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CONTACTS: **Martina Seydoux**
Financial Analyst
+44 20 7397 0308
martina.seydoux@ambest.com

Christopher Sharkey
Manager, Public Relations
+1 908 439 2200, ext. 5159
christopher.sharkey@ambest.com

Ghislain Le Cam, CFA, FRM
Director, Analytics
+44 20 7397 0268
ghislain.lecam@ambest.com

Jim Peavy
Director, Public Relations
+1 908 439 2200, ext. 5644
james.peavy@ambest.com

A.M. Best Upgrades Issuer Credit Ratings of Main Operating Subsidiaries of Atradius N.V.

LONDON, 19 October 2018—A.M. Best has upgraded the Long-Term Issuer Credit Ratings (Long-Term ICRs) to “a+” from “a” and affirmed the Financial Strength Rating of A (Excellent) of Atradius Crédito y Caución S.A. de Seguros y Reaseguros (ACyC) (Spain), Atradius Reinsurance Designated Activity Company (ARe) (Ireland), Atradius Trade Credit Insurance, Inc. (ATCI) (U.S.) and Atradius Seguros de Crédito, S.A. (Atradius Mexico) (Mexico). Concurrently, A.M. Best has upgraded the Long-Term Issue Credit Rating to “bbb” from “bbb-” of the EUR 250 million 5.25% subordinated fixed to floating rate guaranteed notes due 2044, issued by Atradius Finance, B.V. (Netherlands) and unconditionally and irrevocably guaranteed on a subordinated basis by Atradius N.V. (Atradius). The outlook of these Credit Ratings (ratings) is stable.

The ratings reflect Atradius’ consolidated balance sheet strength, which A.M. Best categorises as very strong, as well as its strong operating performance, favourable business profile and appropriate enterprise risk management. The ratings of ACyC, ARe, ATCI and Atradius Mexico factor in their strategic importance to Atradius as primary underwriting entities in the group’s key markets around the world.

The Long-Term ICR upgrades reflect Atradius’ track record of strong operating performance across the underwriting cycle, demonstrated by a 10-year (2008-2017) average combined ratio of 88% (as calculated by A.M. Best). A.M. Best expects continued strong earnings, together with improvements in capital management, to support risk-adjusted capitalisation being maintained at the strongest level.

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Atradius' balance sheet strength is underpinned by its risk-adjusted capitalisation being at the strongest level, as measured by Best's Capital Adequacy Ratio (BCAR). An offsetting factor is the group's relatively high dependence on reinsurance, although the associated risk is mitigated partially by the use of a well-diversified panel of reinsurance companies of a good credit quality.

The group's operating performance is strong, as evidenced by a five-year (2013-2017) average return on equity of 12%. Its loss ratio has been lower than its peers since 2014 (according to A.M. Best's calculation), chiefly due to the improved economic and trading environment in Iberia, where the group originates a large proportion of its business (16% of its total potential exposure for credit insurance in 2017). In addition, operating expenses are relatively low, as evidenced by a 10-year (2008-2017) average expense ratio of 27% (per A.M. Best's calculation). Prospective results are likely to be tested by the elevated level of competition in the trade credit insurance industry, attracted by several years of relatively benign claim experience. However, A.M. Best expects Atradius' operating performance to remain strong over the medium term, supported by management's ability to take prompt risk-mitigating actions on non-performing business when required.

Atradius benefits from a leading position in the global credit insurance market, with a particularly strong position in Spain, the largest market for the segment. Although Atradius is largely a mono-line insurer, its exposures are well-diversified by geography and industry. The group's favourable business profile is underpinned by a strong franchise and a comprehensive network of agents, which provide it with good access to its key markets.

This press release relates to Credit Ratings that have been published on A.M. Best's website. For all rating information relating to the release and pertinent disclosures, including details of the office responsible for issuing each of the individual ratings referenced in this release, please see A.M. Best's [Recent Rating Activity] **web page. For additional information regarding the use and limitations of Credit**

Rating opinions, please view Understanding Best's Credit Ratings. For information on the proper media use of Best's Credit Ratings and A.M. Best press releases, please view Guide for Media - Proper Use of Best's Credit Ratings and A.M. Best Rating Action Press Releases.

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