2022

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 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.

The Supervisory Board of Atradius N.V., including its Audit Committee, is responsible for overseeing the Management Board of Atradius N.V., including the Board of Directors of Atradius Finance B.V. and ensures that the Management Board 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 have clarity about 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 risk landscape

During 2021 and 2020, the most significant developments in the risk landscape related to the worldwide effects of the Covid-19 pandemic. Through a skillful application of our strategy of supporting customers while managing upcoming risks related to supply chain issues, commodity shortages, declining consumer and purchasing manager confidence in combination with government intervention, Atradius transitioned into 2022 with an excellent level of control over its risk profile. Government programs, which were established to support national and international trade and hence the economy during the pandemic, gradually expired. The expiry of the programs has had no negative impact on our risk profile.

2022 brought new risk management challenges: the direct and indirect impacts of Russia's invasion of Ukraine (including the effects of government–imposed sanctions), as well as resulting interest rate hikes, inflation, and energy cost increases. All of these developments affected global trade as well as national economies in differing magnitudes. As 2022 progressed, the lingering economic effects of the pandemic, the unpredictable direction of the war in Ukraine, and the developments in interest rates, inflation and energy costs, combined to increase uncertainty.

As in previous stressful periods, we analysed the nature and sources of the risks across geographies and industry sectors, as well as the interaction of the factors that ultimately affect the resilience of our customers and their buyers. We used our extensive knowledge base and forward-looking tools, models and analysis on a continuous basis in portfolio management, underwriting decisions and policy structure to ensure the continued quality of our risk portfolio.

In summary, Atradius has taken the appropriate steps to manage what is a rapidly changing risk landscape.

Climate-related risks - more frequent and severe weather events are damaging infrastructure and disrupting supply chains. Transition to a lower carbon economy is bringing new policies, regulations and changes to market dynamics. There is a risk that such changes could have a negative impact on Atradius by affecting our operations and/or our customers and their buyers. Focus on carbon footprint / CO_2 emissions may require manufacturers to adapt or go out of business, in turn having a knock-on effect on their suppliers. Doing business in certain trade sectors may become undesirable and attract negative publicity. At the same time, interest in climate change / ethical practices, such as ESG (Environmental, Social & Governance) and CSR (Corporate Social Responsibility) considerations, may create opportunities to enhance the Atradius offerings. Developments are monitored and discussed in various forums within Atradius. Aspects of the Group's approach to ESG are described in this Report.

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 an increase in the expected credit losses of approximately EUR 0.5 million (gross of taxes), effectively driven by the widening of the credit spreads due to increase in economic uncertainty and interest rate hiking from central banks to curb inflation. The widening was further exacerbated by the broad-based market sell-off post Russia invasion in Ukraine in February 2022.

The increase in the expected credit losses of approximately EUR 0.4 million (net of taxes) led to a decrease in the 2022 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 Management of financial risk 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 positive' 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 positive' 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.

Atradius focused attention on Sustainability in 2022, formalising ambitions and allocating resources to deliver them.

Atradius has been enabling trade for nearly 100 years. It is important for us to now think about what the next 100 years will look like and how we will contribute to global economic growth and the global sustainability agenda. We expect to see big changes in the way that trade will take place – especially as the world takes on the enormous challenge to be net zero by 2050. Businesses are increasingly expected to consider criteria other than economic profitability, which means embedding sustainability in the decision-making process.

We are fully committed to building sustainability within our own business and supporting our customers to make their trade more sustainable.

We believe in a future built upon sustainable global trade with positive outcomes for people and the planet.

In 2022, we formalised our sustainability ambitions and created a dedicated ESG Committee chaired by our CFO Claus Gramlich-Eicher that meets regularly. The Committee has been set up to structure our various ESG initiatives. We have also recruited a Head of ESG to drive our actions in 2023 and beyond.

Atradius' sustainability initiatives and reporting are aligned with our parent company GCO.

Three pillars reflect the different aspects of our sustainability ambitions: Planet, People and Prosperity.

Planet

"We promote trade that is planet positive"

We aim to:

- Shift our portfolio to Net Zero by 2050
- Help our customers find planet positive trading partners
- Support our customers' transitions to clean production and supply chains
- Support our customers to lower their carbon footprint
- Invest responsibly
- Achieve carbon neutrality in our own operations

Shifting our portfolio to Net Zero by 2050

We have signed up (alongside our parent company GCO) to the Net Zero Insurer's Alliance (NZIA). As a member of NZIA we are committed to achieving greenhouse gas (GHG) emission neutrality by 2050. In accordance with the NZIA Target-Setting Protocol, we will set our targets for the next five years in 2023.

Shifting our operations to Net Zero

To become carbon neutral in our own operations we are implementing new Corporate Real Estate Standards (CRES) with embedded ESG goals for energy saving measures and new procurement procedures. We have reduced the 2023 travel budget by more than 30% compared to 2019 and are promoting the use of digital tools to substitute travel.

Responsible investment

In 2022 we achieved the target of ensuring 10% of our investments were sustainable or delivered sustainable impacts.

Planet positive trading partners

We aim to help our customers find planet positive trading partners. In order to achieve this we invested time during 2022 to identify a suitable partner to support us with ESG ratings. In 2023 we will kick off multiple pilots to investigate embedding these ESG ratings into our business processes.

People

“We value the richness of genders, races, cultures and personalities”

We aim to:

- Ensure we are an equal opportunity employer regardless of genders, races and cultures
- Deliver value through diversity and inclusion
- Enhance employability
- Support the well-being of our employees
- Give back to society and our local communities
- Strive for a good balance between the prosperity of communities and the impact on the environment
- Help / coach sustainable entrepreneurs
- Guide / train our colleagues to play their part in contributing to a more sustainable future

An equal opportunity employer

Our overall employee ratio is balanced at Atradius with 51:49 male to female. However, this is not reflected in our senior management positions where there is still room for growth. We believe that greater diversity at all levels within the organisation facilitates better decision-making. Therefore, we are committed to improving the gender balance in our top management positions.

We monitor equal opportunities for employment, pay and training/learning throughout Atradius. In 2022, 31% of all managers were women (including top and sub-top management positions).

However, the percentages of women employed on the Supervisory Board and Management Board were 11% and 0% respectively. In addition, 24% of our sub-top level managers in 2022 were women.

It is our ambition to change this over the next five years through the deployment of a multi-year action plan. The plan’s actions include: balancing gender distribution when identifying potential senior profiles, launching unconscious bias training for all our managers, organising a mentoring programme for women, and developing a leadership programme for women. Over the next five years we aim to see a greater percentage of our most senior positions filled by women including: 22% of the Supervisory Board, 17% of the Management Board and 26% of our sub-top level positions.

We also monitor the gender pay gap. The largest pay gap within our professional categories across Atradius was 14% in 2021. In 2022, this gap decreased to 12%. Several factors come into play when measuring pay gaps such as country differences in salary, years of experience and complexity of the position. We aim to stay below a 12% pay gap for each professional category at the Group level.

Progress in the areas of equal opportunities for employment, pay and learning will be carefully measured and monitored through KPIs.

Delivering value through diversity and inclusion

We have hosted a series of webinars for our employees to explore the key themes of Diversity, Equity and Inclusion (DEI). These included discussions about and explorations of unconscious bias, trust, empathy, how to foster psychological safety at work and allyship. This was a first step towards raising awareness on these important themes and enabled colleagues to then start a dialogue within the company and take steps towards helping to make Atradius a more inclusive workplace.

Prosperity

"We foster sustainable prosperity"

We aim to:

- Safeguard sustainable growth for the company through compliance with relevant international ESG rules and regulations
- Build ESG factors into our strategic decision framework
- Become the insurer of choice, a trusted partner for sustainable global trade
- Attract, motivate and retain the best talent to help us achieve our sustainability goals.

Safeguard sustainable growth for the company through compliance with relevant international ESG rules and regulations

Our sustainability reporting is aligned with our parent company GCO. On a yearly basis, Atradius reports multiple non-financial topics relating to Human Resources, suppliers and the environment.

In the fast-changing legislative landscape – and also to keep pace with new reporting and disclosure requirements and commitments for the Net Zero Insurance Alliance - we are currently analysing the tools available. We are specifically seeking to better enable the efficient collecting, collating and reporting of information required for the current GCO Sustainability Report and any future reporting and disclosure requirements.

Build ESG factors into our strategic decision framework

To build ESG factors into our strategic decision framework, we have refined our governance processes and updated IT processes to take ESG factors into consideration.

Attract, motivate and retain the best talent to help us achieve our sustainability goals

We have created a new 'Head of ESG' role in 2023 to address the growing importance of ESG and drive our sustainability agenda. The Head of ESG is responsible for the ESG strategy, for enabling the delivery of our sustainable business ambitions and for overseeing the operational management of sustainability across our different international businesses.

Remain a trusted partner for sustainable global trade

To remain a trusted partner for sustainable global trade we have started a dialogue with customers and business partners about sustainability topics. In 2022 we held a virtual event titled 'Clean energy transition: a new way forward for global trade?' . The panel of experts included an energy economist as well as Atradius partners and customers, who together helped us to highlight and explore some of the key issues and risks facing businesses in the areas of clean energy transition specifically and sustainability more generally. We acknowledge that achieving net zero requires new thinking and we don't have all the answers yet – but we are committed to supporting our customers in this process.

Outlook

We expect the global environment in the year 2023 to be very different from 2022. We remain cautious as 2023 is expected to pose significant and ongoing challenges. Persistent and broadening inflation pressures and aggressive tightening from central banks are increasingly weighing on the outlook for advanced economies. This comes on top of the uncertainty surrounding Russia's invasion of Ukraine and its destabilising effect on energy supply. Global GDP growth slowed down to 2.9% in 2022, as inflation squeezed consumer spending, supply-chain issues limit trade and monetary tightening increased the cost of borrowing. By 2023 we expect global growth to slow further to 1.5%.

Despite the negative outlook, we believe the Company is sufficiently capitalised to withstand a material credit spread widening.

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 on its business operations and performance.

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

Amsterdam, 1 March 2023
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. 2022 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. 2022 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 2022, together with a description of the principal risks Atradius Finance B.V. is being confronted with.

Amsterdam, 1 March 2023

The Board of Directors

C. Gramlich-Eicher

D. Hagener

F.E. Beijdorff

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Financial Statements

Financial statements 2022

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Financial statements

Statement of financial position (before profit appropriation)

Assets	Note	31.12.2022	31.12.2021
Loans and receivables	4.1.1	247,428	248,887
Deferred tax assets	4.1.4	668	533
Other assets	4.1.2	3,930	3,939
Cash and cash equivalents	4.1.3	4,562	3,648
Total		**256,588**	**257,007**
Equity			
Share capital	4.2.1	18	18
Retained earnings	-	3,565	501
Undistributed result for the year	-	(362)	3,064
Total		**3,221**	**3,583**
Liabilities			
Subordinated debt	4.3.1	249,600	249,383
Current tax liabilities	-	10	29
Payables	4.3.2	184	439
Other liabilities	4.3.3	3,573	3,573
Total		**253,367**	**253,424**
Total equity and liabilities		**256,588**	**257,007**

Statement of comprehensive income

	Note	2022	2021
Interest income	5.1	13,451	13,498
Interest expense	5.2	(13,356)	(13,341)
Net Interest income		**95**	**157**
Loan impairment gain/(loss) on financial assets	3.1.1	**(525)**	**3,946**
Net interest income/(expense) after provision for credit losses		**(430)**	**4,103**
Net operating expenses	5.3	(58)	(40)
Result for the year before tax		**(488)**	**4,063**
Income tax credit /(expense)	5.4	126	(999)
Result for the year attributable to the owners of the company		**(362)**	**3,064**
Total comprehensive income for the year attributable to the owners of the company		**(362)**	**3,064**

Atradius Finance B.V.| Annual report 2022 All amounts in thousands of Euro, unless otherwise stated

Statement of changes in equity

	Attributable to the owners of the Company			
	Share capital	Retained earnings	Unappropriated result for the year	Total equity
Balance at 1 January 2021	**18**	**3,266**	**(2,765)**	**519**
Appropriation 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**
Balance at 1 January 2022	**18**	**501**	**3,064**	**3,583**
Appropriation of prior year result	-	3,064	(3,064)	-
Result for the year	-	-	(362)	(362)
Balance at 31 December 2022	**18**	**3,565**	**(362)**	**3,221**

Statement of cash flows

	Note	2022	2021
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	12
Settling of income tax through fiscal unity		(340)	-
Net cash generated by operating activities		**14,043**	**14,383**
II. Cash flows from financing activities			
Interest paid - subordinated loans		(13,125)	(13,125)
Interest paid - cash and cash equivalents		(4)	-
Net cash used in financing activities		**(13,129)**	**(13,125)**
Changes in cash and cash equivalents (I + II)		**914**	**1,258**
Cash and cash equivalents at the beginning of the year	4.1.3	3,648	2,390
Cash and cash equivalents at the end of the year	4.1.3	**4,562**	**3,648**

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. (Atradius) 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 N.V. is Grupo Catalana Occidente, S.A. The financial statements of Atradius 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 1 March 2023.

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).

Due to rounding, numbers presented throughout this, and other documents, may not add up precisely to the totals provided.

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 2022

The following relevant standards, amendments and interpretations have been adopted in 2022, but have had no effect on the financial statements unless otherwise mentioned:

- 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. These amendments have no material impact on the financial statements;
- Annual Improvements 2018-2020 (effective 1 January 2022). The annual improvements make minor amendments to amongst others IFRS 1 First-time Adoption of International Financial Reporting Standards and IFRS 9 Financial Instruments. These amendments have no material 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 2022 and have not been early adopted by the Company:

- 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.

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.

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 of 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 positive' by Moody's. In 2022, the credit ratings have been affirmed by both rating agencies with the A.M. Best outlook remaining 'stable', while the Moody's outlook changing to 'positive' from 'stable'. 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 analysisists 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 (1.5 %), LGD (67.9 %) and the EAD (EUR 253.9 million), ECL as of 31 December 2022 amounts to EUR 2.6 million. (In 2021, PD (1.3%), LGD (63.3%) and the EAD (254.9 million), ECL amounted to EUR 2.1 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 480 thousand and an increase of 25% respectively to a higher ECL after tax of EUR 480 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 2022 the increase in expected credit losses of approximately EUR 0.5 million (gross of taxes), was driven mostly by the widening of the market credit spreads due to increase in economic uncertainty and interest rate hiking from central banks to curb inflation. The widening was further exacerbated by the broad-based market sell-off post Russia invasion in Ukraine in February 2022.

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 (2021: 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.

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.

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At 31 December 2022	0-1 years	1-3 years	3-5 years	Carrying value
Interest bearing assets				
Granted subordinated loan	14,384	262,384	-	250,018
Cash and cash equivalents	4,562	-	-	4,562
Interest bearing liabilities				
Subordinated notes	13,125	263,125	-	249,600

At 31 December 2021	0-1 years	1-3 years	3-5 years	Carrying value
Interest bearing assets				
Granted loan	14,384	276,768	-	250,952
Cash and cash equivalents	3,648	-	-	3,648
Interest bearing liabilities				
Subordinated notes	13,125	276,250	-	249,383

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 %	
	2022	**2021**
Interest bearing assets		
Granted subordinated loan	5.80%	5.80%
Interest bearing liabilities		
Subordinated notes	5.35%	5.35%

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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 follows:

	2022	2021
Amortised cost as at 31 December	250,018	250,952
Expected Credit Loss allowance	(2,590)	(2,065)
Balance as at 31 December	**247,428**	**248,887**

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 2022 is estimated at EUR 251 million (2021: EUR 282 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). The decline in the fair value has been mostly driven by the increase in market interest rates in 2022.

There have been no transfers into or out of Level 2 of the fair value hierarchy during 2021 and 2022.

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 1 million higher than that of the subordinate notes (2021: appr. EUR 2 million higher).

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.

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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 2.6 million (2021: EUR 2.1 million) created a temporary difference between IFRS and tax base and therefore a deferred tax asset of EUR 0.7 million (2021: EUR 0.5 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 remained at 25.8% (2021: 25.8%).

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:

	2022	2021
Balance at 1 January	533	1,503
Credit (charge) to comprehensive income for the year	136	(970)
Balance at 31 December	**668**	**533**

4.2 Equity

4.2.1 Share capital

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 positive' by Moody's.

The fair value estimate of the subordinated notes at year-end is EUR 251 million (2021: EUR 280 million) and is classified as Level 2 under the fair value hierarchy as it is based on a discounted cash flow model based on observable market inputs. The decline in the fair value has been mostly driven by the increase in market interest rates in 2022.

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There have been no transfers into or out of Level 2 of the fair value hierarchy during 2021 and 2022.

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 mainly of the accrued interest balance on the subordinated notes at the end of the reporting period of EUR 3.6 million (2021: 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)

	2022	2021
Current tax	10	29
Deferred tax	(136)	970
Income tax (credit)/expense for the year	**(126)**	**999**

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

	2022	2021
Result before tax	**(488)**	**4,064**
Tax at the rate of 25.8% (2021: 25%)	(126)	1,016
Tax rate adjustments	-	(17)
Income tax (credit)/expense for the year	**(126)**	**999**

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 (2021: nil).

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7 Related party transactions and balances

At 31 December 2022	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.	13,451	-	248,000	-
Atradius Crédito y Caución S.A. de Seguros y Reaseguros	-	-	4,562	-
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	-	752	-	17,041
Bilbao Compañía Anónima de Seguros y Reaseguros	-	163	-	3,000
Total	**13,451**	**3,027**	**252,562**	**60,041**

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**

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 Holding 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%). During 2022 Seguros Catalana Occidente S.A. de Seguros y Reaseguros purchased additional guaranteed subordinated notes (EUR 3.8 million, 1.5%; total holdings EUR 17.0 million, 6.8%). Both companies are also subsidiaries of the ultimate parent of Atradius.

The interest expense relating to this portion in 2022 was EUR 3.0 million (2021: EUR 3.0 million).

Payables

The intercompany payable comprises a position to Atradius Crédito y Caución S.A. de Seguros y Reaseguros (2022: EUR 97 thousand; 2021: EUR 97 thousand) for invoices to be settled. In 2021 the payable also comprised a position to Atradius N.V. for income tax payable amounting to EUR 311 thousand) that was settled in 2022.

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 2022 and 2021. 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 negative result for the year of EUR 362 thousand to the retained earnings. The proposal is not yet reflected in these financial statements.

1 March 2023

The Board of Directors

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C. Gramlich-Eicher

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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

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

Report on the financial statements 2022

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 2022, 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 2022 of Atradius Finance B.V., Amsterdam.

The financial statements comprise:

- the statement of financial position as at 31 December 2022;
- the following statements for 2022: the statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of 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
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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, such as 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. Loans and receivables'. 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 a 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 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 (2021: €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 common information needs of the stakeholders. Inherent to the nature of the Company's business, the amounts in the statement of financial position are large in proportion to the income statement line items. 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 any misstatement identified during our audit above €125,000 (2021: €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 Atradius Finance B.V. and its environment and the components of the internal control system. This included the board of directors' risk assessment process, the board of directors' process for responding to the risks of fraud and monitoring the internal control system.

We evaluated the design and relevant aspects of the internal control system with respect to the risks of material misstatements due to fraud and in particular the fraud risk assessment, as well as the 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	*Audit work and observations*
The risk of management override of control The board of directors 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 in: • The appropriateness of journal entries and other adjustments made in the preparation of the financial statements. • Management estimates. • Significant transactions, if any, outside the normal course of business for the entity. We pay particular attention to tendencies due to possible interests of the board of directors.	We evaluated the design and implementation of the internal control measures, that are intended to mitigate the risk of management override of control. We performed our audit procedures primarily substantive based. We have addressed the risk of management override of controls by: • Journal entries and other adjustments: We have selected journal entries based on risk criteria and performed specific audit procedures on these, also paying attention to significant transactions outside the normal business operations. 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. We have assessed all other adjustments made in the preparation of the financial statements and noted no irregularities. • Management estimates: We refer to the Key Audit matter 'Measurement of expected credit losses' below for our audit work and observations. • Significant transactions outside of normal course of business: We have assessed all transactions and noted no transaction outside of normal course of business. Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to management override of violations of the internal controls.

We incorporated an element of unpredictability in our audit. During the audit, we remained alert to indications of fraud. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance of laws and regulations. Whenever we identify any indications of fraud, we re-evaluate our fraud risk assessment and its impact on our audit procedures.

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 the '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 included, 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 board of directors' assumptions and judgements 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.

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

Key audit matter	***How our audit addressed the matter***
Measurement of expected credit losses *Note 3.1.1. Credit Risk and 4.1.1. Loans and receivables* We consider the valuation of the loan receivable of €247,428,000 as disclosed in note 3.1.1. Credit Risk and 4.1.1. Loans and receivables 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. 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).	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. • With respect to the ECL calculation, we tested the loan qualification as stage 1 by assessing the actual performance of the loan.

Key audit matter	How our audit addressed the matter
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.	• 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; and
- 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 8 March 2018. Our appointment has been renewed annually by shareholders and now represents a total period of uninterrupted engagement of 5 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, 1 March 2023
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 2022 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.