



**17th Annual Credit Risk
Management Conference**

**ESG impact on Credit Risk:
Navigating through challenges**

***Managing Credit Risk in the face of Continuing
Economic Instability.***

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WHY ARE WE HERE?

Because we operate in a complex business universe:

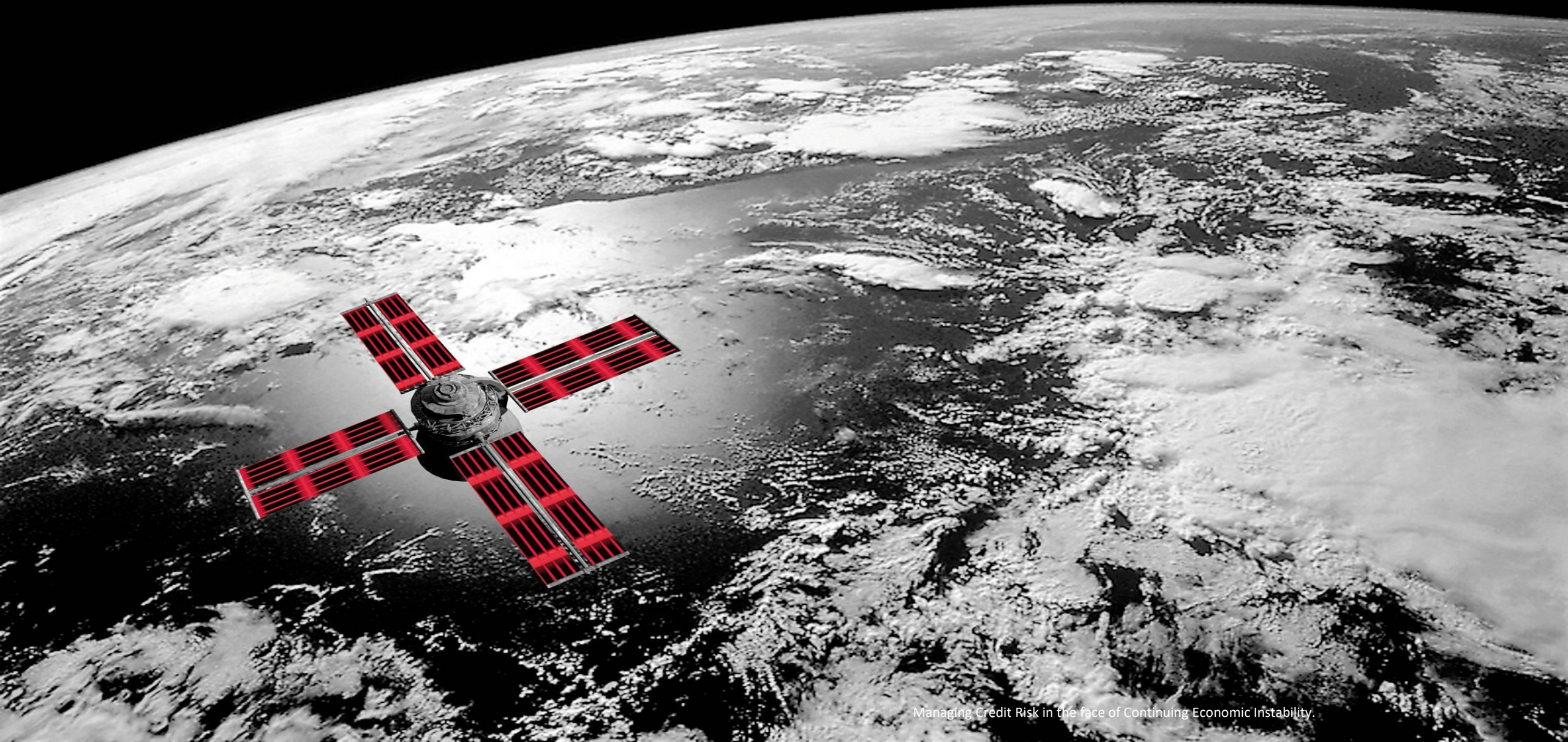
- Inflation rate still high
- Energy still expensive
- Financing still expensive
- Weak consumption power
- Insolvencies rise worldwide

- Geopolitical developments
- Trade wars likely to escalate
- Big economies do not grow as expected
- Global economy remains in a fragile balance ...

... and because:

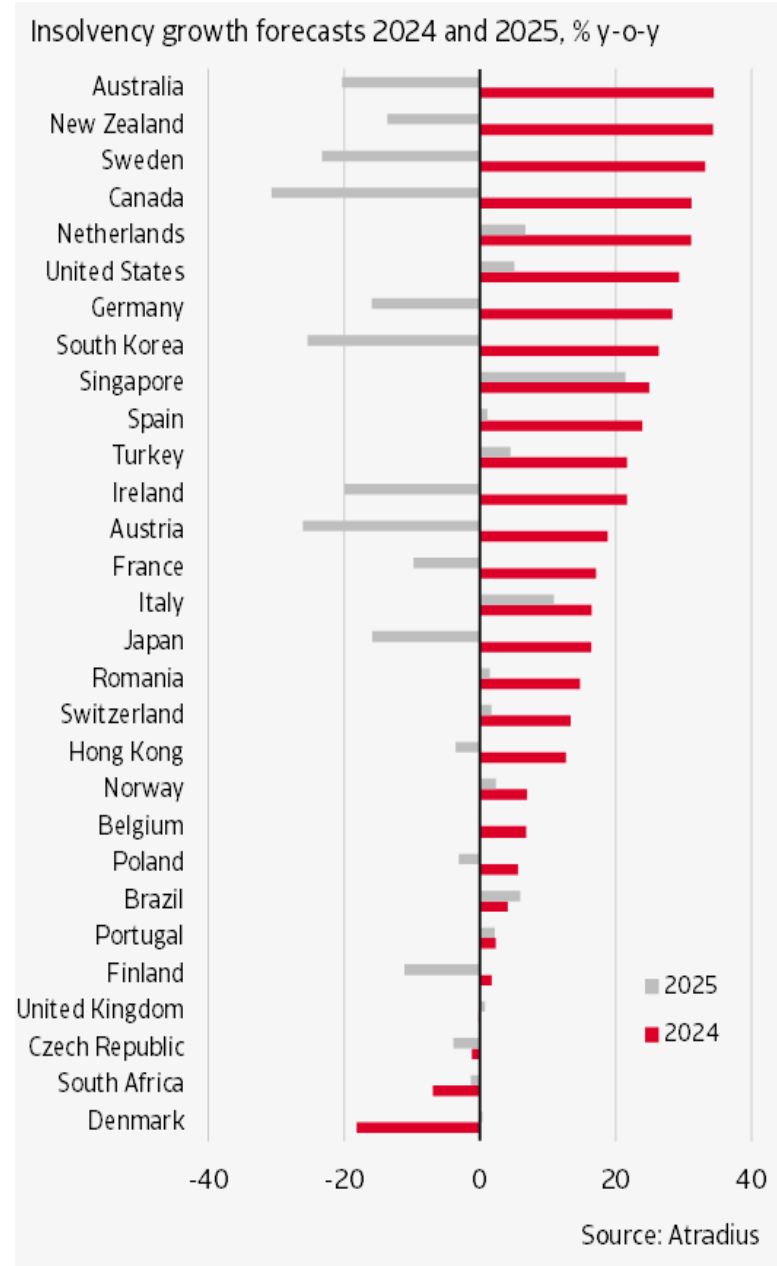
- It is our job to facilitate global trade...

Quarter 4 - 2024

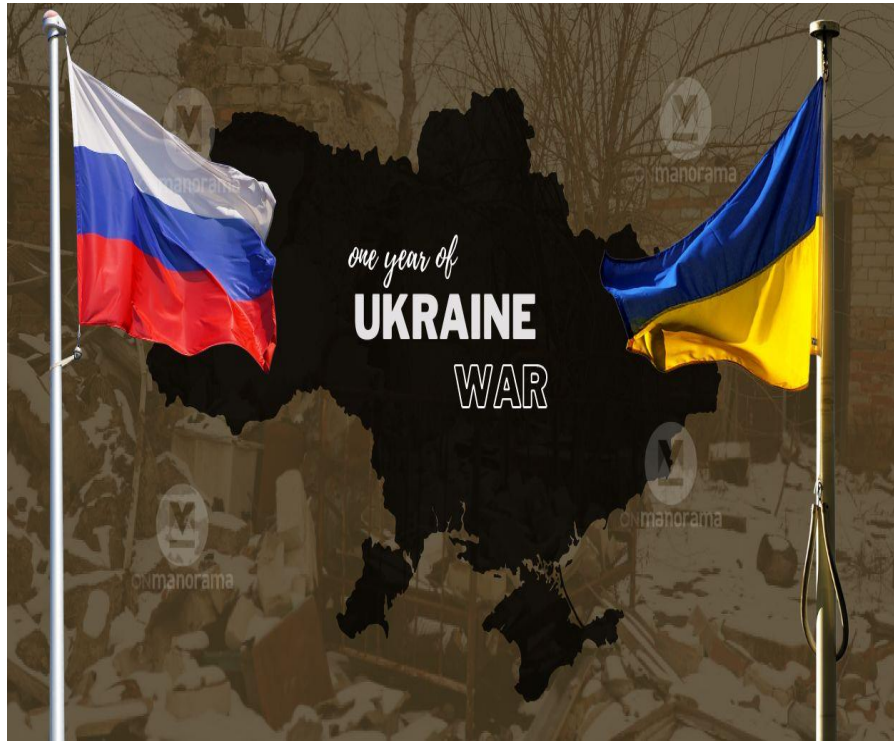


Insolvency Trends

- In most markets, insolvency rates have either recovered or exceeded pre-Covid levels. Most countries have seen a significant claims increase.
- Globally, 2023 insolvencies increased by 31%, increased trend during the first half of 2024.
- Globally, we expect insolvencies to increase by 23% in 2024, followed by a slight decline in 2025.
- Increased number of claims by 26% as well as their total value by 70% the period 2021-2023
- For the first 8 months 2024 we noticed an increase of claims by 28% (frequency-wise)



Geopolitical Threats ...



Credit Insurance: a stabilisation factor for our company



- **Unbiased credit control**
- **Prophylaxis**
- **Safe growth**
- **Indemnification**
- **Financing tool**

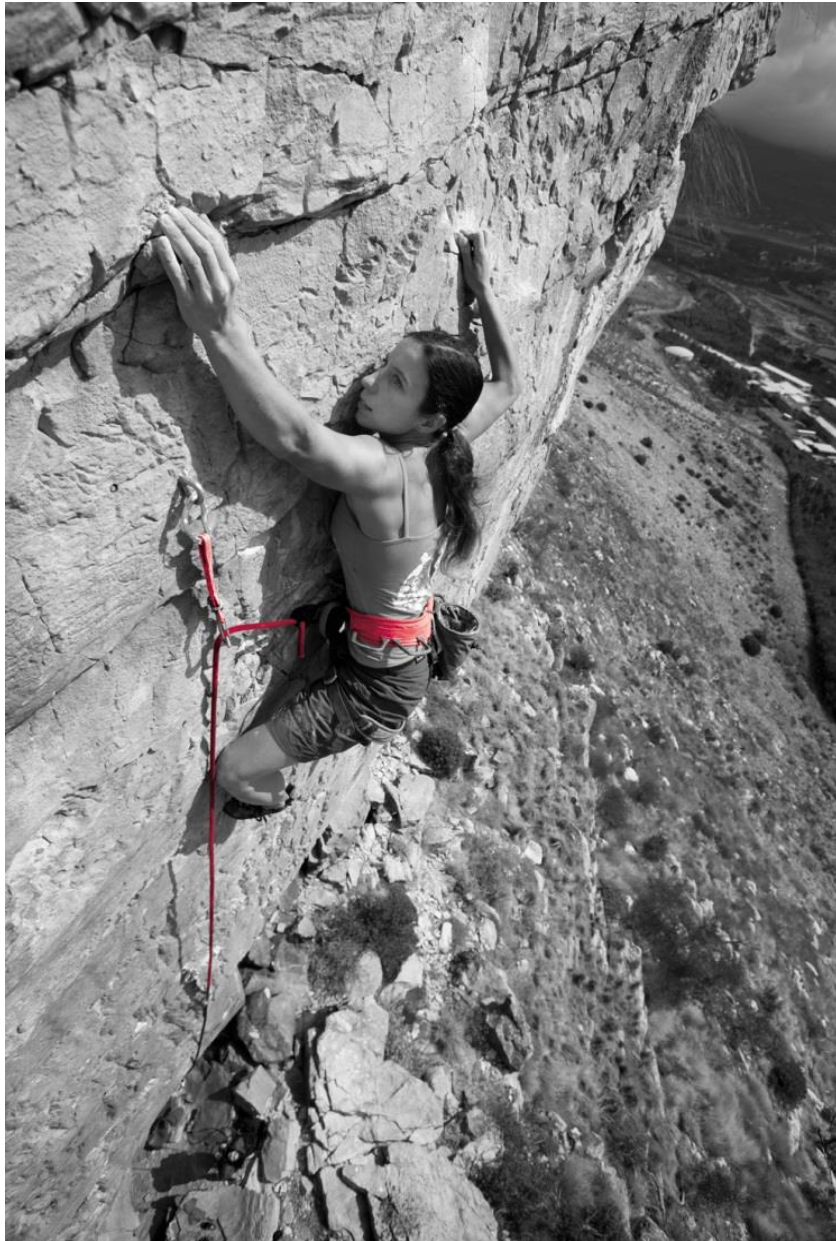
Benefits Of Credit Insurance / Unbiased Credit Control

- In order to reach a credit limit decision for a buyer we use information of:
 - **Financial** data
 - **Empirical** data
- Decisions taken by Credit Insurance Experts / Underwriters
- Each supplier has only his own view / experience
- The Credit Insurer has a spherical view of the credit behaviour of each buyer via insuring multiple suppliers of him

Unbiased Credit Control offered!



Benefits Of Credit Insurance / Prophylaxis



- After approving a limit our real job begins
- Credit Insurers maintain a **buyer base** of many hundreds of millions of **buyers** worldwide
- We enrich our buyer database **periodically**.
- **Qualified UWers monitor** the development of the buyer portfolio (majority of staff is UWers)
- For every new adhere information we **notify** the supplier (policyholder) either **not to sell further or to reduce sales**
- **In this way we protect him from suffering a non payment**

We offer prophylaxis not indemnification!

Benefits Of Credit Insurance / Indemnification



- In case of a **non payment** from a buyer the customer informs us
 - We pay the unpaid receivables **either**
 - When the buyer goes bust **or**
 - **Max 6 months** after the due date of the unpaid invoice (whichever comes first)!
 - In any case after the NNP, the Insurer takes over the **Inkasso procedure on the behalf of the supplier / The supplier does nothing!!!**
- Inkasso costs are usually born by the Insurer** (no out of court or legal actions are required by the supplier) / beneficial for the exporter!!!
- In the Event of Loss **we pay even the 90%** of the value of the outstanding receivables
- Unique** product in the Insurance industry that you know **the date of payment** of the indemnification

Benefits of Credit Insurance / Safe growth



Credit insurance operates as a tool to:

- assist you in penetrating **new markets** or start relationships with new customers **on credit terms and not on a cash basis terms**
- This is a **competitive alternative and much more commercial** than requiring customers to provide **LCs** or similar collaterals
- enables you **to sell more goods / services**, and possibly on longer credit terms, while mitigating the risk of non-payment from your buyers

Be more competitive!

Benefits of Credit Insurance / Safe growth



Competitive advantage for the exporters

The norms and modus operandi of the export countries are usually unknown to the exporters

Limited knowledge for the
insolvency rates
currency devaluation risks
the legal practice of the market
... we do not even speak the language

(the above restrain us from exporting **on credit** to new countries)

Benefits Of Credit Insurance / Cheaper and easier Working Capital



Cheaper and easier Working Capital

Having Credit Insured your clientele, minimises the likelihood of a fatal claim.

Improves the impact of the IFRS9 on the P&L.
How?

The above improve the position of the company to the eyes of the financial institutions.

Or else lower the interest financing rates

Benefits Of Credit Insurance / Cheaper and easier Working Capital

Cheaper and easier Working Capital

Credit insurance is provided via credit limits which are **A rated collaterals**. Why?

The time of the indemnification is guaranteed (**Protracted Default**) allows for these limits **to be assigned to financial institutions** for reasons of financing.

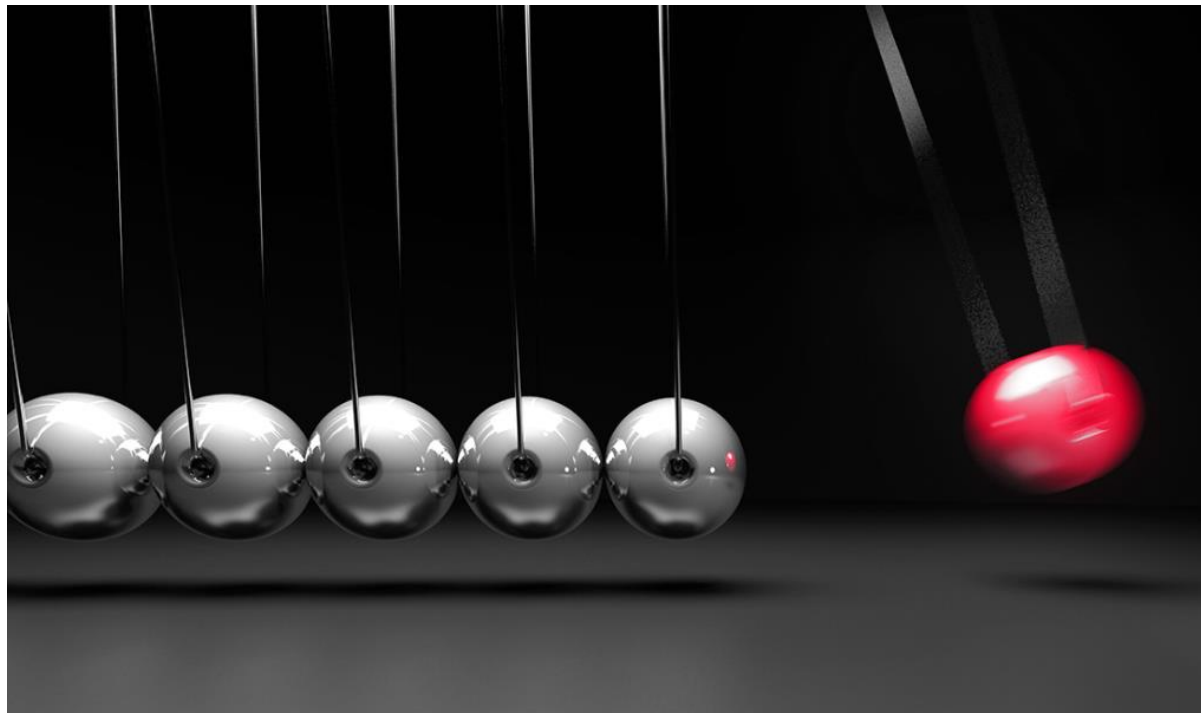
Factoring Houses and / or Banks and / or Funds accept our limits and provide invoice discounting to the insured ARs

Easier and cheaper financing / Working Capital is provided

25% of the customers proceed to TCI in order to benefit from this mechanism

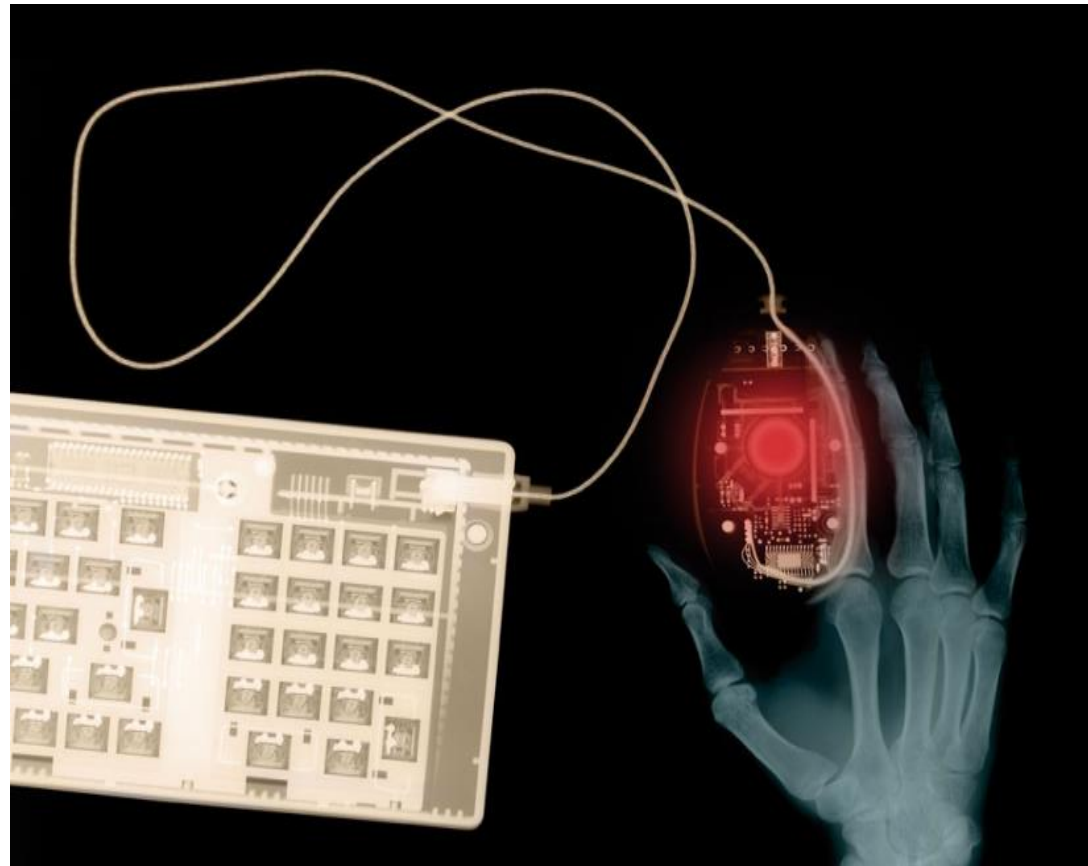
Lessons
Learned

Razor thin margins / Bad debts Vs. Profitability



- For every bad debt the additional turnover needed to digest the loss is:
bad debt / profit margin
- Example: if we operate with a profit margin of 4%, a bad debt of **\$50.000** requires an additional turnover of: $\$50.000 / 4\% = \mathbf{\$1,25m}$ to be digested...!
- The less the profit margin is the more **catastrophic** the impact of the bad debt becomes
- Credit Insurance **safeguards the liquidity** of our company
- Corporates die only because of lack of liquidity!

“Set Up” Claims: ...20% we will be hit ...



- Approximately the **20% of the cases** are “set up / fraud” cases
- These “set up / fraud” cases can **hardly been predicted / diagnosed** by the supplier.
- Credit Insurance operates as a **safety net** to protect the most valuable organ of every financial organisation: **liquidity**

Is Credit Insurance necessary today?

Arguments usually brought forward against Credit Insurance

- “I know my buyers for so many years, I will be the last to lose money...”
- “I am very experienced, I know the market...”
- “I have a friend who has a friend in the bank ...”
- “My buyer is too big to fail...”



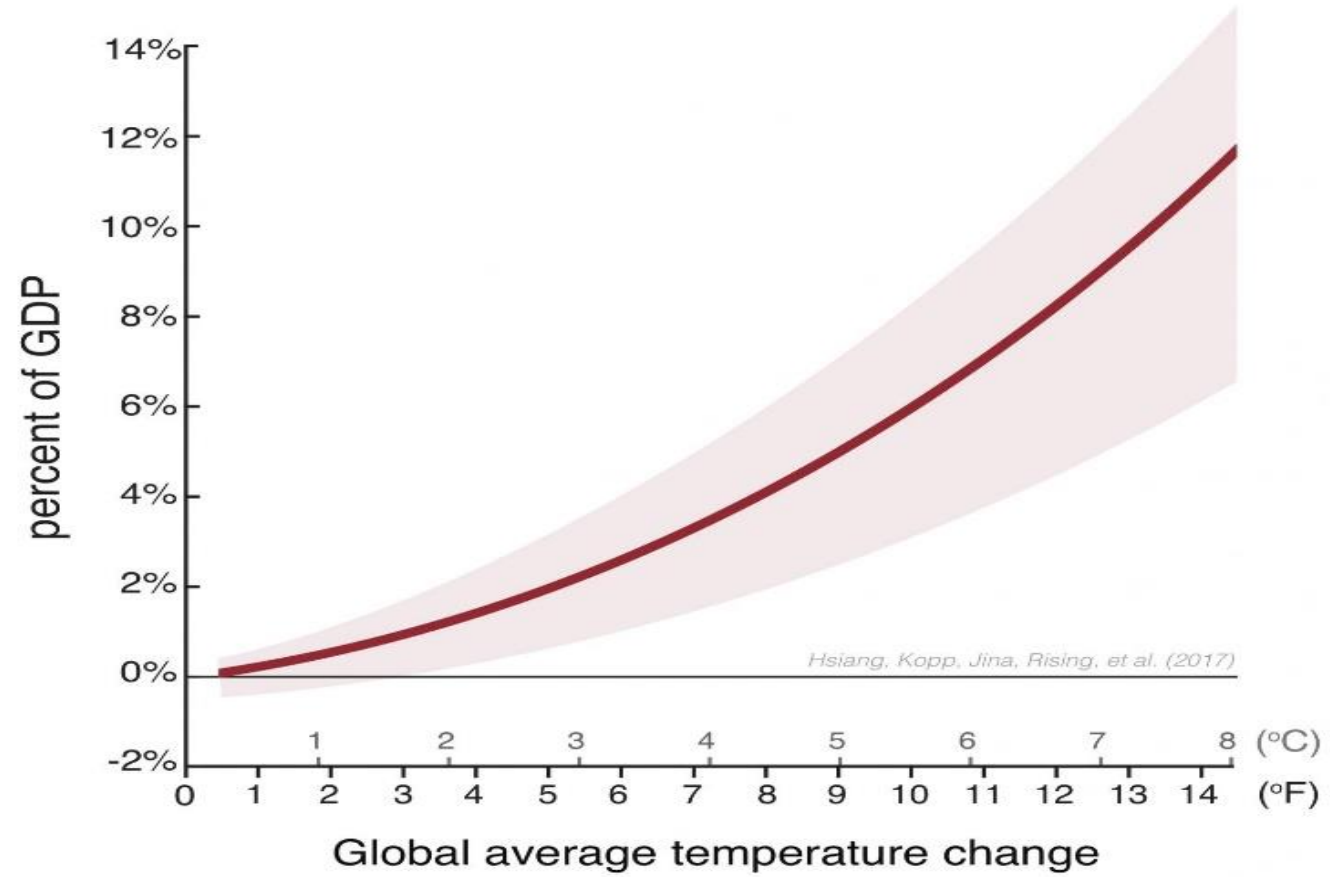


ESG is not a “nice to have” KPI anymore but a “must have” precondition ... !

Climate Change...



National average economic damage in USA



Climate Change...



What are we going to do about it?

- **Integrate ESG criteria in our decision-making process, including among others:**
 - risk underwriting,
 - policy underwriting

We have promised our stakeholders (re-insurers, global customers, rating agencies, brokers etc) to:

- withdraw from thermal coal and other fossil fuel related risks till a specific year (eg 2035)
- Get no new business from these sectors

Influence Global Trade accordingly



ESG in Atradius – Walking the Talk ...



Enabling sustainable trade, together.

Sustainability in every trade you make.

We're committed to tackling climate change and know that you are too. That's why we're excited to announce that you, by choosing for Atradius, you are committing to invest in the future of our planet.

How does it work?

From every premium without claims of your **Modula Planet** credit insurance, Atradius will donate 1% of that premium to charities fighting climate change globally. This way, we can continue to do our part in building a sustainable future.

What do you need to do?

You'll have the option to either choose a charity yourself or to evenly split the donation across the prelisted charity organisations. As soon as your premium is eligible to this program, we'll inform you of the donation that is made in your name.



Why we do this?

Atradius strongly believes that climate change is affecting people and companies worldwide. We therefore see it as our duty to embed sustainability in every global trade.

We also understand that it isn't always easy for companies to know how and where they can do their part in fighting global warming. That's why we want to provide our clients with tools to make this easier. This way, we're able to add value to both our clients and our planet.

💬 Let's make the difference together!

atradius.com

Modula Planet: Enabling sustainable trade, together.

How does it work?

Every Premium, with zero claim, from the Modula Planet Credit Insurance policy comes with a 1% donation to projects / charities focusing on fighting of climate change, globally.

What do you need to do?

1. Choose your own project / charity for donation, or
2. Split your donation to eligible projects that are pre-chosen by Atradius

Why do we do this?

... to embed sustainability in every global trade and provide our customers with an easy way to contribute to fighting global warming.

~ Let's make the difference together! ~

