICE

Rating Action: Moody's affirms Atradius' IFS rating at A3 following merger of main credit insurance subsidiaries

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New York, February 10, 2016 -- Moody's Investors Service, ("Moody's") has affirmed the A3 insurance financial strength (IFS) ratings of Atradius N.V.'s (Atradius) main operating subsidiaries, including Atradius Credit Insurance NV (ACI) and Compania Espanola de Seguros y Reaseguros de Credito y Caucion SA (CyC), with a stable outlook. In addition, Moody's affirmed the Ba1 (hyb) rating of the backed subordinated notes issued by Atradius Finance B.V.

A complete list of the ratings impacted by this action is included at the end of this document.

The rating action follows the recent announcement by Atradius Insurance Holding N.V. of an agreement to merge two of its main European credit insurance operating subsidiaries, ACI (Netherlands) and CyC (Spain); Atradius N.V. remains as the Dutch holding company. Under the terms of the agreement, which is expected to close later this year, once the relevant regulatory approvals have been obtained, ACI will merge into CyC and will be renamed Atradius Credito y Caucion (ACyC), domiciled in Spain.

Grupo Catalana Occidente (GCO, unrated), the parent of Atradius N.V., owns 83% 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 which accounts for approximately 38% of GCO's revenue in 2014, on a pro-forma basis.

RATINGS RATIONALE

Moody's affirmation of Atradius' A3 IFS rating reflects its view that Atradius' standalone credit fundamentals are not impacted by the change in Atradius' legal structure following the transaction.

The rating has been affirmed notwithstanding that Moody's considers, on balance, the merger of ACI and CyC as credit negative for Atradius. In fact, in Moody's opinion, the merger into a Spanish domiciled entity will increase fungibility of capital within the GCO group and lead to greater parental constraints given that both ACyC and GCO would have the same regulator going forward. Positively, the merger of ACI and CyC into ACyC will likely improve Atradius' Solvency II position as a result of a simplified legal structure and consequently greater diversification benefits. However, in Moody's opinion, this improvement is more than offset by the constrains described above. Atradius' A3 IFS rating is currently positioned above the credit profile of GCO's Spanish retail business, which is constrained by the Spanish sovereign rating (Government of Spain, Baa2 positive) given its investment concentration in Spanish sovereign bonds.

Moody's stated that Atradius' A3 IFS rating reflects the group's very strong position in the credit insurance industry, good diversification of insured exposures by sector and geography, its conservative investment portfolio, good capitalization and profitability, and moderate financial leverage. These strengths are partially offset by the group's limited diversification beyond credit insurance, and its history of reserve strengthening in Spain, its largest market, after the 2008 financial crisis.

In addition, Atradius' A3 IFS rating continues to reflect its standalone fundamentals and its partial insulation from GCO due to a combination of: (1) its limited correlation with GCO's credit profile due to the different business model within the group, and (2) Moody's expectation that GCO will remain committed to maintaining Atradius' solid capitalisation.

As the second largest trade credit insurer by premiums (23% of 2014 global credit insurance premiums according to data compiled by the International Credit Insurance & Surety Association, "ICISA"), Atradius has a strong position in the global credit insurance market. Consistent with its credit insurance peers, third-party brokers are Atradius' main form of distribution, followed by direct sales. While direct sales make a meaningful contribution to the group's distribution capabilities, particularly in Spain, 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's 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. In addition, Atradius' largest exposures, at approximately 16% of the group's H12015 insured exposure, are to Spain and Portugal, two of the Eurozone countries with weaker credit profiles. That notwithstanding, the company has demonstrated significant improvement in underwriting profitability for exposures in Spain and Portugal in recent years. Atradius' other large exposures include Germany (15%) and France (8%).

The P-2 short term IFSR of Atradius Credit Insurance NV reflects Atradius' 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.

The Ba1(hyb) rating of the backed subordinated notes issued by Atradius Finance B.V. reflects the unconditional and irrevocable subordinated guarantee from Atradius N.V., and Moody's standard notching for debt issued or guaranteed from insurance holding companies.

RATIONALE FOR THE STABLE OUTLOOK

The stable outlook for Atradius reflects the group's very strong position in the credit insurance market, along with good capitalisation and profitability and conservative investment portfolio.

WHAT COULD CHANGE THE RATING UP OR DOWN

Moody's stated that the following factors could place upward pressure on Atradius' ratings: (i) material diversification of the group's business profile, including fee-based services increasing to at least 25% of the total revenue, (ii) sustainable improvements in underwriting profitability on a through-the-cycle basis, or (iii) meaningful reduction in the extent of the group's higher-risk insured exposures, including risks related to geographic concentrations and product features that are unduly restrictive in a downturn scenario (e.g. multiyear policies).

Conversely, Moody's noted the following factors that could lead to downward pressure: (i) material deterioration or downgrade of the Spanish sovereign rating, (ii) material deterioration in Atradius' underwriting profitability, with a 5-year combined ratio consistently above 100% through-the-cycle, (iii) significant deterioration in the group's capitalisation, with net total exposure to shareholders equity above 300x and net underwriting leverage above 170%, or (iv) substantial weakening in the group's market position and franchise.

LIST OF AFFECTED RATINGS

The following long-term insurance financial strength ratings were affirmed:

Atradius Credit Insurance NV at A3

Atradius Re Ltd at A3

Atradius Trade Credit Insurance Inc. at A3

Compania Espanola de Seguros y Reaseguros de Credito y Caucion at A3

The following short-term insurance financial strength rating was affirmed:

Atradius Credit Insurance NV at P-2

The following security rating was affirmed:

Atradius Finance B.V. -- backed subordinated debt rating at Ba1(hyb)

The outlook on all the entities remained stable

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Global Trade Credit Insurers published in December 2015. Please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the credit rating action on the support provider and in relation to each particular credit rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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