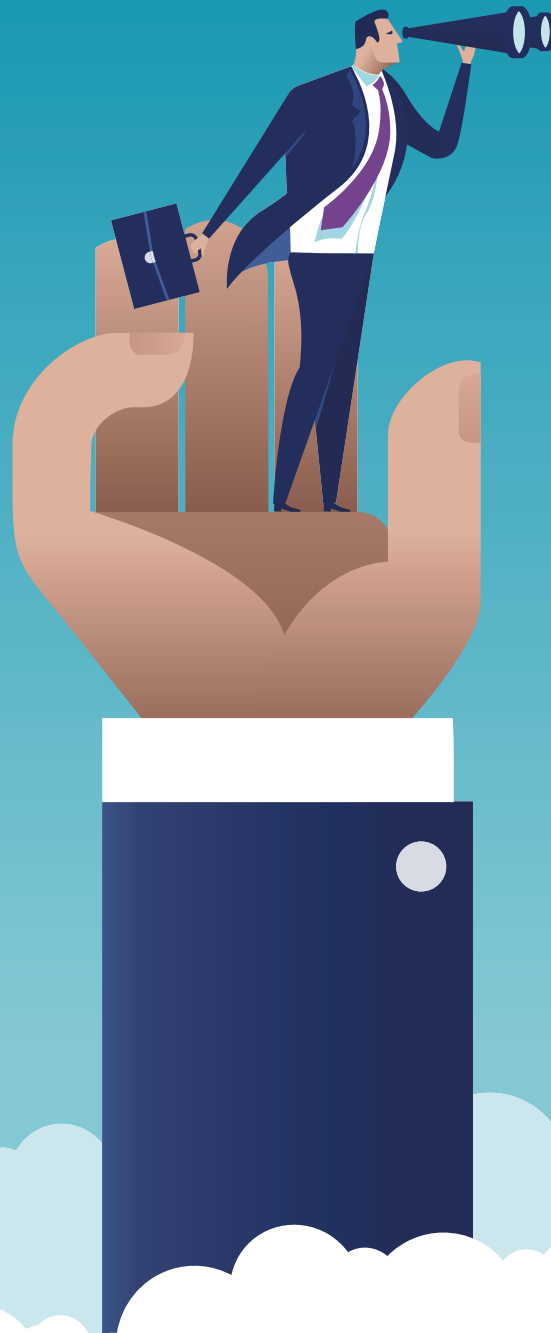




INSURANCE, FINANCING
& MANAGEMENT OF TRADE RECEIVABLES

THE CREDIT INSURANCE MARKET IN 2018



2017 TRENDS & MAIN DRIVERS FOR GROWTH IN 2018

▶▶ As the Global economic indicators remain strong, the level of corporate insolvencies has been limited in 2017 and will remain contained in 2018. This obviously benefits the profitability of the Trade Credit Insurers. However, the number of major insolvencies (companies with T/O above EUR 50 M) has increased significantly every quarter in 2017 in Western Europe and Asia, causing a big impact on their local ecosystems (unemployment, financial costs, etc).

▶▶ On the other hand, intense competition among all the insurers and the low claim level, have driven prices down, especially in western Europe, pushing insurers to seek growth in riskier markets.

▶▶ In 2018, like the previous year, the unstable macro-economic environment and the rise of country risk will continue to encourage protectionism and local instabilities; this might influence corporates to secure their growth through TCI (Trade Credit Insurance) programmes.

▶▶ Investment in technology remains very important and a driver for future growth. Most of the insurers in the industry identify “digitalisation” as an opportunity to deliver faster decisions and to optimise cost, bringing automation in processes. This has resulted in partnership with Insurtechs, Fintechs, designing new products, exploring AI, Big Data and Blockchain.

MARKET: COMPETITORS & SHARE

The International Credit Insurer & Surety Association (ICISA) comprises more than 50 members that provide Trade Credit Insurance across the world. However, two main categories of insurers can be distinguished: “Global” and “Niche” insurers.

«GLOBAL» INSURERS, CHARACTERISED BY:

- ▶ a strong international presence
- ▶ detailed information on very large numbers of buyers in their global databases
- ▶ global capabilities in providing credit management services

Leading insurers in this category: Atradius, Coface, Euler Hermes and QBE (for Asia Pacific and some other selected countries),

«NICHE» INSURERS, CHARACTERISED BY EXPERTISE IN:

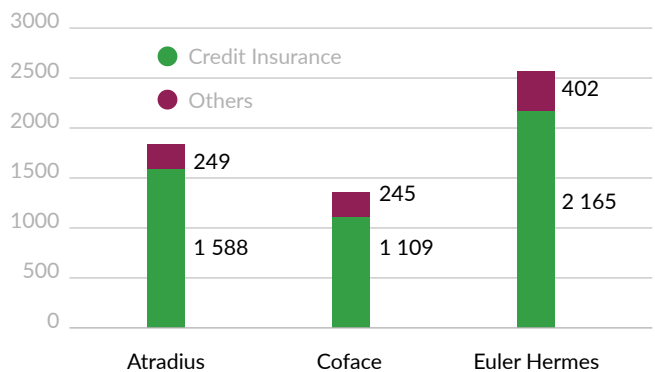
- ▶ particular products: pure excess cover, shared excess cover, top-up, single risk (e.g.: AIG, Chubb, Equinox, Lloyd’s, Markel, QBE, XL Catlin, Zurich etc.)
- ▶ certain geographical areas (e.g.: ATI, Cesce, Credendo, FCIA, ICIC, etc.)
- ▶ different types of risk: political risk, non-transfer (e.g.: Garant, Liberty Mutual, Lloyd’s, Zurich...)

To provide a complete picture, we also mention China Export & Credit Insurance Corporation (“Sinasure”), the public Chinese insurance carrier which achieved a turnover of approximately €1.7 bn (2016 figures, total premium written was €1.4 bn), Sinasure’s figures are not included in the market share calculation below as they are not an ICISA member.

MARKET SHARE:

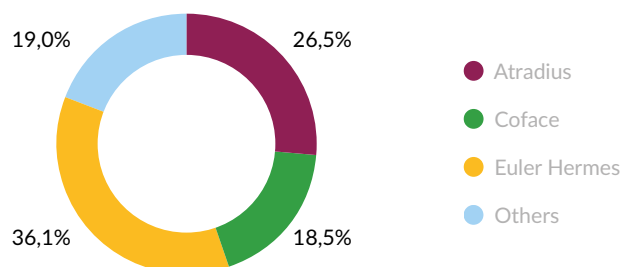
Despite the numerous insurers, the market remains very oligopolistic and the top 3 “global” insurers represent more than 80% of the market. The Credit Insurance Market is estimated at around €6.0 billion in premium (by the International Credit Insurance and Surety Association, ICISA-2016).

In 2017 the turnover breakdown of the leading insurers is as follows:



Data taken from consolidated financial statements for 2017 (in M€)

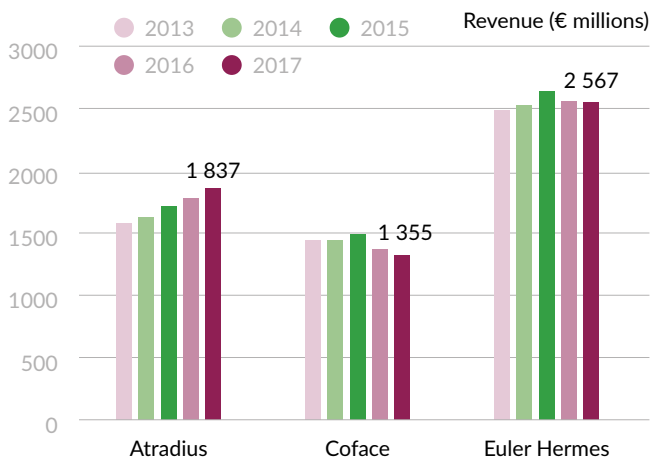
Therefore, the global market share of the main leaders can be estimated at:



Euler Hermes remains the leading credit insurance carrier with 36.1% of market share followed by Atradius 26.5%, and Coface with 18.5% as of December 31st 2017.

FINANCIAL PERFORMANCE OF THE LEADING PLAYERS IN 2017

TURNOVER



With a global growth rate reaching 3.8 % in 2017 (a level not reached since 2011) and low inflation, the improvement of the economic environment in 2017 has led to a lower level of insolvencies. This has enhanced an intense pricing competition among the insurers.

This negative impact on insurers' revenues has been compensated by an increase in the turnover of their policyholders. In this regard, Coface and Euler Hermes revenues at constant scope have remained stable this year versus 2016.

For the fourth year in a row Atradius posted the best growth among the "big three", with a performance this year of +5.1% at constant scope and currency.

Turnover 2017 VS 2016	Calculated growth	Growth at constant scope
Atradius	4,3 %	5,1 %
Coface	-4,0 %	0,3 %
Euler Hermes	-0,1 %	0,4 %

Please note that revenue includes premium earned through credit insurance activity and, in some cases, sales from factoring, bonding and intelligence as well as enquiry and monitoring fees.

TOP 3 : Keys facts in 2017

▶▶ Atradius acquired 25% of Credit Guarantee Insurance Corporation of Africa Ltd (to expand its footprint in South Africa), and opened new offices in Bulgaria and Romania. Atradius expanded the capabilities of its collections services setting up new cooperations in Indonesia and Portugal. 2017 has seen as well the launching of Atrium, Atradius' new online customer portal where policyholders can access all their Atradius services.

▶▶ Coface has sold the "State Export Guarantee division" to BPI France from the 1st of January, and this explains why the calculated growth (2017 vs 2016) appears negative, but like for like the performance is stable. In 2017 Coface has pursued the roll out of its the 3 years actions plan : "Fit to Win" to complete its transformation process, aiming at becoming "the most agile global credit insurer in the industry". This starts to bear fruit as Coface has strongly improved its loss ratio and doubled its profitability. In 2017 Coface also created a commercial underwriting department to improve the decision making process, launched Cofanet Essentials (new IT customer portal) and opened an IT platform support in Bucharest.

▶▶ In 2017, Euler Hermes saw its main shareholder the Allianz group increasing its shares in EH capital in 2018. In Germany, EH Deutschland AG bought the remaining share of German Export Credit Agency activities, to PriceWaterHouseCoopers. In 2016, restructuring plans were rolled out in France and Germany; in 2017, a new plan has been focused on Northern Europe and across the group to improve productivity. In the same region, last year, Euler Hermes has also developed new Competence Centres.

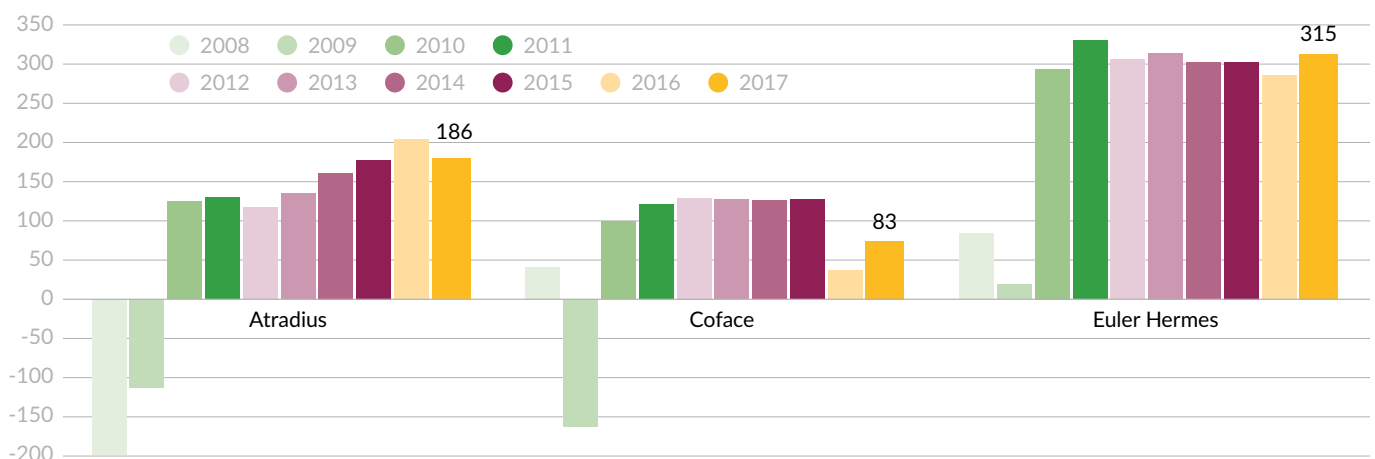
OUTLOOK BY REGION

As the Trade Credit Industry started in Western Europe, the main share of the insurers' activities remains in EMEA. This zone represents 86% of the T/O for Atradius, 78% for Coface and 81% for Euler Hermes. Breaking down the figures, we can notice some geographical disparities.

In (M€)	Atradius			Coface			Euler Hermes		
	2016	2017	Var.in %	2016(*)	2017	Var.in %	2016	2017	Var.in %
Total Turnover	1 761	1 837	4,3 %	1 411	1 355	-4,0 %	2 570	2 567	-0,1 %
Europe, Middle east & Africa	1 526	1 586	3,9 %	1 088	1 060	-2,5 %	2 087	2 081	-0,3 %
Asia Pacific	123	130	5,7 %	110	97	-11,7 %	148	145	-2,4 %
Americas	112	121	8,0 %	214	198	-7,6 %	335	341	1,7 %
Comments	<p>►► For the 4th year in a row, Atradius has presented the best revenue increase among its peers: + 4,3% (+5,1% at constant FX rates) compared to FY 2016.</p> <p>►► Geographically, all regions have benefited from growth. However Americas (North+South) have posted the best performance reaching + 8,8%.</p> <p>►► Although Asia Pacific has shown a very promising trend +5,7%, its performance was weaker than last year, (trend in 2016 was +8,8% vs 2015 FY).</p> <p>►► Focusing on its core market EMEA has revealed very large disparities with underperforming countries : like Spain and Portugal (-5,6%) ; and overperformers such as Netherlands : +14% and Germany + Central and Eastern Europe : +9,5%.</p>			<p>►► At first glance, Coface global revenue has been decreasing by 4,0%, but after allowance for the State Guarantee activity sell-out, performance was stable in 2017 (+0,3% at constant FX rate).</p> <p>►► In EMEA, almost all regions have been showing good trends : Western Europe : +2,3%, Central Europe +5,3%, Middle East + Africa : +4,9%, except Nordics : -1,1%.</p> <p>►► In Americas, Coface sales have shown a contraction -7,6% : some large policies have not been renewed in the US. In Latam, Coface has continued to adjust its risk exposure.</p> <p>►► Same scenario for Asia Pacific which has seen an important decrease of its performance -11,7%.</p>			<p>►► Euler Hermes remains the leader of the industry posting a turnover of € 2 567 M in 2017, showing a stable performance versus 2016 (-0,1%).</p> <p>►► In France and in Northern Europe, sales have increased by 3,1%, driven by good levels of new business. Middle East and Africa region has been struggling and has displayed a drop in sales of 8 %. Germany and Austria have stabilised (-0,2%).</p> <p>►► Americas markets have been driving premium growth : +1,7% increase (but + 3,1% like for like).</p> <p>►► Asia Pacific which has posted a rise in its sales last year (+3,3% between 2016 and 2015), has presented a weaker performance in 2017 (-2,3% versus 2017).</p>		

NET PROFIT AFTER TAX (€ MILLIONS)

Looking back the performance of the insurers over the past 10 years, we notice that they all show healthy profitability levels (except after the financial crisis), allowing their equity position to be strengthened in case of possible future crisis.



►► After 5 years of constant growth in Net Profit After Tax, Atradius has posted a result of €186M, slightly lower than in 2016 (€212M), its net profitability ratio (=NPAT / TURNOVER) shows a good level of 10%.

►► In 2017, Coface's profitability has doubled from €42M in 2016 to €83M, the result of

their restructuring plans. However, its net profitability ratio remains the weakest among the insurers at 6%.

►► Euler Hermes profit at €315M is not only the highest of the industry, but the highest for EH since 2011. This excellent performance is visible in its net profitability ratio: 12%.

MEASURE OF PERFORMANCE

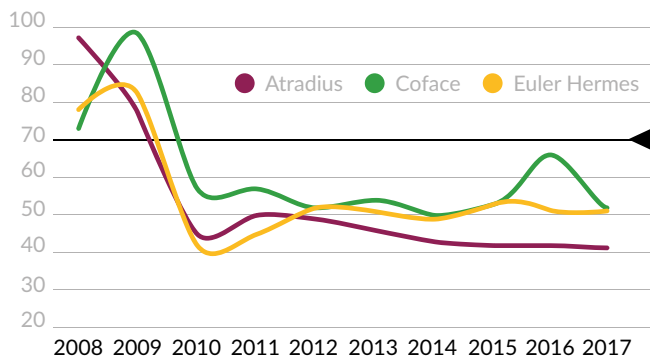
NET LOSS RATIO AND NET COMBINED RATIO (%)

The insurers' profitability is determined by their Loss Ratio (claims/premiums) and their Combined Ratio (Loss ratio plus overhead expenses). During the financial crisis, insurers were shaken by increased payment defaults, bankruptcies and the resulting claims paid to their insureds.

Net loss ratio (per year)

Loss ratio (in%)	Atradius	Coface	Euler Hermes
2008	97	73	78
2009	77	98	82
2010	45	57	42
2011	50	57	45
2012	49	52	52
2013	46	54	51
2014	43	50	49
2015	42	53	53
2016	42	66	52
2017	41	51	53

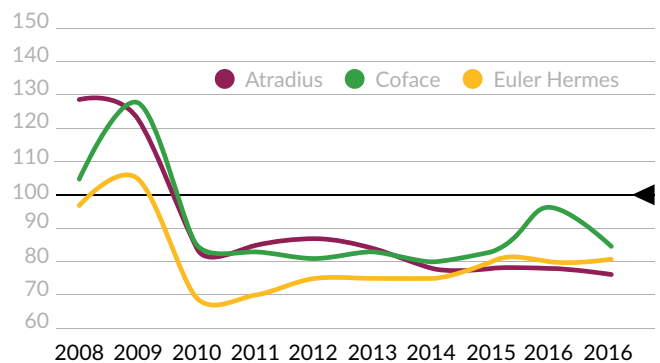
The theoretical break-even point of this ratio is 70% (above which Insurers consider that their operations generate a loss).



Net combined ratio (per year)

Combined ratio (in%)	Atradius	Coface	Euler Hermes
2008	129	105	97
2009	123	128	105
2010	84	85	69
2011	85	83	70
2012	87	81	75
2013	84	83	75
2014	78	80	75
2015	78	83	80
2016	77	97	80
2017	76	87	81

The theoretical break-even point of the combined ratio is an estimated 100% (above which Insurers consider that their operations generate a loss).



By analysing these graphs, it appears that :

- ▶▶ Atradius has the best Loss Ratio and Combined ratio.
- ▶▶ Coface corrected last year's increase (in both Loss & Combined ratios) which was mainly due to claims in emerging markets.
- ▶▶ Euler Hermes' performance is stable with last year.

STAFF

The headcount to revenue ratio reflects the company's productivity. Atradius is the company presenting the best turnover per capita.

Headcount	Atradius	Coface	Euler Hermes
Numbers employed	3 756	4 078	5 843
Turnover per capita	489 137	332 246	439 312

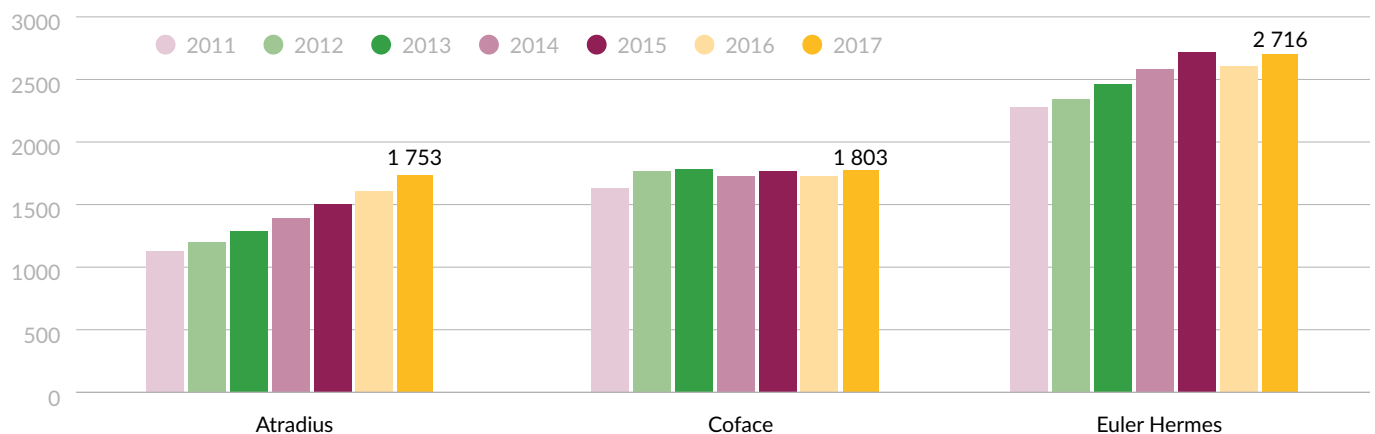
SOLVENCY & EQUITY

Due to further changes in financial regulations (Solvency II), insurance and reinsurance companies are required to increase their capital ratios to be in line with the risks they carry.

Since 2011, credit insurers have been strengthening their equity. For instance, Euler Hermes and Coface report an equity level higher than their annual turnover.

Euler presents the best financial strength in terms of Equity and Financial rating.

NET EQUITY (€ millions)



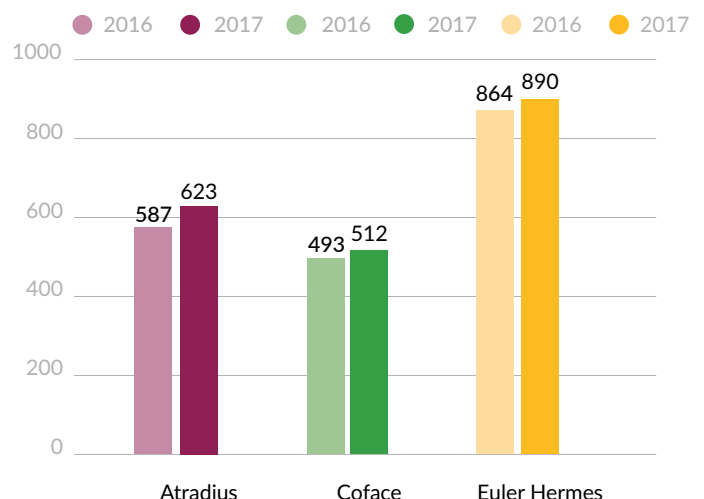
REINSURANCE

Reinsurance contributes significantly to the solvency of insurance companies. Its role has increased as credit insurance becomes more important for the growth of trade credit following the tightening of traditional financing across the world.

Atradius, Coface and Euler Hermes, which currently cover 80% of credit insurance risks, would be unable to maintain growth without reinsurance.

These insurance companies use reinsurance treaties.

TOTAL RISK EXPOSURE (in € Billions)



As of December 31st 2017, the total exposure that :
 ► Euler Hermes covers reached €890 Billion (vs €864B last year),
 ► €623 Billions for Atradius (vs €587B)
 ► and €512B for Coface (vs €493B in 2016).
 The 3 insurers have increased their total exposure in a context of declining prices.

FINANCIAL RATINGS

To provide the most realistic view of the ratings of the leading insurers, we have analysed those issued by the major rating agencies. Since our 2017 last outlook: the two changes

to be noted are the upgrade of Atradius' rating by Moody's from A3 to A2 in March 2018 and the upgrade of Euler Hermes' rating by Standard & Poors from AA- to AA in December 2017.

Companies	Ratings			
	Standard & Poors	Moody's	Fitch	A.M. Best
Atradius	–	A2 outlook stable	–	A outlook stable
Coface	–	A2 outlook stable	AA- outlook stable	–
Euler Hermes	AA outlook stable	Aa3 outlook stable	–	A+ outlook stable

To understand the difference between them, you will find hereunder their positions on the rating scales:



OUTLOOK 2018:

The global economic research departments of the different carriers expect a worldwide GDP above 3% for 2018 (IMF expects 3,9%). This favourable environment should continue to benefit the credit insurance market maintaining a pricing competition, and leading the insurers to increase their global risk exposure.

The worldwide level of insolvencies is expected to be slightly lower than 2017; however, if the overall level of claims has decreased, the average claim amount has increased due to larger companies becoming insolvent. Political & Country risk will remain drivers for the Trade Credit Insurance markets as many local instabilities occur across the world and the protectionism measures increase in many countries.

COMMENTS:

- All figures have been taken from the Insurer's 2017 consolidated financial statements.
- ICISA: data provided does not include Sinosure the large "state funded" Chinese insurer.

ABOUT

AU Group supports its clients in structuring, negotiating and implementing solutions for the :

PROTECTION AGAINST CUSTOMER'S PAYMENT DEFAULT

▶ by transferring the risk to the most suitable market

MANAGEMENT OF THE TRADE RECEIVABLES

▶ by optimising credit management tools & techniques with the use of IT solutions

FINANCING AND WORKING CAPITAL SECURITISATION

▶ by pledging trade receivables to appropriate finance companies

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