MOODY'S
INVESTORS SERVICE

Rating Action: Moody's places Atradius' A3 IFS rating on review for upgrade

Global Credit Research - 13 Dec 2017

London, 13 December 2017 -- Moody's Investors Service, ("Moody's") has placed on review for upgrade the A3 Insurance Financial Strength (IFS) rating of Atradius N.V.'s (Atradius) main operating subsidiaries, including Atradius Credito y Caucion S.A. (ACyC), Atradius Trade Credit Insurance Inc. (ATCI, USA) and Atradius Reinsurance DAC (AtradiusRe, Ireland). In addition, Moody's has placed on review for upgrade the Ba1(hyb) backed subordinated notes issued by Atradius Finance B.V.

Moody's said that it expects to conclude its review early in 2018.

Grupo Catalana Occidente (GCO, unrated), the parent of Atradius, 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 accounted for approximately 41% of GCO's revenue for the first nine months of 2017.

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

RATINGS RATIONALE

The rating action reflects steady strengthening of Atradius' financial profile over the past five years, including strong and consistent profitability, strengthening capital adequacy and improvements in its reserving practices. In addition, Atradius has upheld its strong market position as the second largest global trade credit insurer, and continues to invest in defending and strengthening its market position. These strengths are partially offset by Atradius' limited diversification beyond credit insurance, its meaningful exposure to Spain (Government of Spain, Baa2 stable), especially in terms of contribution to profit (21% premiums generated in Iberia -- 9M 2017) via ACyC, the group's main operating company, domiciled in Spain.

Commenting on Atradius' profitability, Moody's stated that the group's combined ratio had improved to 77% in 2016 from 84% in 2010, in part driven by the strengthening of the Spanish economy, but also due to Atradius' improved cost efficiencies and stricter underwriting. Atradius was also able to avoid some of the recent losses that some of its peers experienced on their emerging markets exposures.

Notwithstanding the inherent cyclicality of the credit insurance sector, Atradius has taken tangible steps to limit the volatility of its underwriting results, including reducing its exposure to the Iberian market to approximately 16% as of 3Q 2017 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. Regarding capital, Atradius has continued to build up its capitalisation, thanks to its relatively high retained earnings which has allowed the company to reinvest a significant portion of its profits into the business. ACyC's Solvency II coverage, based on the standard formula, was strong at 160% at year-end 2016. In 2017 the College of Supervisors (Spanish DGSFP and Irish CBI) approved the Partial Internal Model, allowing GCO to use it for the underwriting risk requirements of credit and bonding lines of business.

Net underwriting leverage, a measure of insurance premiums relative to equity, has improved to 0.91x at year-end 2016 from 1.19x at year-end 2012, and remains significantly stronger than pre-2008 levels. Atradius' solid capitalisation is supported by a robust reinsurance program, that includes quota-share, excess-of-loss and stop-loss facilities that protect the group's profitability and capital in the event of high-loss scenarios.

Atradius has reported reserve releases in the last seven years, demonstrating meaningful improvement compared to the period after the 2008 financial crisis when the company had to strengthen reserves. The group has made significant progress in aligning reserving policies and practices on its Spanish book, with Atradius more broadly, which represents a materially more conservative approach to reserving than had been in place during the Spanish sovereign crisis.

The A3 IFS ratings of Atradius' main operating entities are positioned above the credit profile of its parent, GCO, a Spanish retail insurance group, that is constrained by the Spanish sovereign rating (Government of

Spain, Baa2 stable), because of its investment concentration in Spanish sovereign bonds. Although Atradius' ratings are linked to the rating of Spain, the global nature of its business and minimal exposure to Spanish assets limits the constraint on Atradius' ratings.

WHAT COULD CHANGE THE RATING UP OR DOWN

Atradius' ratings could be upgraded if the review confirmed the consistency of Atradius' improvements in profitability, capitalisation and underwriting risk management.

Conversely, Atradius' ratings would be confirmed at their current levels if, following the review, Moody's expects a material deterioration in underwriting performance, or weakening of capital adequacy relative to current levels.

LIST OF AFFECTED RATINGS

Placed On Review for Upgrade:

Issuer: Atradius Credito y Caucion S.A.

....Insurance Financial Strength Rating, currently A3

....ST Insurance Financial Strength Rating, currently P-2

Outlook Actions:

....Outlook, Changed To Rating Under Review From Stable

Issuer: Atradius Finance B.V.

....BACKED Subordinate, currently Ba1(hyb)

Outlook Actions:

....Outlook, Changed To Rating Under Review From Stable

Issuer: Atradius Reinsurance DAC

....Insurance Financial Strength Rating, currently A3

Outlook Actions:

....Outlook, Changed To Rating Under Review From Stable

Issuer: Atradius Trade Credit Insurance Inc.

....Insurance Financial Strength Rating, currently A3

Outlook Actions:

....Outlook, Changed To Rating Under Review From Stable

PRINCIPAL METHODOLOGY

The principal methodology used in these ratings was Global Trade Credit Insurers published in April 2016. 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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