2021

Annual Report
Atradius Finance B.V.

Atradius

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Report of the Board of Directors

Report of the Board of Directors

Atradius Finance B.V. (the 'Company') is a private limited liability company, incorporated under the laws of the Netherlands on 14 November 2003, with its corporate seat in Amsterdam, the Netherlands. The Company provides finance and support services to Atradius N.V. and its subsidiaries (together referred to as 'Atradius'). The only activity of the Company is to support Atradius in obtaining external financing.

The sole shareholder of the Company is Atradius N.V., which is a company incorporated and domiciled in Amsterdam, the Netherlands. The ultimate parent and the ultimate controlling party of Atradius is Grupo Catalana Occidente, S.A. (GCO). The financial statements of Atradius N.V. are consolidated within Grupo Catalana Occidente, S.A., which is a listed company in Spain.

Risk management

The Company is part of Atradius and relies for its risk management on the Atradius risk management framework. The corporate bodies and committees described below operate at Atradius level.

As a global insurance provider, Atradius recognises the importance of risk management. Atradius has introduced a strong governance and associated internal control system within the organisation. As a self-learning organisation and based on regulatory requirements Atradius continues to strengthen its risk management capabilities by broadening the risk management scope and enhancing the existing risk management tools.

The Board of Directors of the Company has the ultimate responsibility and accountability for risk management and internal control within the Company. Atradius N.V.'s Management Board owns, implements and oversees Atradius group-wide risk governance through the Risk Strategy Management Board (RSMB). The RSMB consists of all members of the Management Board, as well as the Directors of Group Risk Management, Strategy & Corporate Development and Finance. The RSMB's responsibilities include the development of the framework to manage risk and the on-going overview of the largest risks. The RSMB establishes the internal risk control system by determining risk control policies and prescribing risk mitigation activities. In addition, the RSMB ensures that there are processes and systems to review the effectiveness of risk management and the internal control system.

Atradius' Supervisory Board including its Audit Committee function is responsible for overseeing its Management Board, including the Company's Board of Directors and ensures that it implements, amongst other things, a suitable risk management and internal control system. In this respect, the Management Board, alongside its risk management functions, periodically presents results, developments and plans to the Supervisory Board and relevant committees thereof. One of these committees, the Audit Committee, supervises, monitors and advises the Management Board on the effect of internal risk management and control systems. It also oversees the operations of the Company and formally fulfils this role on behalf the Company. The Audit Committee is assisted in this role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Atradius' risk management policies are established to identify and analyse the risks faced by Atradius, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Atradius activities. Through training and management of standards and procedures, Atradius has developed a disciplined and constructive control environment in which all employees understand their roles and responsibilities.

Central to Atradius' system of governance is the Atradius risk governance structure. The risk governance structure consists of a framework of committees which act under the delegated authority of the RSMB, approval authorities, roles and responsibilities and risk boundaries, which define the process by which Atradius decides what risks it takes on and how it manages those risks.

In respect of external fraud, the Fraud Control Group, composed of employees of Atradius across various locations, monitors the activity of customers and buyers to detect indications of fraud. Atradius also provides fraud awareness training and advice to employees and customers to help identify fraudulent buyers. Internal fraud is addressed through manual and automated operational controls such as the segregation of duties, application of signing authorities and role-based system privileges and authorities. The risk of fraud is furthermore limited due to the low number of transactions within the Company.

The key risk of the Company is its exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The main exposure to credit risk is under the subordinated loan granted by the Company to Atradius Insurance Holding N.V. Credit risk is considered to be low due to the strong solvency and performance of Atradius and the quality of the ratings of the key operating entities. For the description of the main risk and uncertainties and how these are managed we refer to Note 3 Management of financial risk of the financial statements.

The impact of COVID-19 on our business

In 2021, as in 2020, the most significant developments in the risk landscape were related to the worldwide effects of the COVID-19 pandemic. The pandemic has affected all risk areas – from underwriting risk (impact on buyers (credit insurance) and customers (bonding)) to financial risk and operational risk (impact on Atradius' ability to maintain its standard of service and to ensure that the needs of employees are adequately addressed).

A key part of Atradius' underwriting strategy during the COVID-19 crisis beginning in 2020 – and continuing in 2021 - has been supporting its customers in insuring their receivables, and, at the same time, protecting them against losses in a heightened risk environment in an explainable and comprehensible way. While COVID-19 risks were spread broadly, the risks were not uniform across all countries, sectors and portfolios. Atradius analysed the nature and sources of the risks and how they constantly shifted, e.g. supply chain problems, commodity shortages and price developments, fluctuations in consumer and purchasing manager confidence, willingness of governments to continue support of struggling companies and potential interest rate increases.

Atradius continually analysed all trade sectors for relevant risk factors, such as how they might be influenced by governmental response and readiness, and changing infection rates in different countries and regions. Using segmentation tools, extensive data and analytics, dedicated COVID-19 response teams coordinated its worldwide risk and commercial organizations to rigorously review and take action on portfolios. Most of Atradius' underwriting algorithms were re-parameterized in the COVID-19 environment. These continuous underwriting actions were performed in alignment with commercial strategies on (re)pricing, policy restructuring and prudent sales, underpinned by a deliberate and transparent communication with the market.

Atradius has taken the appropriate steps to manage its exposure to the effects of the pandemic.

Financial performance

The result for the year of the Company is mainly driven by the interest margin on the subordinated loan granted to Atradius Insurance Holding N.V. and the issued guaranteed subordinated notes and based on the change of expected credit losses on the subordinated loan. The result for the year is affected by a decrease in the expected credit losses of approximately EUR 3.9 million (gross of taxes), effectively driven by the tightening of the credit spreads back to pre-2020 levels. The widening of the credit spreads in 2020 when investors fled to higher rated instruments has been retraced in 2021.

The decrease in the expected credit losses of approximately EUR 2.9 million (net of taxes) led to an increase in the 2021 year-end equity.

The Company is operating as a going concern. The Company's cash flows are matched and interest revenue is higher than expenses. Furthermore, credit risk is low due to the strong performance of Atradius and the quality of the ratings of key operating entities. Please refer to Note 3 Risk Management for further information.

Ratings

At the time of adopting this annual report, the key operating entities of Atradius (Atradius Crédito y Caución S.A. de Seguros y Reaseguros, Atradius Reinsurance DAC and Atradius Trade Credit Insurance, Inc.) are rated 'A (Excellent), outlook stable' by A.M. Best and 'A2, outlook stable' by Moody's.

The subordinated notes issued by the Company have at the time of adopting this annual report been assigned a debt rating of 'bbb, outlook stable' by A.M. Best and 'Baa2, outlook stable' by Moody's.

Environmental, Social and Governance Sustainability (ESG)

The Company is part of Atradius and relies for its ESG strategy on the Atradius framework. The activities described below operate at Atradius level.

In a changing world environmental, social and governance topics are becoming increasingly important. Atradius is embracing these changes and aims to work together with its stakeholders to put ESG at the core of its business.

As a worldwide operating company, Atradius is aware of its responsibility to do business in a way that is ethically and environmentally sound. Environmental, Social and Governance topics are more important than ever, as the urgency of taking care of our planet for future generations and ourselves has further grown. Atradius takes up its responsibility as a global organisation. Atradius works together with its stakeholders, with a goal of maximizing the sustainable social value and minimizing the negative impacts on social and environmental matters arising from its activities.

Continued commitment

Environmental, Social and Governance Sustainability is embedded in Atradius' culture and a key driver in its day-to-day operations. As a credit insurer, Atradius strongly supports the management of its customers' risks, enabling them to increase their trade profitably, prosper in their respective industry segments, and thus create and maintain employment and reduce poverty. It is Atradius' objective to do this jointly with its customers in a transparent and ethical manner, allowing both parties to grow sustainably. Atradius places particular emphasis on the identification of risks and opportunities related to ESG parameters and criteria and embed them in its underwriting strategy.

Atradius is persistently improving and promoting the development of sustainable products and services that contribute to protection of the environment. Atradius expects the same approach by its suppliers, which is hard-coded in its procurement policy. Within the Atradius culture, a key building block is the encouragement of efficient and responsible use of resources, as well as behaviour supporting its responsible use.

A company consists of individual people and Atradius' employees are committed to putting ESG at the heart of their activities. Initiated by individual employees all over the world, Atradius engages in local initiatives for the benefit of communities in the different countries where it is located. From an employer perspective, Atradius provides a workplace environment that is based on an atmosphere of trust and mutual commitment, upholding people and guaranteeing the right to equality of opportunities and treatment for all people.

International ESG standards and reporting

To connect with the international ESG standards in its commitments and ambitions, Atradius has subscribed to the ten principles of the United Nations Global Compact (UNGC) on human rights, labour conditions, the environment and anti-corruption. Every year Atradius provides an update on the progress it has made.

Atradius provides transparency about its ESG-commitments via various channels. In 2021, it subscribed the Atradius Group to the Dutch government's bi-annual Transparency Benchmark study of the 200 largest companies in the Netherlands. Atradius was awarded 9th place for clarity in ESG-reporting. Atradius also has the quality of its sustainability management system measured by EcoVadis. Its policies, actions and results were assessed on 21 sustainability criteria, ranging from environment, labour and human rights, to ethics and sustainable procurement. The resulting scorecard puts Atradius in the upper half of all rated companies.

Atradius' ambitions for the future

The ESG Sustainability Policy of Atradius, which will also apply to the Company, is closely aligned with the ESG Sustainability Plan of Grupo Catalana Occidente (GCO), its parent company. In 2021, Atradius continued to build on the foundations with the intention of further improving the full group's business. Key areas to be mentioned are its efforts in dealing with climate change and sustainability, human rights and diversity, as well as digitization, innovation and employee experience. All relevant units in Atradius and GCO are brought together to contribute to its ESG ambitions as a whole organisation, providing a scope and ambition that has been generated in the form of a three-year Master Plan (2020-2023).

GCO recently joined the UN-convened Net Zero Emissions Insurance Alliance, committing to transition its underwriting portfolio to net-zero greenhouse gas emissions by 2050 and setting science-based intermediate targets every five years and independently report on their progress publicly on an annual basis.

The progress Atradius has made has been recognised by Sustainalytics, a Global leader in ESG research with almost 30 years of experience around sustainability, which has in December 2021 significantly improved Grupo Catalana Occidente's ESG rating. GCO is now 12th out of 300 insurance companies evaluated. This recognition as a group is a further push for our obligation to manage the ethical, environmental and social risks of our business and contribute to global efforts for making the world a better place to live, work and trade.

The Board of Directors is in the process of selecting the Key Performance Indicators applicable to the Company out of the ones being identified at GCO.

Outlook

Economic recovery is still closely tied to vaccination rates, which should increase as vaccinations become more widely available this year. In 2022, the economic environment will still be affected by high inflation and energy price rises, but a strong labour market and continued consumer confidence and spending provide a buffer.

In the context of this outlook, Atradius will continue to apply a risk management strategy that is balanced and customer focused. Efficient utilisation of exposure will be key to sustaining our growth trajectory.

As the subordinated notes issued are not to redeem within the coming period of 12 months and Atradius' asset base consists of highly liquid assets, management foresees very limited impact of its business operations and performance, despite the COVID-19 crisis.

The Company is not involved in research & development activities and there are no developments foreseen at the areas of investments, financing or staffing.

Amsterdam, 2 March 2022
The Board of Directors

C. Gramlich-Eicher
D. Hagener
F.E. Beijdorff

Conformity statement

As required by section 5:25c subsection 2(c) of the Dutch Financial Supervision Act (Wet op het Financieel Toezicht), the members of the Board of Directors hereby confirm that to the best of their knowledge:

- The Atradius Finance B.V 2021 financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Atradius Finance B.V.;

- The Atradius Finance B.V. 2021 annual report gives a true and fair view of the position of Atradius Finance B.V. at the end of the reporting period and of the development and performance of the business during the financial year 2021, together with a description of the principal risks Atradius Finance B.V. is being confronted with.

Amsterdam, 2 March 2022

The Board of Directors

C. Gramlich-Eicher

D. Hagener

F.E. Beijdorff

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Financial Statements

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All amounts in thousands of Euro, unless otherwise stated

Financial statements

Statement of financial position (before profit appropriation)

Assets	Note	31.12.2021	31.12.2020
Loans and receivables	4.1.1	248,887	245,826
Deferred tax assets	4.1.4	533	1,503
Other assets	4.1.2	3,939	3,949
Cash and cash equivalents	4.1.3	3,648	2,390
Total		**257,007**	**253,668**
Equity			
Share capital	4.2.1	18	18
Retained earnings	-	501	3,266
Result for the year	-	3,064	(2,765)
Total		**3,583**	**519**
Liabilities			
Subordinated loan debt	4.3.1	249,383	249,177
Current tax liabilities	-	29	48
Payables	4.3.2	439	351
Other liabilities	4.3.3	3,573	3,573
Total		**253,424**	**253,149**
Total equity and liabilities		**257,007**	**253,668**

Statement of comprehensive income

	Note	2021	2020
Interest income	5.1	13,498	13,543
Interest expense	5.2	(13,341)	(13,331)
Net Interest income		**157**	**212**
Loan impairment loss on financial assets	3.1.1	**3,946**	**(3,957)**
Net interest income after provision for credit losses		**4,103**	**(3,745)**
Net operating expenses	5.3	(40)	(28)
Result for the year before tax		**4,063**	**(3,773)**
Income tax credit /(expense)	5.4	(999)	1,008
Result for the year attributable to the owners of the company		**3,064**	**(2,765)**
Total comprehensive income for the year attributable to the owners of the company		**3,064**	**(2,765)**

Statement of changes in equity

Attributable to the owners of the Company				
	Share capital	Retained earnings	Result for the year	Total equity
Balance at 1 January 2020	**18**	**724**	**2,542**	**3,284**
Appropiation of prior year result	-	2,542	(2,542)	-
Result for the year	-	-	(2,765)	(2,765)
Balance at 31 December 2020	**18**	**3,266**	**(2,765)**	**519**
Balance at 1 January 2021	**18**	**3,266**	**(2,765)**	**519**
Appropiation of prior year result	-	(2,765)	2,765	-
Result for the year	-	-	3,064	3,064
Balance at 31 December 2021	**18**	**501**	**3,064**	**3,583**

Statement of cash flows

	Note	2021	2020
I. Cash flows from operating activities			
Interest received - loans and receivables		14,371	14,371
Cash payments/collections to/from suppliers and related parties		12	13
Income tax paid		-	(1,170)
Net cash (used in)/generated by operating activities		**14,383**	**13,214**
II. Cash flows from financing activities			
Interest paid - subordinated loans		(13,125)	(13,125)
Net cash (used in)/generated by financing activities		**(13,125)**	**(13,125)**
Changes in cash and cash equivalents (I + II)		**1,258**	**89**
Cash and cash equivalents at the beginning of the year	4.1.3	2,390	2,301
Cash and cash equivalents at the end of the year	4,1,3	**3,648**	**2,390**

Notes to the financial statements

1 General information

Atradius Finance B.V. (the 'Company') is a private limited liability company, incorporated under the laws of the Netherlands on 14 November 2003, with its corporate seat at 1 David Ricardostraat, 1066 JS, Amsterdam, the Netherlands; Chamber of Commerce registration number 34198113. The Company provides finance and support services to Atradius N.V. and its subsidiaries. The only activity of the Company is to support Atradius in obtaining external financing.

The sole shareholder of Atradius Finance B.V. is Atradius N.V.. The ultimate parent and the ultimate controlling party of Atradius is Grupo Catalana Occidente, S.A.. The financial statements of Atradius N.V. are consolidated within Grupo Catalana Occidente, S.A., which is a listed company in Spain.

These financial statements have been authorised for issue by the Board of Directors on 2 March 2022.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all financial years presented, unless otherwise stated.

2.1 Basis of presentation

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and also comply with Part 9 of Book 2 of the Dutch Civil Code. The Company's financial statements are prepared based on going concern. These have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates (please refer to note 2.11). It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

All amounts in the notes are shown in thousands of Euro (EUR), rounded to the nearest thousand, unless otherwise stated. The Euro is the functional currency of the Company (please refer to note 3.1.3.2).

Below are the selected standards and amendments that are relevant for the Company.

2.2 New and revised standards

2.2.1 Standards, amendments and interpretations effective in 2021

The following relevant standards, amendments and interpretations have been adopted in 2021, but have had no effect on the financial statements unless otherwise mentioned:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective 1 January 2021). The amendments ensure that companies will not have to derecognise or adjust carrying amounts of financial instruments for changes required by the reform. Companies will not have to discontinue existing hedge relationships solely because it makes changes required by the reform. Companies will be required to disclose information about new risks arising from the reform and how it manages transition to alternative benchmark rates. In the absence of any hedge relationships it is expected that these amendments will not have an impact on the financial statements.
- Amendment to IFRS 16 for COVID-19-related rent concessions beyond 30 June 2021. The amendment permits lessees, as a practical expedient, not to assess whether particular COVID-19-related rent concessions are lease modifications. Instead, lessees that apply the practical expedient can account for those rent concessions as if they were not lease modifications. The Amendment increases the eligibility period for the application of the practical

expedient by 12 months from 30 June 2021 to 30 June 2022. This amendment has no impact on the financial statements.

2.2.2 Standards, amendments and interpretations not yet adopted

The following relevant standards and amendments are effective for annual periods beginning after 31 December 2021 and have not been early adopted by the Company:

- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (effective 1 January 2022). These amendments require a company to include both incremental costs as well as an allocation of other costs of fulfilling a contract when assessing whether that contract will be loss-making. It is not expected that these amendments will have an impact on the financial statements.

- Annual Improvements 2018-2020 (effective 1 January 2022). The annual improvements make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases. These amendments will not have an impact on the financial statements.

The European Union has not yet endorsed the following relevant standards and amendments and as such these have not been adopted by the Company:

- Amendments to IAS 1 Presentation of Financials Statements: classification of liabilities as current or non-current and IFRS Practice statement 2: Disclosure of accounting policies. These amendments will not have an impact on the financial statements.
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates. These amendments will not have an impact on the financial statements.
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction. These amendments will not have an impact on the financial statements.

2.3 Segment reporting

The Company has one relevant operating segment; the financial information of this operating segment is included in the financial statements.

2.4 Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. All financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at Fair-Value through Profit or loss (FVTPL). Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognised immediately in profit or loss.

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Company determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Company's business model does not depend on management's intentions for an individual instrument therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

In assessing the contractual cash flow characteristics, the Company considers if the cash flows are solely principal and interest (SPPI). For the purpose of the SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. Contractual cash flows that are

SPPI are consistent with a basic lending arrangement. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

2.4.1 Financial assets measured at amortised cost

Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost. Amortised cost is the amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

2.4.2 Impairment of financial assets

The Company recognises loss allowance for expected credit losses (ECLs) on the financial assets that are measured at amortised cost. These are measured as the probability-weighted present value of the difference between the contractual cash flows and the cash flows that the Company expects to receive discounted at the asset's Effective Interest Rate (EIR). ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-Month ECL, i.e. lifetime ECL that results from those default events on the financial instruments that are possible within 12 months after the reporting date, (referred to as stage 1); or
- Full lifetime ECL i.e. lifetime ECL that results from all possible default events over the life of the financial instrument (referred to as Stage 2 and Stage 3).

The Company applies a three-stage approach to measure expected credit losses (ECLs) financial assets where 12-month ECL is recognised are in 'stage 1'. Financial assets that are considered to have experienced a significant increase in credit risk are in 'stage 2'. Financial assets, for which there is objective evidence of impairment, are considered to be in default or otherwise credit impaired, are in 'stage 3'.

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. More details on the determination of a significant increase in credit risk are provided in note 3.

For ECL on a modified asset, please refer to note 2.4.3.

2.4.3 Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date.

When a financial asset is modified the Company assesses whether this modification results in derecognition. A modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Company considers qualitative factors, such as contractual cash flows after modification are no longer SPPI, maturity and covenants. A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms.

Where a modification does not lead to derecognition the Company calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate. For such assets, the risk of default after modification is assessed at reporting.

2.5 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held on call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. The estimated fair value of the cash and cash equivalents is equal to the book value of the cash and cash equivalents due to the short-term nature of the balance.

2.6 Capital and reserves

2.6.1 Share capital

Share capital is the nominal value of issued shares. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax. Incremental costs directly attributable to the issue of equity instruments as consideration for the acquisition of a business are included in the cost of acquisition.

2.6.2 Retained earnings

Retained earnings is the accumulated amount of profits or losses at the end of the reporting period, which have not been distributed to shareholders. The distribution of retained earnings can be restricted by law and/or as set out in the articles of association of the Company.

2.7 Subordinated debt

The Company classifies its financial liabilities at amortised cost.

Subordinated debt is recognised initially at fair value, net of transaction costs incurred and subsequently measured at amortised cost. The difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the fixed period of the subordinated debt during which the interest is fixed using the effective interest method. Interest is accrued based on the effective interest rate calculated at inception of the subordinated debt and recognised over time to the value of the subordinated debt itself. Interest payable is reported under other liabilities.

2.8 Taxation

Income tax in the income statement for the year comprises current and deferred tax. Income tax is recognised in the income statement,

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect to previous years.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. If the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting, nor taxable profit or loss, it is not accounted for.

2.9 Statement of income

2.9.1 Income

Net interest income is the interest income on loans and receivables less interest expenses on subordinated bonds, both recognised using the effective interest method.

2.9.2 Expenses

Net operating expenses comprise administrative expenses.

2.10 Statement of cash flows

The statement of cash flows is presented using the direct method.

Some of the terminology used in the statement of cash flows is explained as follows:

- Cash flows are inflows and outflows of cash and cash equivalents;
- Operating activities are the principal revenue-producing activities of the Company and other activities that are not financing activities;
- Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the Company; and
- Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

2.11 Critical estimates, judgements and errors

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the Company's accounting policies. The areas that involve a higher degree of judgement or complexity are the credit impaired losses, the fair value disclosures of financial assets and subordinated debt and the deferred tax asset. Detailed information about each of these estimates and judgements is included in note 3.1.1, 4.1.1, 4.1.4 and note 4.3.1 respectively.

3 Management of financial risk

3.1 Financial risk

The Company is exposed to financial risk through its financial assets and financial liabilities. The core components of the financial risk are credit risk, liquidity risk and market risk. The relevant risks for the Company are further detailed in the next paragraphs.

3.1.1 Credit risk

The Company has exposure to credit risk, which is the risk that a counterparty will be unable to repay their debts towards the Company in full when due. The key area where the Company is exposed to credit risk are the loans and receivables as part of financial assets. The loans and receivables consist of a subordinated loan granted to Atradius Insurance Holding N.V. The underlying credit risk is depending on the capability for Atradius Insurance Holding N.V. to generate the necessary cash from its business to repay the loans. The subordinated loan is related to the issued subordinated notes (part of the liabilities in the balance sheet). Atradius Insurance Holding N.V. is a subsidiary of Atradius N.V., the shareholder of the Company, who acts as a guarantor under the subordinated notes.

At the time of adopting this Annual report, the key operating entities of Atradius (Atradius Crédito y Caución S.A. de Seguros y Reaseguros, Atradius Reinsurance DAC and Atradius Trade Credit Insurance, Inc.) are rated 'A (Excellent), outlook stable' by A.M. Best and 'A2, outlook stable' by Moody's. The credit ratings have been affirmed by both rating agencies in 2021. In February 2021 Moody's affirmed the A2 rating outlook stable recognising the resilience of the Atradius entities to a potential hike in claims in the next 12 to 18 months. The related maximum exposure to credit risk equals the carrying amount of EUR 250 million of the subordinated loan with Atradius Insurance Holding N.V.

Significant increase in credit risk (SICR)

As explained in note 2.4.2 the Company monitors financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Company will measure the loss allowance based on lifetime rather than 12-month ECL.

The Company considers an instrument to be in default when contractual payments are 90 days past due. Under IFRS 9, when determining whether the credit risk (i.e., risk of default) of a financial asset has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort.

SICR is assessed by analysing the credit rating of the counterparty of the intercompany subordinated loan including assessing any changes in the credit rating since issuance date, of the counterparty and its main operating subsidiaries since issuance date and tracking history of default. Based on the analysis done there was no SICR and the company considered to have low credit risk.

Incorporation of forward looking information

The Company uses forward-looking information that is available without undue cost or effort in its assessment of SICR as well in as in the measurement of ECL.

The Probability of Default (PD) is adjusted to reflect current and forward-looking information in macroeconomics factors affecting the ability of the counterparty to pay.

Forward-looking information includes information obtained from economic export reports, financial analysists government bodies as well as consideration of various internal and external sources of actual and forecast economic information.

Measurement of ECL

For the financial asset's loss allowance provisions calculation, the ECL methodology estimates the difference between the contractual cash flows that must be paid according to the contract and the cash flows that the Company expects to receive. The three elements to calculate the Expected Credit Losses (ECL) are: Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD).

The ECL is calculated by the following formula: ECL = PD*LGD*EAD. The numbers are as follows: PD (1.3%), LGD (63.3%) and the EAD (EUR 254.9 million), ECL as of 31 December 2021 amounts to EUR 2.1 million. (In 2020, PD (3.9%), LGD (60.0%) and the EAD (255.8 million), ECL amounted to EUR 6.0 million)

The sensitivity for a change in the credit spread is as follows. A 25% decrease in the credit spread results in a lower ECL after tax of EUR 378 thousand and an increase of 25% respectively to a higher ECL after tax of EUR 378 thousand.

The components of the equation are determined in line with IFRS 9 requirements and were assessed by independent evaluators and verified by our internal risk management team. In 2021 a decrease in expected credit losses of approximately EUR 3.9 million (gross of taxes) is recorded driven mostly by the tightening of the market credit spreads back to pre-2020 levels. The widening of the market credit spreads in 2020 when investors fled to higher rated instruments has been retraced in 2021.

The recovery rate, a key input in the calculation of the LGD, depends on the type of instrument, the conditions of each issue (for example, subordination level) and the issuer situation when facing a potential liquidation or resolution process. In this context, the recovery rates for Stage 1 are estimated based on external data and international studies. Currently there is no 'Stage 2 or 3' impairment allowance.

3.1.2 Liquidity risk

The Company is exposed to liquidity risk if there is insufficient cash available to meet its financial obligations, when due, at a reasonable cost. For the Company, liquidity risks may arise if large scale short-term fluctuations occur to cash flows, such as a decline in incoming cash or a rise in outgoing cash, or a combination of both.

Liquidity risk is managed at Atradius, in close coordination with local operations. Atradius' policy is to monitor and measure ongoing cash flow patterns and control liquidity by maintaining sufficient cash and highly marketable securities to reduce liquidity risk to acceptable low levels. The investment policy states that Atradius should only invest in financial instruments that can be liquidated in less than three business days. Atradius can access credit facilities to prevent certain liquidity shortages which may arise due to short-term cash flow variances. Atradius maintains an uncommitted credit line in excess of EUR 1 million, in the form of an overdraft facility for totalling EUR 50 million (2020: EUR 50 million). The credit line provides liquidity to cover infrequent peaks in short-term liquidity requirements while also permitting Atradius to reduce its cash balances and to benefit from a more substantial and stable investment portfolio. Finally, Atradius has in place a simultaneous claims payment clause in the main reinsurance treaties. This clause allows Atradius to ask the reinsurers to anticipate the payment of a large claim upon Atradius' request instead of the usual payment terms agreed in the reinsurance treaties.

All amounts in thousands of Euro, unless otherwise stated

The following table indicates the estimated amount and timing of cash flows as at the end of the reporting period of interest-bearing assets and liabilities. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

The tables have been drawn up based on the undiscounted contractual cash flows of financial liabilities (and related assets) based on the earliest contractual repayment date. The Company's options to redeem the subordinated loan notes (see Note 4.3.1) and to terminate the loan (see Note 4.1.1) prior to their contractual maturity dates are reflected in the tables below.

At 31 December 2021	0-1 years	1-3 years	3-5 years	Carrying value
Interest bearing assets				
Granted subordinated loan	14,384	272,852	-	250,952
Cash and cash equivalents	3,648	-	-	3,648
Interest bearing liabilities				
Subordinated notes	13,125	272,677	-	249,383

At 31 December 2020	0-1 years	1-3 years	3-5 years	Carrying value
Interest bearing assets				
Granted loan	14,384	28,768	258,468	249,775
Cash and cash equivalents	2,390	-	-	2,390
Interest bearing liabilities				
Subordinated notes	13,125	26,250	259,552	252,750

The tables have been drawn up based on undiscounted contractual cash based on the earliest contractual repayment date.

3.1.3 Market risk

Market risk is the risk that the fair value or future cash flows of the financial assets or financial liabilities will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and equity price risk. The Company is only exposed to interest rate risk. Due to the fact that the assets and the liability's terms and conditions are similar the interest risk is not expected to have a material impact.

3.1.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Due to the fact that the redemption dates of both the loan (asset) and the notes (liability) managed by the Company are equal, the Company considers the interest rate risk as low. In addition, the Company manages it interest rate risk on the notes by an equally fixed rate basis on the loan. As this effectively mitigates any interest rate risk exposure there is no sensitivity to interest rate movement in the Company's accounts.

The table below summarises the combined percentage of the yield and spread at the end of the reporting period by type of interest-bearing assets and liabilities as at that date for the fixed rate of interest period. The interest-bearing assets in this table relate to the subordinated loan granted to Atradius Insurance Holding N.V.

	Weighted average effective interest rate %	
	2021	**2020**
Interest bearing assets		
Granted subordinated loan	5.80%	5.80%
Interest bearing liabilities		
Subordinated notes	5.35%	5.35%

3.1.3.2 Currency risk

The Company is not exposed to currency exchange risk, since the Company's assets as well as the liabilities are all denominated in EUR.

3.1.3.3 Equity price risk

The Company is not exposed to movement in equity prices since it does not hold any equity investments in its investment portfolio.

4 Notes to the statement of financial position

4.1 Assets

4.1.1 Loans and receivables

Financial assets can be specified as folows:

	2021	2020
Amortised cost as at 31 December	250,952	251,836
Expected Credit Loss allowance	(2,065)	(6,010)
Balance as at 31 December	**248,887**	**245,826**

The financial assets are non-current and relate to a subordinated loan granted on 23 September 2014 to Atradius Insurance Holding N.V., a related party, of EUR 248 million, with an original maturity of 30 years. The subordinated loan bears interest on the principal amount consisting of a fixed rate of interest of 5.8% per annum -after an agreed increase of the interest margin by 44 basis points in December 2018- payable annually until the first 10 years have elapsed. The rate of interest will thereafter be reset to a floating 3-month-EURIBOR plus a margin of 5.031% per annum payable quarterly for the remaining 19 years. Provided that notice has been given to the other parties, the Company and Atradius Insurance Holding N.V. have the possibility to terminate this loan on 23 September 2024 and each interest payment date thereafter, without any penalties.

The loss allowance is based on a 12-month ECL, there was no SICR (Significant Increase in Credit Risk) on transition. For additional information, please refer to note 3.1.1.

The fair value of the loan at year-end 2021 is estimated at EUR 282 million (2020: EUR 278 million). The estimate is calculated in line with the estimate for the subordinated notes (see Note 4.3.1). The subordinated loan is classified as a level 2 financial instrument under the fair value hierarchy since it is related to the subordinated notes (see Note 4.3.1). There have been no transfers into or out of Level 2 of the fair value hierarchy during 2020 and 2021.

As the interest rate earned on the loan receivable is higher than the interest rate paid on the subordinated notes, the fair value of the asset is higher on a net present value basis. The result is that the fair value of the asset is approximately EUR 2 million higher than that of the subordinate notes (2020: appr. EUR 2 million higher).

All amounts in thousands of Euro, unless otherwise stated

4.1.2 Other assets

The estimated fair values of other assets are comparable with the book value of these assets due to the short-term nature of the balance. These assets are all current and consist of accrued interest, prepaid expenses and income tax.

4.1.3 Cash and cash equivalents

All cash and cash equivalents are current and include cash at bank and cash in hand. The Company participates in a cash pooling agreement within Atradius. Cash balances are transferred to the master account at Atradius Insurance Holding N.V. on a quarterly basis, resulting at year-end in an intercompany cash receivable. These balances remain always at the disposal of the entity.

4.1.4 Deferred tax assets

The expected credit loss of EUR 2.1 million (2020: EUR 6.0 million) created a temporary difference between IFRS and tax base and therefore a deferred tax asset of EUR 0.5 million (2020: EUR 1.5 million) was recognised. The deferred tax asset will depend on the value of the expected credit loss and will move in accordance with the changes in the excepted credit loss amount going forward. The tax rate changed to 25.8% (2020: 25.0%).

The deferred tax asset will depend on the value of the expected credit loss and will move in accordance with the changes in the excepted credit loss amount going forward. The deferred tax asset is considered as non-current.

The gross movement on the deferred income tax is presented in the following table:

	2021	2020
Balance at 1 January	1,503	448
Release/(Charge) for the year	(970)	1,055
Balance at 31 December	**533**	**1,503**

4.2 Equity

4.2.1 Share capital and reserves

The authorised share capital amounts to EUR 90,000 divided into 90 shares with a nominal value of EUR 1,000 each. Eighteen shares (nominal value EUR 18,000) were issued and fully paid at balance sheet date. The fully paid ordinary shares carry one vote per share and carry the right to dividends. There have been no changes in the number of shares outstanding during the reporting period.
The Company's objectives when managing capital are to:

- Safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders, and
- Maintain an optimal capital structure to reduce the cost of capital for Atradius N.V and its subsidiaries.

4.3 Liabilities

4.3.1 Subordinated debt

On 23 September 2014, the Company issued guaranteed subordinated notes with a nominal value of EUR 100,000 each for an aggregate amount of EUR 250 million (the 'subordinated notes'). The Company may redeem the subordinated notes, in whole but not in part, on 23 September 2024 and on each interest payment date thereafter. Unless previously redeemed, the subordinated notes will ultimately be redeemed at maturity on 23 September 2044.

The subordinated notes bear interest at a fixed rate of 5.250% per annum payable annually in the first 10 years, which will thereafter be reset to a floating 3 month-EURIBOR plus a margin of 5.031% per annum payable quarterly for the remaining

19 years. The subordinated notes do qualify as regulatory capital under the Solvency II grandfathering rules. The subordinated notes are guaranteed by Atradius N.V. and are listed on the Luxembourg Stock Exchange.

As at the balance sheet date the subordinated notes issued by the Company have been assigned a debt rating of 'bbb, outlook stable' by A.M. Best and 'Baa2, outlook stable' by Moody's.

The fair value estimate of the subordinated notes at year-end is EUR 280 million (2020: EUR 276 million) and is classified as Level 2 under the fair value hierarchy as it is based on a discounted cashflow model based on observable market inputs.

There have been no transfers into or out of Level 2 of the fair value hierarchy during 2020 and 2021.

The subordinated notes are non-current.

4.3.2 Payables

Payables are all current and relate mainly to intercompany positions for income tax and operating costs to be settled.

4.3.3 Other liabilities

The other liabilities are all current and consist of the accrued interest balance on the subordinated notes at the end of the reporting period of EUR 3.6 million (2020: EUR 3.6 million).

5 Notes to income statement

5.1 Interest income

This amount consists of interest income relating to the subordinated loan granted to Atradius Insurance Holding N.V.

5.2 Interest expense

This amount consists of interest expenses relating to the subordinated notes.

5.3 Net operating expenses

This amount consists of administrative expenses.

5.4 Income Tax (credit)/expense

	2021	2020
Current tax	29	47
Deferred tax	970	(1,055)
Income tax (credit)/expense for the year	**999**	**(1,008)**

The reconciliation of the expected tax rate to the actual tax rate is provided in the following table:

	2021	2020
Result before tax	**4,064**	**(3,770)**
Tax at the rate of 25%	1,016	(943)
Tax rate adjustments	(17)	(65)
Income tax (credit)/expense for the year	**999**	**(1,008)**

All amounts in thousands of Euro, unless otherwise stated

The current tax liability relates to corporate income taxes payable. As Atradius Finance B.V. is included in a fiscal unity for corporate income tax purposes with Atradius N.V. in the Netherlands, the tax payable of the Company will be settled with other entities within the fiscal unity. All companied included in the fiscal unity are jointly and severally liable for the corporate income tax payable in the Netherlands by the fiscal unity.

6 Personnel

The Company has no employees (2020: nil).

7 Related party transactions and balances

At 31 December 2021	Interest income related parties	Interest expense related parties	Nominal values owed by related parties	Nominal values owed to related parties
Atradius Insurance Holding N.V.	13,498	-	248,000	-
Atradius Crédito y Caución S.A. de Seguros y Reaseguros	-	-	3,648	-
Plus Ultra, Seguros Generales y Vida, S.A. de Seguros y Reaseguros	-	2,112	-	40,000
Seguros Catalana Occidente S.A. de Seguros y Reaseguros	-	727	-	13,291
Bilbao Compañía Anónima de Seguros y Reaseguros	-	163	-	3,000
Total	**13,498**	**3,002**	**251,648**	**56,291**

At 31 December 2020	Interest income related parties	Interest expense related parties	Nominal values owed by related parties	Nominal values owed to related parties
Atradius Insurance Holding N.V.	13,544	-	248,000	-
Atradius Crédito y Caución S.A. de Seguros y Reaseguros	-	-	2,390	-
Plus Ultra, Seguros Generales y Vida, S.A. de Seguros y Reaseguros	-	2,116	-	40,000
Seguros Catalana Occidente S.A. de Seguros y Reaseguros	-	728	-	13,291
Bilbao Compañía Anónima de Seguros y Reaseguros	-	163	-	3,000
Total	**13,544**	**3,007**	**250,390**	**56,291**

Loans and receivables

The intercompany positions following the subordinated loan granted to Atradius Insurance Holding N.V. are disclosed in note 4.1.1.

Cash and cash equivalents

The intercompany cash receivable on Atradius Insurance Holdings N.V. is disclosed in note 4.1.3.

Subordinated debt

Plus Ultra, Seguros Generales y Vida, S.A. de Seguros y Reaseguros, a subsidiary of the ultimate parent of Atradius has purchased on 23 September 2014 EUR 40 million (16.0%) of the guaranteed subordinated notes. During 2017 additional guaranteed subordinated notes were purchased by Seguros Catalana Occidente S.A. de Seguros y Reaseguros (EUR 13.3 million, 5.3%) and Bilbao Compañía Anónima de Seguros y Reaseguros (EUR 3.0 million, 1.2%). Both companies are also subsidiaries of the ultimate parent of Atradius.

The interest expense relating to this portion in 2021 was EUR 3.0 million (2020: EUR 3.0 million).

Payables

The intercompany payable position as at year-end is disclosed in note 4.3.2. The payable comprises a position to Atradius N.V. for income tax to be settled (2021: EUR 311 thousand; 2020: EUR 265 thousand) and a position to Atradius Crédito y Caución S.A. de Seguros y Reaseguros (2021: EUR 97 thousand; 2020: EUR 79 thousand) for invoices to be settled. The balance with Atradius N.V. represents a non-cash item of EUR 311 thousand transferred from tax liabilities relating to current income tax 2019 and 2020.

These transactions with related parties are at arm’s-length. To better align with other group companies, we present nominal values.

Other services that Atradius performs on behalf of Atradius Finance B.V. except for independent auditor’s expenses are not recharged to the entity.

8 Independent auditor's fees

The information of Atradius Finance B.V. is consolidated in the financial statements of Atradius N.V., no further disclosure is required relating to independent auditor’s fees.

9 Remuneration of the Board of Directors

The Company paid no specific remuneration to members of the Board of Directors of the Company in 2021 and 2020. All members of the Board of Directors are employed by Atradius. Costs were not allocated or recharged to the Company for services performed by the Board of Directors.

10 Events after the reporting period

There are no events after balance sheet.

11 Proposed profit appropriation

The Board of Directors proposes to the General Meeting to allocate the result for the year of EUR 3.1 million to the retained earnings. The proposal is not yet reflected in these financial statements.

2 March 2022

The Board of Directors

C. Gramlich-Eicher

D. Hagener

F.E. Beijdorff

03

Other information

Other Information

Statutory appropriation of result

In accordance with article 21 of the Articles of Association the result for the year is at the disposal of the General Meeting.

Independent auditor's report

Independent auditor's report

To: the general meeting of Atradius Finance B.V.

Report on the financial statements 2021

Our opinion

In our opinion, the financial statements of Atradius Finance B.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2021, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ('EU-IFRS') and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2021 of Atradius Finance B.V., Amsterdam.

The financial statements comprise:

- the statement of financial position as at 31 December 2021;
- the following statements for 2021: the statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising the significant accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers Accountants N.V., Thomas R. Malthusstraat 5, 1066 JR Amsterdam, P.O. Box 90357, 1006 BJ Amsterdam, the Netherlands
T: +31 (0) 88 792 00 20, F: +31 (0) 88 792 96 40, www.pwc.nl

Independence

We are independent of Atradius Finance B.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit approach

We designed our audit procedures with respect to the key audit matters, fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in support of our opinion, like our findings and observations related to individual key audit matters, the audit approach fraud risk and the audit approach going concern was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Overview and context

The Company's main activity is the financing of Atradius Insurance Holding N.V and its group companies, through subordinated note offerings on the international capital markets. The repayment of the subordinated notes ('notes') to the investors is guaranteed by Atradius N.V. as disclosed in note '4.3.1. Subordinated Loan' to the financial statements. The Company has issued a loan to Atradius Insurance Holding N.V. of a similar amount as the outstanding notes as disclosed in note '4.1.1. Financial Assets'. Both the issued loan and the notes have the same agreed interest characteristics (fixed for the first ten years, floating afterwards).

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the board of directors made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In note 2.11 of the financial statements the Company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement in the measurement of expected credit losses, we considered this matter as key audit matter as set out in the section 'Key audit matters' of this report.

The Company assessed the possible effects of climate change on its financial position by assessing the impact on its debtor Atradius Insurance Holding N.V. and the guarantor of the subordinated loan, Atradius N.V. The Company relies for its ESG strategy, including the risks related to climate change, on the Grupo Catalana Occidente (GCO, ultimate parent) framework, as disclosed in the 'Atradius' ambitions for the future' section of the board of directors' report. We discussed the Company's assessment and governance of climate change with the managing directors and evaluated the potential impact on the financial position including underlying assumptions and estimates. The impact of climate change is not considered a key audit matter.

We ensured that the composition of the audit team included the appropriate skills and competences, which are needed for the audit of a finance company.

Materiality

The scope of our audit was influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Based on our professional judgement, we determined the materiality for the financial statements as a whole at €2,500,000 (2020: €2,500,000). As a basis for our judgement, we used 1% of total assets. We used total assets as the primary benchmark, a generally accepted auditing practice, based on our analysis of the information needs of the common stakeholders, of which we believe the shareholders and bondholders are the most important ones.

Inherent to the nature of the Company's business, the amounts in the statement of financial position are large in proportion to the line items interest expense, interest income, and income tax expense in the statement of comprehensive income. Based on qualitative considerations we performed audit procedures on those income statement line items, applying a benchmark of 10% of the total of those expenses.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the board of directors that we would report to them misstatements identified during our audit above €125,000 (2020: €125,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the entity and its environment and the components of the system of internal control. We refer to the 'Risk management' section of the report of the board of directors for the Company's view on fraud.

We evaluated the design and relevant aspects of the system of internal control and in particular the existence of a code of conduct and whistle blower procedures. As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present. We identified the following fraud risk and performed the following specific procedures:

Identified fraud risk	*Our audit work and observations*
The risk of management override of controls Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. That is why, in all our audits, we pay attention to the risk of management override of controls, including risks of potential misstatements due to fraud based on an analysis of potential interests of the board of directors. This includes the risk of bias by management when setting assumptions. Note that the board of directors have no key performance indicators directly linked to the performance of the Company. This was a key consideration of ours in assessing the risk of misstatements due to management bias in relation to estimates. We gave specific consideration to the following areas where the risk of management override of controls can manifest itself: • journal entries and other adjustments made in the preparation of the financial statements; • significant transactions, if any, that are outside the normal course of business for the entity; and • possible management bias in management estimates.	To the extent relevant to our audit, we have evaluated the design and implementation of the internal control measures that are intended to mitigate the risk of management override of controls. We have addressed the risk of management override of controls by: • Journal entries: We have selected journal entries based on risk criteria and performed specific audit procedures on these. Given the low volume of transactions, we assessed all payments and receipts on the bank statement and ensured that each payment or receipt was for a legitimate business purpose. • Significant transactions outside of normal course of business: We have assessed all transactions and noted no transaction outside of normal course of business. • Management estimates: We refer to the Key Audit matter 'Measurement of expected credit losses' below for our audit work and observations. Our work did not lead to any specific indication of fraud or suspicion of fraud regarding management override of controls.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our audit procedures and evaluated whether any findings were indicative of fraud or noncompliance.

We considered available information and inquired with board of directors and senior staff, none of whom have any knowledge of fraud at the Company.

Audit approach going concern

As a result of the purpose and activities of the Company, especially given that the main asset comprises of a loan to group company Atradius Insurance Holding N.V. and the guarantee on the subordinated notes received by the parent company Atradius N.V., the going concern of the Company is contingent on the going concern of the Atradius N.V. group. As disclosed in 'Financial performance' section of the report of the board of directors, the board of directors performed their assessment of the entity's ability to continue as a going concern for the foreseeable future and have not identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (hereafter: going concern risks).

Our procedures to evaluate the board of directors' going concern assessment include, amongst others:

- Considering whether the going concern assessment includes all relevant information of which we are aware as a result of our audit and inquiring with management regarding the most important assumptions underlying their going concern assessment such as their liquidity risk and credit risk assessment of both the debtor and guarantor of the subordinated debt as included in the risk management paragraph 3.1.1. and 3.1.2 of the financial statements of the Company;
- Analysing the financial position per balance sheet date with focus on long-term borrowings and conditions that might trigger early repayment;
- Evaluating the financial position of the counterparty of the intercompany loan and that of the guarantor to the subordinated bonds issued on capital markets and their ability to repay the notional and interest to the Company, by assessing observable data from rating agencies, developments in credit spreads and current financial data (such as recent financial information and cash flows), and by discussing and obtaining information from the group auditor such as the Atradius N.V. going concern assessment;
- Inquiring from management as to their knowledge of going concern risks beyond the period of the managing directors' assessment.

Our procedures did not result in outcomes contrary to the managing directors' assumptions and judgments used in the application of the going concern assumption.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the board of directors. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comment or observation we made on the results of our procedures should be read in this context.

Due to the nature of the Company, key audit matters do not change significantly year over year.
As compared to last year there have been no changes in key audit matters.

Key audit matter	*Our audit work and observations*
Measurement of expected credit losses *Note 3.1.1. Credit Risk and 4.1.1. Financial Assets* We consider the valuation of the loan receivable of €248,887,000, as disclosed in note 3.1.1. Credit Risk and 4.1.1. Financial Assets to the financial statements to be a key audit matter. This is due to the relative complexity of the impairment calculation and the size of the loan.	We performed the following procedures to test the Board of Director's assessment of the expected credit loss to support the valuation of the loan issued to Atradius Insurance Holding N.V.: • In connection with classification and measurement, we analysed supporting documents (mainly loan documentation such as prospectuses and term sheets) to evaluate whether the SPPI requirements in IFRS 9 are met.

Key audit matter	*Our audit work and observations*
The basis for determining the IFRS 9 expected credit loss ('ECL') depends on the classification and measurement of the financial instrument. The board of directors has performed an assessment to conclude whether the cash-flows from financial instruments fulfil the requirements of the SPPI test (solely of payment of principal and interest). The board of directors has determined that the loan issued is categorised as stage 1 loans, hence only a twelve-month ECL has been recognised. Mainly with respect to the Probability of Default (PD) and Loss Given Default (LGD) used in the determination of the expected credit losses, the board of directors has applied significant judgement given the low default character of the entity's loan portfolio. There is limited internal historical data to support and back-test the PD and LGD; therefore, the board of directors used data from external data source providers in determining the ECL.	• With respect to the ECL calculation, we tested the loan qualification as stage 1 by assessing the actual performance of the loan. • We evaluated the financial position of the counterparty of the loan receivable and guarantor of the subordinated debt by assessing observable data from rating agencies, developments in credit spreads, and the latest available data in order to assess if there are no adverse conditions present suggesting the loans should be classified as stage 2 or 3. • For the ECL, we assessed that the impairment methodology and model applied by the Company were in accordance with the requirements of IFRS 9 and consistent with the prior year. • We assessed that the underlying input variables of the PD and LGD, applied by the board of directors, were based upon data from observable external data source providers and we have recalculated the impairment as recorded in the financial statements. • We specifically paid attention to the inherent risk of (unintentional or intentional) bias of management with respect to assumptions made We assessed the sensitivity calculation over the ECL calculation performed by management and established that it fell within a reasonable range of outcomes. We found the assessment of the board of directors to be sufficiently rigorous. Our procedures as set out above did not indicate material differences.

Report on the other information included in the annual report

The annual report contains other information. This includes all information in the annual report in addition to the financial statements and our auditor's report thereon.

Based on the procedures performed as set out below, we conclude that the other information:
- is consistent with the financial statements and does not contain material misstatements;
- contains all the information regarding the directors' report and the other information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and the understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those procedures performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of Atradius Finance B.V. This followed the passing of a resolution by the shareholders at the annual general meeting held on 9 March 2018. Our appointment has been renewed annually by shareholders and now represents a total period of uninterrupted engagement of 4 years.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

For the period to which our statutory audit related, in addition to the audit, we have provided no other services to the Company.

Responsibilities for the financial statements and the audit

Responsibilities of the board of directors

The board of directors is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the board of directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of directors is responsible for assessing the Company's ability to continue as a going-concern. Based on the financial reporting frameworks mentioned, the board of directors should prepare the financial statements using the going-concern basis of accounting unless the board of directors either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so. The board of directors should disclose in the financial statements any event and circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 2 March 2022
PricewaterhouseCoopers Accountants N.V.

Original has been signed by H.C.L. Scholtes MSc RA

Appendix to our auditor's report on the financial statements 2021 of Atradius Finance B.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Concluding on the appropriateness of the board of directors' use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.
  Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. In this respect, we also issue an additional report to the audit committee in accordance with article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related actions taken to eliminate threats or safeguards applied.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.