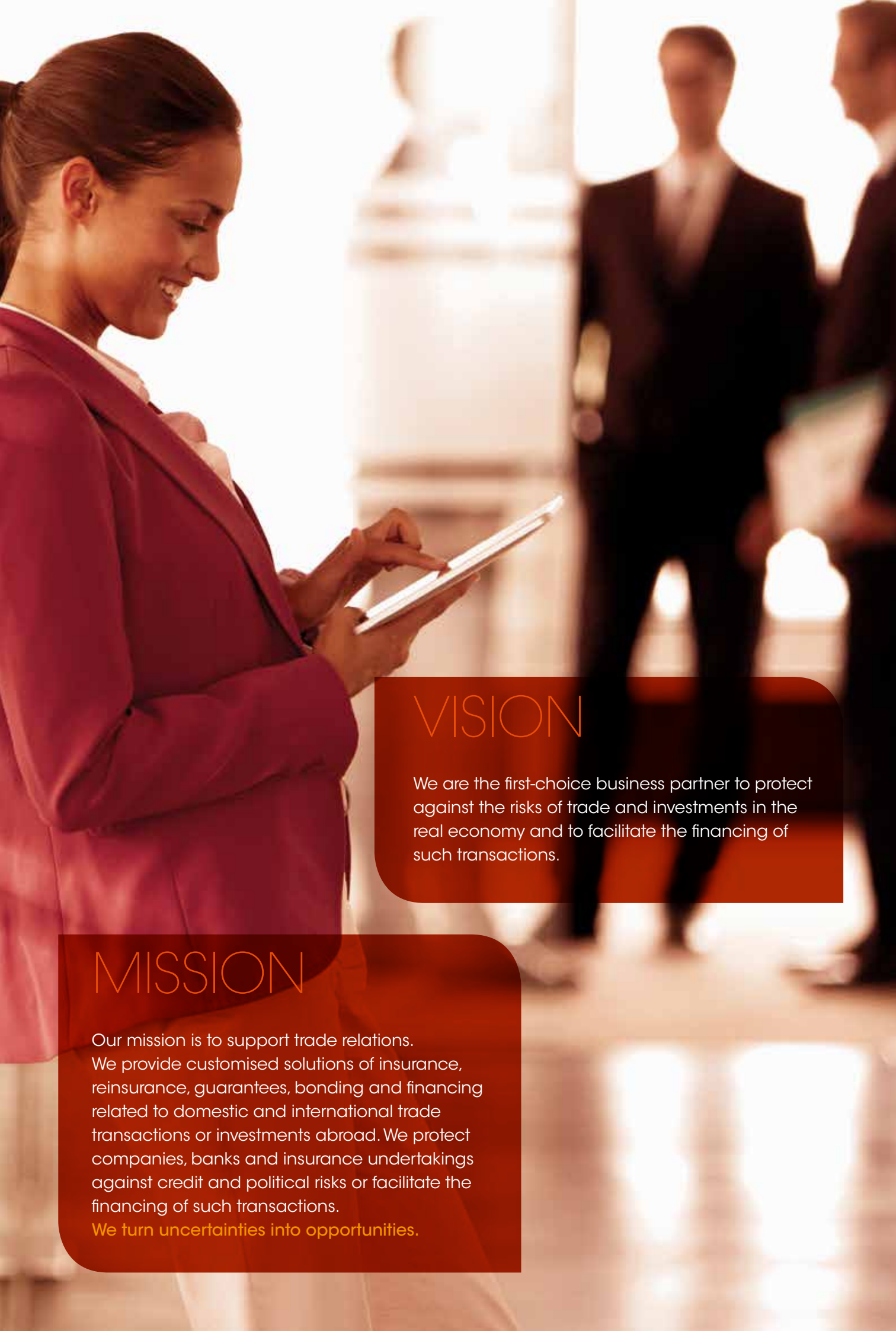


TURNING UNCERTAINTIES INTO OPPORTUNITIES

ANNUAL REPORT 2015



VISION

We are the first-choice business partner to protect against the risks of trade and investments in the real economy and to facilitate the financing of such transactions.

MISSION

Our mission is to support trade relations. We provide customised solutions of insurance, reinsurance, guarantees, bonding and financing related to domestic and international trade transactions or investments abroad. We protect companies, banks and insurance undertakings against credit and political risks or facilitate the financing of such transactions.

We turn uncertainties into opportunities.

CORE VALUES

CUSTOMER INTIMACY

Customer satisfaction is at the core of our values. We listen, we propose bespoke solutions, we are approachable, we explain our decisions, we deliver first-class service. Our people come up with smart solutions in response to specific business needs or complex risk environments.

You get bespoke solutions.

RELIABILITY

We aim for best-in-class expertise of our businesses and risks. We strive for operational efficiency that underpins customer intimacy. We have a long-term view on our activities, look through the cycle and aim for sustainable financial results. **You can count on us.**

RESPECT

We show respect for our customers, our staff, our shareholders and all other stakeholders as well as for society and the environment. We act forcefully against any discrimination of people. We treat everyone fairly and honestly. We always try to do the right thing and apply high standards of ethical behaviour.

You can trust us.



COUNTRIES WHERE WE HAVE OFFICES



CONTENTS

1.0

- 2 MESSAGE OF THE CHAIRMAN
AND THE CHIEF EXECUTIVE
OFFICER OF THE GROUP
-

2.0

- 4 MACROECONOMIC REVIEW
-

3.0

- 8 KEY FIGURES OF THE GROUP
-

4.0

- 10 PRODUCTS
AND SERVICES
-

5.0

- 28 CORPORATE GOVERNANCE
-

6.0

- 30 MANAGEMENT REPORT
-

7.0

- 34 CONSOLIDATED FINANCIAL
STATEMENTS
-

8.0

- 44 NOTES TO THE
CONSOLIDATED
FINANCIAL STATEMENTS
-



on the left: Vincent Reuter, Group Chairman; on the right: Dirk Terweduwe, Group Chief Executive Officer

TRADE RELATIONS PARTNER FOR ALL WEATHERS: **CREDENDO GROUP FOCUSES ON LIFTING OPERATIONAL EXCELLENCE**

2015 proved to be another challenging year for world trade. The biggest sufferers were emerging markets. Accordingly, Credendo Group issued 37 country risk downgrades for short-term risks and just 8 upgrades.

The inevitable rise in claims impacted heavily upon our yearly results. Despite a negative technical result, we finished in the black, with a EUR 8.9 million consolidated profit. Furthermore, premium volume climbed by 5%, compared to 1.5% in 2014. This was encouraging in the light of the global downturn, confirming perceptions of Credendo as a reliable export partner for all economic weather, reducing financial risks in international transactions.

Our confidence was demonstrated by a further expansion of our staff to 487 people.

In the face of the difficult geopolitical and economic environment, the group maintained its commitment to providing a high level of personal service and tailor-made products. Our constant drive to improve current client solutions and to create new ones saw the group continue to expand and adapt its product range. In this framework, a dedicated desk in support of smaller-sized Belgian exporters was launched by Credendo Export Credit Agency (ECA), with specialists able to clearly explain our products, communicating at face-to-face level.



"Despite the lowest global growth since 2009, premium volume increased by 5% compared to 2014"

"As the 4th largest European credit insurance group, our position remains focused on prioritising client relationships and product innovation"

Credendo ECA also boosted its forfaiting offer, so that we doubled the capacity ceiling for our financing solutions. On one hand, with our forfaiting product, we can now discount commercial paper up to EUR 5 million. On the other hand we have launched buyer credits to target transactions within the EUR 2 million-EUR 5 million bracket. In another innovation, we broadened the scope of our political risk insurance for investments, adding extra risk categories after consulting the market.

Notwithstanding efforts to build support for Belgian exporters, our presence in 14 countries now defines us as an integrated European insurance group, easily identifiable by the Credendo name, providing a wide product range and with a size allowing for economies of scale. Our group is investing in systems, processes and integration with the aim to further increase the operational excellence. However, as the 4th largest European credit insurance group, our position remains focused on prioritising client relationships and product innovation to keep us commercially relevant.

Credendo also believes that business and societal values are inseparably linked. Therefore, we have

broadened our social role by lifting the level of Corporate Social Responsibility dialogue with stakeholders, and by launching an annual meeting with non-governmental organisations. This greater transparency helps civil society organisations to better understand our organisation and helps us in anticipating their expectations.

Another innovation was the launch in November of the first Credendo Trade Forum, providing a window to spotlight our expertise vis-a-vis geopolitical issues for exporters.

The International Monetary Fund outlook for 2016 predicts one more year of low growth, but we have taken multiple measures to reduce the portfolio volatility. Our long-term view of business will maintain our ability to deliver sustainable insurance and results, even in turbulent years.

Dirk Terweduwe
Group Chief Executive Officer

Vincent Reuter
Group Chairman

MACROECONOMIC REVIEW

Credendo's first annual Trade Forum delivered key insights into the growing perils of trade repayments

The challenging geopolitical and macroeconomic environment in 2015, and the attendant hazards of doing business were clearly mirrored by Credendo Group. In particular, the first edition of the Credendo Trade Forum in November successfully delivered a range of key insights and testimonies about a range of global risks and their impact on enterprises and countries worldwide.

At a quantitative level, Credendo Group's short-term and medium-/long-term political risk downgrades outnumbered upgrades in 2015, testifying that risk is

an increasing preoccupation for companies chasing global export and investment opportunities. As well as the perennial political tensions in the Middle East, falling commodity prices and the potential rise in interest rates in the US, entrepreneurs seeking trade openings in emerging countries are being impacted by the slowing Chinese economy. These trends were all highlighted during the 2015 Credendo Trade Forum. A further macroeconomic negative is the rise of global debt. All these factors are currently triggering a spate of credit insurance claims and making trade repayments more hazardous.

POLITICAL RISK IS ON THE RISE

Political risks are embedded across all emerging regions

Embodying the ascent of political risk is Ukraine, where alleged military intervention by Russia since 2014 has destabilised the eastern Donbas region. "The Minsk agreement is not fully implemented, and the economy contracted by almost 10% in 2015," says Pascaline della Faille, Country and Sector Risk Coordinator at Credendo Group. "The second review of the International Monetary Fund support programme was delayed due to lack of reforms." The fallout from the conflict in Ukraine also affected Russia, where the impact of economic sanctions was exacerbated by falling global oil prices. As a result, the Russian rouble depreciated sharply in 2015 and GDP decreased by 3.8%. Inevitably, many former Soviet Union countries have seen exports to Russia drop and have been further impacted by the economic slowdown in China and the sharp drop in oil prices. "After Azerbaijan let its currency float free in December 2015, the manat depreciated sharply, severely impacting the banking sector. We

downgraded our medium-/long-term political risk categories for Azerbaijan, Uzbekistan and Kazakhstan in early 2016."

In the Middle East, Syria and Iraq's civil wars, and most notably the military presence of the Islamic State grouping, calls for full attention. The underlying regional issue is the long-standing tension between Saudi Arabia and Iran.

More encouragingly, even if regional GDP growth is likely to decrease for the sixth consecutive year in 2016, new opportunities have emerged in Latin America. Argentina's new government started lifting capital controls in December 2015, and successfully renegotiated with private creditors, which restored public access to international capital markets. "Central America generally looks good," notes Pascaline della Faille. "Cuba's December 2015 agreement with a group of official creditors from the Paris Club was excellent news." Credendo Group is expecting to gradually expand cover for short-term transactions on Cuba.

Perhaps Asia's greatest political risk concerns the East and South China Seas, where long-standing territorial tensions between China and several other countries continue. "An intensification of the claims on various islands is possible, but nobody would

benefit," comments Raphaël Cecchi, Credendo Country and Sector Risk Analyst specialising in Asia. Meanwhile in Africa, a key political risk focus involves the rising security concerns over jihadist movements, particularly in Mali, Nigeria and Chad.

COMMODITY PRICE FALLS ARE IMPACTING EMERGING COUNTRIES

The collapse in oil and other raw material prices has transformed numerous countries into more precarious propositions for exporters

"Oil-exporting countries which lack economic diversification are struggling with a sharp drop in current account receipts and public revenues, and we expect commodity prices to remain relatively low for an extended period," says Pascaline della Faille. Reiterating themes discussed at the Credendo Trade Forum, she adds: "Depreciating exchange rates, linked to falling commodity prices, make it more expensive to pay back debt denominated in foreign currency at a time when corporates' earnings are under pressure. The consequence is rising claims numbers. However there are some beneficiaries, especially net oil-importing countries such as India, which have largely benefited from the low oil prices."

By contrast, more than 90% of export receipts in Venezuela – where Credendo ended cover in 2013 – flow from oil. Moreover, slumping commodity prices have hit Brazil, Indonesia and Mongolia hard. Businesses that export to these countries face payment ramifications, as is also the case in some

Gulf Cooperation Council countries. Saudi Arabia's medium-/long-term risk grading was downgraded in 2015, as shrinking oil prices impacted public finances and caused external imbalances. Although general political stability prevails, social unrest could increase in the coming years.

Lower risk is clearly visible in Iran, where Credendo upgraded its medium-/long-term rating, post-sanctions. "The economic outlook is good. We can cover short-term and medium-/long-term transactions because European sanctions related to Iran's nuclear activities were lifted in January 2016. Credendo expects to lift Iran's political risk categories higher once payment experience improves."

However, Africa suffered from downgrades in 2015 due to the external shock of commodity prices. "We saw a big negative impact on the commodity-exporting countries. As a result, Africa's GDP growth decreased for the second consecutive year in 2015 and is expected to shrink again in 2016," acknowledges Louise Van Cauwenbergh, Credendo Country and Sector Risk Analyst specialising in Africa.



"Credendo Group's short-term and medium-/long-term political risk downgrades outnumbered upgrades in 2015"

US DOLLAR INTEREST RATES ARE ON THE RISE

Further increases in interest rates could lift problems for exporters to emerging countries

After an interest rate hike in December 2015, the first increase since 2006, the US Federal Reserve is likely to increase interest rates further this year. Such a move could lift problems for exporters to emerging countries where corporates have taken advantage of relatively low interest rates and abundant capital to borrow in hard currencies.

"Globally, the key countries at risk are China, Turkey, Chile, Brazil, India, Peru and Thailand, some of which are reliant on short-term capital flows. Corporate debt, often denominated in foreign currency, was up very significantly in these countries in recent years," observes Pascaline della Faille. "Any further depreciation in their exchange rates could lift commercial risk and increase claims."

She compares the ongoing unfavourable situation with 2008, when capital outflows occurred but the comparatively low corporate indebtedness and a rapid recovery in commodity prices helped Brazil, for example, to quickly pull through. In Asia, Malaysia and Indonesia are "especially vulnerable to currency depreciation, and corporate debt exposure is highest in China, Singapore, Thailand and Mongolia," stresses Asian specialist Raphaël Cecchi. "This could bring pressures on trade repayments as 2016 unravels." In Africa, Nigeria, Senegal and Ghana have issued a large part of their external debt in strong currencies, and thus any domestic currency depreciation will increase the cost of repaying debt, and endanger trade payments. The South African rand, Ugandan dollar, Zambian kwanza and Ghanaian cedi depreciated sharply in 2015.

ASIAN OPPORTUNITIES STAND OUT

The Credendo Trade Forum highlighted that South-East Asia remains a major opportunity for exporters

The Credendo Trade Forum highlighted that South-East Asia remains a major opportunity for exporters, with growth across the entire region set to remain above 6% in 2016. A dominant negative is China's soft landing from its economic boom, and slow adoption of an economic model in which private consumption and services are eventually set to become key growth drivers. The slowdown in China to below 7% average annual growth has affected

Hong Kong, Singapore and Taiwan, which trade heavily with mainland China, and also Mongolia, Malaysia and Indonesia, due to the indirect impact of commodity prices. "A few countries are nevertheless doing well, particularly Vietnam, which benefits from its openness to attract rising foreign direct investments," says Raphaël Cecchi. "Myanmar is also showing upside, via the successful democratic November 2015 elections and a broad-based economic boom, albeit from a low starting point." He continues: "Moreover, Cambodia and Laos keep growing at about 7%, the first showing strength

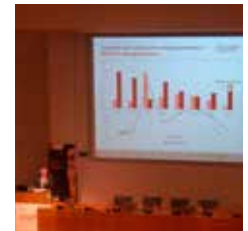


"After an interest rate hike in December 2015, the first increase since 2006, the US Federal Reserve is likely to increase interest rates further this year"

in garments, construction and tourism, while Laos benefits from power sector exports."

Other success stories include the Philippines, which offers improved fundamentals, macroeconomic stability and strong internal demand, and a robust South Korean export-oriented economy. Furthermore, India is one of the brightest spots in the emerging world, featuring plans for policy reform under a new government, and benefitting from a huge internal market and oil import costs which have been more than halved.

Raphaël Cecchi believes regional lessons have been learned from the 1997-98 crisis, mainly via foreign exchange reserves accumulations and nimbler exchange rate regimes. "China – where the renminbi and foreign exchange reserves are both on a declining path – is now the biggest worry for the region. There is a deterioration in Chinese payment experience, due to the overall slowdown, heavy corporate debt and problems in the construction, real estate, steel and mining sectors, where the weakest will go to the wall."



AFRICAN OPENINGS PERSIST

The most positive trend is the gradual growth of an African middle class and rising intra-African trade

Africa was the second region flagged up during the Credendo Trade Forum. "Even though election periods and political irregularities continue to be an important source of political instability for many African countries, the governance and safety records generally improved over the past decade," says Louise Van Cauwenbergh. "Despite the election-related violence witnessed in Burundi, Niger and Democratic Republic of the Congo, for example, peaceful elections were held in Nigeria, Burkina Faso and Côte d'Ivoire, putting an end to periods of high instability."

Africa's economic outlook is mixed, marked by a regional growth outlook of just 3% for 2016. Slowing demand from China, mirrored by a 40% fall in Chinese imports from Africa in 2015, as well as the end of a global commodity price boom, have hit the resource-dependent region. Widespread borrowing to fund public sector investments has significantly raised the aggregate sovereign debt of the entire continent over the past decade. "This has driven up external commercial borrowing and exposure to deteriorating foreign investor sentiment," points out Louise Van Cauwenbergh.

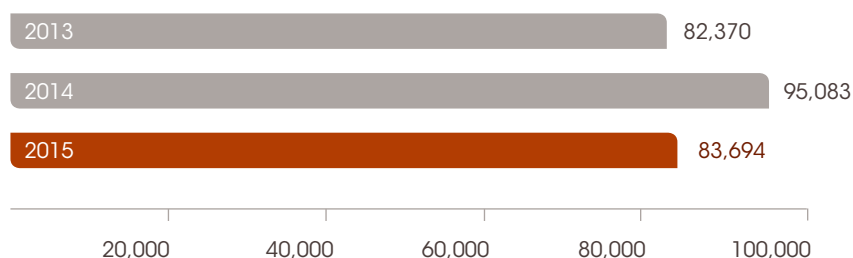
The collapse in international commodity prices since mid-2014 has rumbled across oil and metals exporting markets including Angola, the Republic of Congo, Equatorial Guinea, Gabon, Mozambique,

Nigeria, South Africa and Zambia. All of these have seen dramatic falls in exports and public revenues, squeezing budgets and current accounts. In Angola and Nigeria, the imposition of capital controls has made foreign payments more difficult. Less afflicted have been Gabon and the Republic of Congo, where monetary policy is pooled under the Economic and Monetary Community of Central Africa, and Cameroon, where export earnings are more diversified.

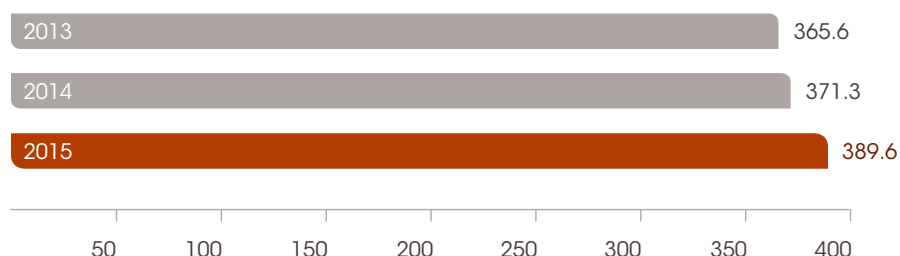
The most positive trend is the gradual growth of an African middle class and rising intra-African trade. "The growth-driving countries are likely to be Tanzania, Kenya and Senegal, which are net oil importers enjoying lower oil prices with better diversified export bases. Côte d'Ivoire is expected to become the best regional performer thanks to solid policies and strong cocoa export earnings," says Louise Van Cauwenbergh. "In southern Africa, Botswana and Namibia remain solid business markets. Overall, bottlenecks in infrastructure, especially power supply, remain pressing and need to be addressed, but the growing middle class is creating huge potential in agriculture, retail, wholesale and telecoms."

KEY FIGURES OF THE GROUP

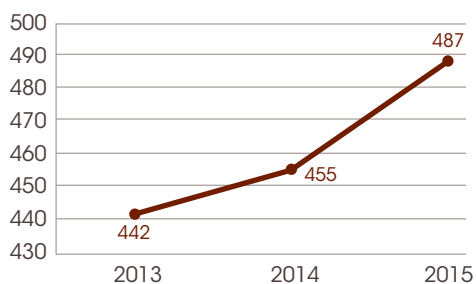
VALUE OF TRANSACTIONS INSURED (IN MILLION EUR)



INSURANCE PREMIUM REVENUE (IN MILLION EUR)



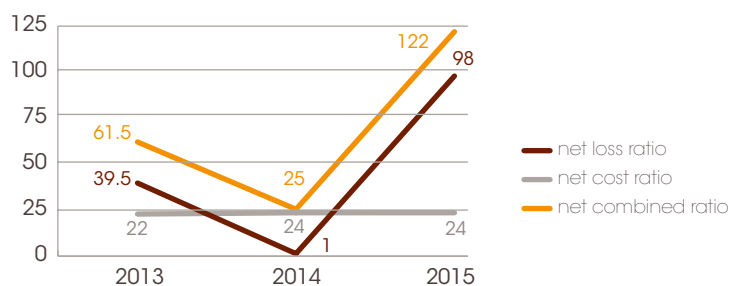
STAFF (IN UNITS)



EUR 2,375.7 million
total equity

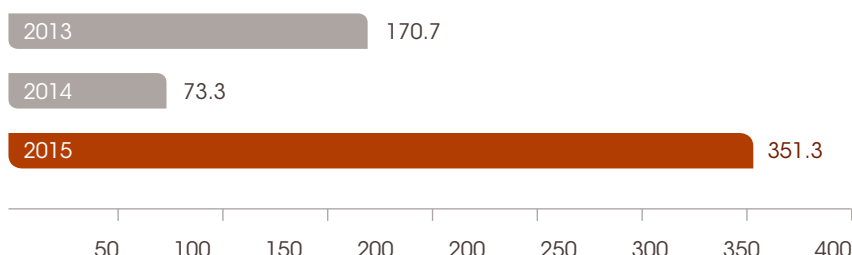
EUR 389.6 million
insurance premium revenue

OPERATIONAL RATIOS (IN %)

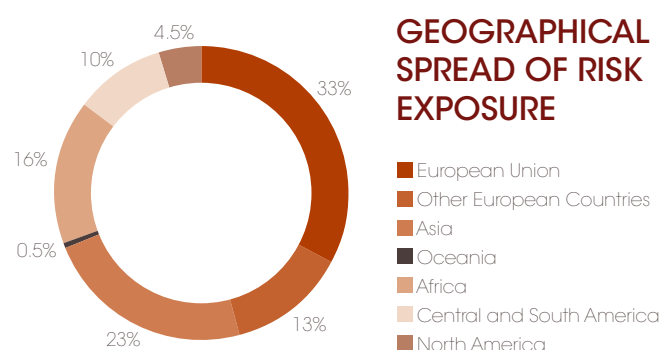
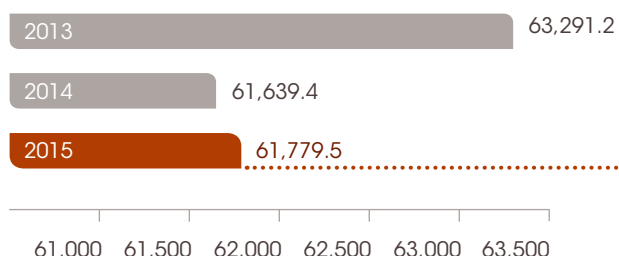


EUR 0.0 million
outstanding loans

INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES (IN MILLION EUR)



TOTAL POTENTIAL EXPOSURE (IN MILLION EUR)



ACTIVITIES AND RESULTS

| in million EUR | 2013 | 2014 | 2015 |
|---|----------|----------|----------|
| Value of transactions insured during the financial year ⁽¹⁾⁽²⁾ | 82,370.0 | 95,082.6 | 83,694.0 |
| Total potential exposure ⁽²⁾ | 63,291.2 | 61,639.4 | 61,779.5 |
| Insurance premium revenue ⁽¹⁾ | 365.6 | 371.3 | 389.6 |
| Insurance claims and loss adjustment expenses ⁽¹⁾ | 170.7 | 73.3 | 351.3 |
| Total profit/(loss) | 254.9 | 352.6 | 8.9 |
| Total comprehensive income | 163.2 | 343.5 | 7.2 |
| Total equity | 2,036.7 | 2,368.4 | 2,375.7 |
| Staff | 442 | 455 | 487 |
| Ratios (in %) | | | |
| Net loss ratio ⁽³⁾ | 39.42% | 0.76% | 97.88% |
| Net cost ratio ⁽⁴⁾ | 22.20% | 24.01% | 23.73% |

(1) before cession to reinsurers

(2) including excess-of-loss transactions

(3) net insurance claims and loss adjustment expenses / net insurance premium revenue

(4) (operating expenses, excluding operational foreign exchanges, minus other operating income) / net insurance premium revenue

PRODUCTS AND SERVICES

Credendo improved and widened its Export Credit Agency offerings

By introducing tailored and improved offerings focused on SMEs, and updating our political risk insurance policy for investments, Credendo Export Credit Agency provided a raft of new support for Belgian companies venturing into foreign markets in 2015.

FORFAITING

Credendo's deepening of financial support for Belgian SMEs which are expanding their international business began in March 2015, when we streamlined the documentation of our existing forfaiting product and doubled the capacity ceiling of our financing solutions to EUR 200 million. The forfaiting product discounts commercial paper (bills of exchange or promissory notes) up to EUR 5 million and is focused on SME clients struggling to raise commercial financing for their export contracts.

"2015 brought a raft of new support for Belgian companies"

SMALL AND MEDIUM-SIZED ENTREPRISES DESK

Our proactivity was visible again in mid-2015, when we set up a dedicated SME desk, principally targeting Belgian SMEs that are exporting capital goods. The SME desk is particularly active in providing forfaiting and buyer credits. It specialises in the smaller-sized average deal size which is common to SMEs, of around EUR 250,000, which allows for a more simplified risk analysis process.

"The aim is to be a strong, easily approachable and reliable partner which supports their export transactions and international expansion by alleviating the risk of non-payment or termination of the contract, and also by providing financing," says Olivier Lambertyn, Underwriting and Account Management Team Coordinator. "In addition to simplified products, and the lean processes which reduce response times and paperwork, SMEs also require guidance on how to avoid the risks in international export transactions. By focusing on all of those aspects we make a real and immediate difference to their business, and now 80% of our new clients are SMEs," he explains.

BUYER CREDITS

Intensifying this momentum, Credendo Export Credit Agency has launched another funding product that targets SMEs, a Buyer Credit aiming to fill a market gap in commercial financing. By providing direct loans of up to 5 years to foreign buyers of Belgian goods and services, the product goes a step beyond Credendo's forfaiting solution for supplier credits.

Conforming tightly to market standards, the buyer credit essentially enables the Belgian exporter to be paid up front and the foreign buyer to obtain a credit facility from a reliable partner. It is initially being offered to creditworthy corporates in four key trading markets – China, India, Mexico and Brazil – and will target transactions within the EUR 2 million-EUR 5 million bracket.

TAILORING OF POLITICAL RISK INSURANCE FOR INVESTMENTS

Driven by an increasing demand for protection against political risks, the Export Credit Agency has also reviewed and updated the wording for its political risk insurance policy for investments, relating to equity investments, structured loans and quasi-equity. After an in-depth benchmarking exercise and checks by legal and broking experts to establish transparent definitions and clear terminology, new conditions were introduced in November 2015, including a modified pricing approach. "We listened to our clients and acted upon their expectations that events such as 'business interruption' and 'embargo' should be adequately compensated under our political risk insurance policies for investments," says Romanie Peters, Legal Counsel and Legal and Claims Coordinator at Credendo Group. "Furthermore the political violence concept has been extended to explicitly include terrorism," she adds. "The policy now covers six events, in which the new concepts and compensation mechanisms are definitely considered as a 'plus' for our clients," Romanie Peters concludes.



CREDENDO GOES BEYOND TRADITIONAL EXPORT CREDIT INSURANCE

"We want to offer a wide variety of insurance, reinsurance, guarantee, bonding and financing products related to domestic and international trade transactions or investments abroad in the real economy that protect companies, banks and insurance undertakings against credit and political risks or that facilitate the financing of such transactions.

CREDIT INSURANCE OF SINGLE-RISK

- Insurance of single-risk export transactions
- Insurance of single-risk export transactions up to 7 years
- Insurance of single-risk prefinancing of import transactions (non-delivery risk)
- Insurance of single-risk prefinancing of import transactions (non-delivery risk up to 360 days)
- Insurance of contract guarantees (unfair calling of bonds)
- Insurance of construction equipment for works abroad
- Export funding guarantee to refinancers of bank credit

CREDIT INSURANCE OF TURNOVER

- Short-term trade credit insurance, with approved credit limits and a risk period of less than 2 years

CREDIT INSURANCE SPECIALITY

- Excess-of-loss policies
- Top-up cover
- Captive reinsurance solutions

INVESTMENT INSURANCE

- Insurance of political risk related to investments abroad
- Insurance of political risk related to investments abroad, up to 7 years

DIRECT FUNDING

- Forfaiting (direct financing) of medium-term supplier credits
- Buyer credit

BONDING

- Contractual and legal bonds

FINANCIAL GUARANTEE

- Financial guarantee to the bank to issue a bond (bond support scheme)
- Financial guarantee to the bank for export working capital
- Financial guarantee to the bank for investment credits
- Financial guarantee to private placement subscribers of (debenture) bond

RISK PARTICIPATION

- Unfunded risk participations in trade finance or investment operations
- Participation in market insurance syndications of trade finance or investment transactions

REINSURANCE

- Reinsurance operations, treaty or facultative, via quota share or excess-of-loss.

We are attentive to the needs of our clients. Therefore we are innovative and are always extending, renewing and up-dating the range of our products."

| Belgian exporter | | Foreign exporter | Financing bank | Insuring company | Other ECA |
|------------------|---------------|------------------|----------------|------------------|-----------|
| SME | Large company | | | | |
| x | x | | x | | |
| | | x | x | | |
| x | x | | x | | |
| | | x | x | | |
| x | x | x | x | | |
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| | x | x | x | | |
| | | | | x | |
| | | | | | x |

GUARANTEEING BUYER CREDIT PAYMENTS

INSURANCE CLAIMS MANAGEMENT SHOWCASES CREDENDO ECA RELIABILITY

In the event of unexpected problems with foreign buyers, how can an exporter ensure that its payments for sales made on medium- to long-term credit are not adversely impacted, and its commercial reputation remains intact? The answer is to take out adequate commercial risk protection for export credits, using an insurer able to bridge the gap between respecting the commercial relationship with the debtor and ensuring payment. Credendo's committed position, demonstrated below, is to remove uncertainties in export transactions by coordinating closely and flexibly with our clients.

In 2011, a well-established Belgian exporter and textile machinery manufacturer Michel Van de Wiele NV, was awarded an approximately EUR 1 million commercial contract for the delivery of carpet-weaving equipment to a Turkish buyer. Based on

a positive track record with this buyer, Michel Van de Wiele offered a supplier credit covering 75% of the contract amount. As the company's insurer for over two decades, Credendo ECA issued an export insurance policy covering both the risk of termination and non-payment.

"In May 2011, at the time of policy issuance, our analysis showed the Turkish buyer to be in a healthy financial situation," says Romanie Peters, Legal Counsel and Legal and Claims Coordinator at Credendo Group. "No problems occurred until mid-2015, when Michel Van de Wiele informed us that the buyer had unexpectedly asked for an extension of payment for three upcoming due dates."

Geert Chielens, Michel Van de Wiele's Chief Financial Officer, confirms that a long-lasting and steady commercial relationship had been maintained with





the buyer, with no indication that he was in difficulty. "When we received the extension request, Credendo consulted with us, as always, and supported our initial efforts to listen to the buyer," he says. "Credendo has always respected mutual collaboration, which we greatly appreciate."

Nevertheless no agreement was reached nor was any new payment made. Michel Van de Wiele eventually applied under its policy for compensation payment relating to the unpaid due dates. "The claim was immediately analysed by our Legal and Claims department," notes Romanie Peters. "Our involvement was notified to the borrower, with the consent of the insured, clearly indicating that all steps would be taken to recover the debt."

Credendo's Legal Counsel, in charge of the file, managed to speak once to the shareholder of the buyer, before communications ceased entirely. Upon further investigation, Credendo ascertained that the buyer had in the meantime sold its buildings and equipment, before stopping all activities. "It turned out to be a case of virtual bankruptcy, which was sufficient evidence to validate the claim. Hence, Credendo provided the insured with an accelerated indemnity for the total outstanding and due amount taking into account the covered percentage," says Romanie Peters.

Credendo's compensation process "has proved utterly reliable on each occasion that we have claimed, which gives us tremendous confidence,"

underlines Geert Chielens. "Their experience and network – including diplomatic channels – is designed to seamlessly manage claims in our most important markets like Turkey, Brazil and China. There is a clear and open communication on the roles and responsibilities of all parties. They are always just a phone call away, almost like in-house insurance."

"Credendo Export Credit Agency experience and network is designed to seamlessly manage claims in our most important markets"

MITIGATING POLITICAL RISK THREATS

CREDENDO DEEPENS THE LAYERS OF PROTECTION FOR FOREIGN DIRECT INVESTMENTS

Which hazards pose the greatest threat when businesses invest overseas? How can a company find a bespoke risk solution which is structured to precisely match its key needs in complex, ever-changing foreign environments where perils are unpredictable? As emerging markets have become more intricate, Credendo ECA business has responded by expanding the scope and clarity of its political risk insurance policies to align with its clients' perceptions of the major dangers to their businesses. By providing new and stronger layers of protection around investments, these policies allow businesses to proceed and grow with peace of mind.

Antwerp-based Katoen Natie is a long-established provider of tailor-made logistics and warehouse support. Having begun an internationalisation push in 1995, it set up a 60:40 joint venture in the Saudi port of Jubail in 2007 with the local Khonaini

International Company, entitled Katoen Natie Khonaini. This became active in 2008, offering multiple logistics services to the local chemical industry across sites in Jubail.

To drive the business forward, and become more independent, Katoen Natie Khonaini acquired 34 hectares of land in 2012 to build its own terminal and warehouses. "It became clear that we needed the support of a political risk insurance policy to protect our investment, as this is a part of the world that could be vulnerable to political troubles," says Bernard Steverlynck, Katoen Natie's Financial Controller. "So we turned to Credendo, because they have extensive experience and know-how in supporting Belgian companies in foreign markets."

Katoen Natie had structured its joint venture investment in two ways, consisting of an equity participation in the local company's capital





"Business interruption is a valuable extension to protect our investment in cases where our operations are affected"

and through a shareholder loan. After a series of meetings with Credendo to comprehensively examine the most effective form of cover, it purchased a political risk insurance policy for both types of investment, which also marked Credendo's first policy to cover foreign direct investments in Saudi Arabia. "We installed political risk cover for three types of events," says Karel Vanderputte, Underwriting and Account Management Specialist for the ECA Business of Credendo. "Katoen Natie was protected against expropriation, plus other potentially discriminatory measures taken by the Saudi Arabian government, while the policy also covered war and transfer risk."

Through listening closely to Katoen Natie's requirements, the level of protection was upgraded at the 2015 policy renewal, when it was decided to

include cover within the policy for a temporary loss of income linked to the project equity. As part of its new and clearer set of general conditions, Credendo had just begun to offer this specific cover for 'business interruption', in situations where a political event causes physical damage to a local company's assets. "This addition was fully explained to us, and was a valuable extension of cover, as it protects our investment in cases where our operations are affected," says Bernard Steverlynck.

Collaboration is "ongoing", he adds. "The Saudi joint venture has received EUR 40 million of investment, and generates an annual revenue of about EUR 12 million, so Credendo's availability and guidance in covering our risk is now a critical part of our decision-making process."

COMPREHENSIVE SME FINANCING

CREDENDO FILLED AN EXPORT FINANCING GAP IN CHINA

Are financing techniques available to help an SME gain an export foothold in markets where commercial finance is scarce? At a time when many banks have pulled back from trade and export finance for smaller transactions, how can a small exporter sell abroad with payment certainty and cash up front? By structuring a multi-faceted package of risk assessment, insurance and forfaiting, Credendo Export Credit Agency provided a Belgian consultancy, specialised in renewable energy, with support which opened expansion into a significant new market and paved the way for follow-up transactions.

Belgian SME Upgrade Energy offers integrated solutions and project management to help emerging market clients efficiently manage their energy in areas including cogeneration, wind and solar power. "But as a small company operating in

foreign markets we need complete legal certainty that our customer will pay us, not just their word," says Chief Executive Officer Raf Vermeire. "That is where Credendo made a difference, by listening to us, and coming up with a solution."

Upgrade Energy first encountered the ECA on a 2012 trade mission to China, at a presentation illustrating financing options available to Belgian SMEs. "We had been working on the Chinese market, but banks considered the size of our individual deals too small for them, or were simply not motivated to look in detail at refinancing our bills of exchange," notes Raf Vermeire.

Credendo's strong focus on SMEs persuaded Upgrade Energy to set up a subsequent meeting in Brussels. "They were open and transparent, and took time out to understand our business. We had tried



"They went beyond buyer default insurance and discounted bills of exchange with cash up front"





various ways to sell into China, but Credendo looked at the issues from new angles, beyond just payment," says Raf Vermeire.

Rudi Galle, SME specialist in Credendo's Underwriting and Account Management team, relates how a first transaction followed shortly thereafter, whereby Credendo supported Upgrade Energy's sale of an energy-saving plan, financed through a supplier credit with extended payment terms. "Our role was twofold: insuring the commercial transaction against all forms of buyer default and any expenses involved in contract termination, and discounting the bills of exchange, with cash up front, through our forfaiting product. We also invested time in explaining the process and the administrative detail."

The success of this overall approach was such that the ECA has put together seven or eight similarly structured cover transactions for Upgrade Energy,

all in China, and for increasingly larger amounts. "We monitor the risk closely, asking immediately for contact with the end buyer if ever there are late payments, which are usually attributable to technicalities in Chinese central bank regulations," explains Rudi Galle. "So far, there have been no claims," he adds.

"The cooperation works as a total package," says Raf Vermeire. "Credendo's risk assessment expertise has helped us to target the most suitable buyers, while forfaiting also offers a welcome solution to buyers' reluctance to pay everything up front. Ultimately, the products ensure there is no recourse on the exporter for events of non-payment by the foreign buyer. Equally important is that we can bring to the table a creditworthy financing solution backed by an ECA whose size and sovereign nature inspires trust among our Chinese buyers, which can in turn clinch contracts and lift sales figures."

TAILORING GLOBAL POLICIES, SATISFYING CLIENTS



"High acceptance rate of the credit limit requests, prompt indemnifications and user-friendly administration forged a close relationship"

CREDENDO'S MULTINATIONAL POLICIES FOLLOW THE CLIENT

How flexibly should a credit insurer tailor its policies for a client company with multiple foreign subsidiaries and clients in 30 countries? Do specific business needs warrant a tailor-made approach, even in complex risk environments? Frustration with its former provider during the financial crisis led UK-based Fort Vale Engineering Limited to switch its multinational credit insurance to Credendo in 2008. The outcome? Ample credit limits, prompt indemnifications and user-friendly administration, resulting in a close relationship and several policy renewals.

Based in Burnley, in northern England, Fort Vale is the world leader in the precision manufacture of valves and fittings for the transportation of bulk liquids in the tank container, road tanker and rail industries. Because it sells to around 30 countries, from five companies based within the European Union and three based outside, Fort Vale requires a seamless

multinational credit insurance policy, managed centrally but comprehensively covering its entire operation.

Elizabeth Dennis, Account Manager at Credendo in short-term risk management for UK-based clients, explains how Fort Vale suffered from its existing credit insurer's low risk appetite. "It fully approved no more than about 35% of Fort Vale's requested limits, and was unprepared to manage its client's frustration on many key buyers. So Fort Vale remarketed the business."

According to David Thornley, Fort Vale's Group Credit Controller, "Credendo was suggested because it was better suited to our needs, especially in terms of its risk appetite for emerging markets such as China, which is our most important country." He adds: "Its policy also costs less."

A crucial part of the policy allows Fort Vale's subsidiaries to determine their own credit limits. "The biggest issue for us is always to get suitable cover levels in place all over the world," David Thornley underlines. "With Credendo, we get very workable limits, usually without any protracted discussion, in return for tightly controlling our overdues. Their risk appetite means they cover almost all markets where we operate. In Brazil, where we have a highly-valued customer, we receive 80% limit approvals, which is very satisfactory."

Policy administration has been straightforward, he emphasises. "I deal with just one person for the short-term risk management. If payment problems occur, we usually agree quickly upon a suitable repayment arrangement for the buyer. The claims process has also been reassuring. We receive guidance and advice, and are restituted reasonably quickly, without wrangles."

Elizabeth Dennis explains that some USD 100,000 has been paid out to Fort Vale since the policy began in 2008, all at the due date after receipt of documents, and at no additional charge for internal hours dedicated to recoveries. "There have been about one or two claims each year, due to insolvency, with one of these involving three entities in the same group in 2015. Policy renewals have also proceeded smoothly. The policy was recently extended to the end of 2016, at the same rates."

David Thornley acknowledges the ease of dealing with Credendo. "They are approachable, accommodating, and ready to explain their decisions. If a problem occurs, I call or send an e-mail and get a quick response. The key is the trust on both sides."



EXCESS-OF-LOSS COVER CATCHES CATASTROPHIC RISKS

CREDENDO POLICY PERMITS CLIENTS TO DETERMINE KEY PERILS

Is it possible for a large company to find a bespoke credit insurance solution in circumstances where it wishes to assume the non-payment risks of its smaller debtors but not those which jeopardise its financial solidity? For one globally active company, a policy written by Credendo's excess-of-loss arm in Spain was able to address these issues, creating a mutual rapport strong enough to overcome subsequent problems.

In 2007, a well-known producer and distributor in the alcoholic beverage sector encountered problems with its credit insurer. Tensions arose as the multinational company integrated its entire global sales chain. In particular, it established its own credit management procedures, including an internal scoring system to evaluate debtors.

"With this credit insurer, they were not able to follow their own credit management procedures. For every single request, the insurer had the final say," explains Claudia Gaviria, Credendo's specialist in excess-of-loss cover for Spain and Portugal. "However, the company wanted the complete freedom to underwrite all risks, without any third party interference, and to determine the level where external protection was required against high losses, especially during seasonal business peaks when exposures on most key risks exceeded the insurer's limit."

Credendo was the only company offering the pure excess-of-loss cover designed to address this problem, in a wider market where credit insurers were reining in limits.





“We were able to follow our own credit management procedures, even for very big amounts”

After a broker's introduction, Credendo Spain started working with the multinational company's Iberian branch in 2009, underwriting its catastrophic risks through an excess-of-loss policy that specifies an annual aggregate deductible. “Under our cover, they handle losses for small or insignificant claims that do not jeopardise their business, and using credit limits based on their own credit management procedures, which have been validated by Credendo. “We cover catastrophic losses, i.e. beyond the annual aggregate deductible,” adds Claudia Gaviria.

Credendo's service capabilities were reiterated in late 2012, as the client's loss history increased in the wake of global recession. “It was a fast-moving environment, where risk and credit management procedures needed adapting, and we helped with that understanding,” notes Claudia Gaviria. “Our client awoke to a big problem: they faced more and more losses every year. We cooperated even more closely after one of their biggest debtors was declared insolvent, which impacted their financial

balance. We responded by arranging discussions and meetings in early 2013 which involved the client's UK headquarters. We covered the debt and helped adjust and improve their internal procedures. An agreement on new policy conditions – and the terms of each other's responsibilities – was reached in June 2013.”

The customer renewed its excess-of-loss policy in mid-2015. “We are building a healthy long-term relationship, with full mutual trust,” underlines Claudia Gaviria. “We have paid a lot of claims, for important amounts, never cancelling cover, and adapting to how they work, while trying to help improve their business,” she adds. “We listen hard, take into account their day-to-day needs, and believe they know their own debtors better than anybody. As a result, we always reach an understanding allowing their account receivables to be protected without interference.”

GUARANTEEING BID BONDS, PERFORMANCE AND ADVANCE PAYMENT BONDS



CREDENDO'S SURETY COVER FACILITATES POLISH CONTRACT SUCCESSSES

How can an engineering and consulting firm active in international markets ensure that clients can trust its contract bids? Is it possible to locate large volumes of surety insurance issued in support of multiple tenders in foreign markets, often within a very tight time frame? One Belgian company has turned extensively to the surety experts of Credendo for such types of support in its drive to participate in Poland's road building programme.

The Brussels-based TPF has grown its foreign operations to the point where it has subsidiaries and branches in almost 50 advanced and emerging countries. "Our presence on the ground in these markets removes many cross-border risks. However, where we have a deep need for support is our requirement for bonds issued in-country to support

our multiple consulting and supervision contracts," explains TPF's Financial Director Frank Donati.

Until 2005, another credit and surety insurer issued bid and performance bonds for TPF. "But they stopped this activity in Belgium, so we asked Credendo to take over," Frank Donati adds. "The reaction was swift and also very positive, in that we were soon given extra room to negotiate our limits. It was critical for us that Credendo stepped in – it saved us from having to ask for additional credit lines from banks, which were already providing guarantees and financing."

Whereas the bond amounts in Belgium were generally smaller, the relationship has expanded significantly in Poland, where the government's

motorway programme is generating scores of tenders for design, construction and project management. The tenders are accompanied by a requirement for bid bonds, with sizes ranging from several thousand euros upwards.

"We issue lots of bonds, quickly and easily, for TPF," says Tine Hofmans, Surety Team Coordinator at Credendo. "The tendering company needs to know the bids are robust, so we guarantee the client will not withdraw their bid, promising indemnification if this is nevertheless the case," she comments.

Illustrating the level of Credendo's bidding support, 2015 saw TPF's Polish subsidiary respond to 39 government tenders, leading to 18 separate bid bond issues by Credendo, for contracts worth a grand total of PLN 2.6 billion (USD 685 million). One aspect in which Credendo has excelled, underlines Frank Donati, is its ability to issue bid bonds within a tight time frame. "Credendo is a flexible and fast partner. I can generally obtain a bond from them

within 24 hours, but in a very urgent case they have been able to respond in just a couple of hours," he emphasises.

"We can respond almost in real time," agrees Tine Hofmans. "Competitors cannot match this, because they have to go through command and decision layers, whereas we are relatively small and agile." She confirms a "good, steady relationship with TPF", involving close to one hundred active bonds issued by Credendo, including bid, performance and advance payment bonds. "We are able to answer positively on just about every bond request, since TPF is a financially stable company with an exemplary track record. We really value the partnership we have built with them over the years."

Frank Donati envisages the relationship broadening. "It very much depends on the demand, but we have concluded other bond business with Credendo in Romania and Portugal," he says.



"Credendo's surety solution saved us from having to ask for additional credit lines from banks"

UNFUNDED RISK PARTICIPATION SUPPORT FOR PROJECTS

CREENDO PRODUCT PROMOTES GLOBAL TRADE

Among Credendo's capabilities is a product which allows the ECA to work with commercial banks, assist in promoting global trade and investment and diversify its portfolio exposure. Known as an unfunded risk participation, the product enables Credendo to engage in so-called 'market window' activity, providing capacity to international banks engaged in medium- to long-term project financings either directly or via insurance syndicates.

"There is not enough knowledge of our market window activity, which is not traditional ECA business and consists primarily of cover for well-structured project deals of two years or more," explains Vincent Mommaerts, Underwriting and Account Management Specialist at Credendo. "Our market window product was created back in 1996 to diversify the ECA's traditional risk exposures," he says.

An example of an unfunded risk participation came in early 2015, when Credendo sat behind a major international bank in a large 8-year project financing for a greenfield mining project in Australia. Credendo assumed risk on 15% of the bank's commitment in the transaction. Our obligation involved making good any payment shortfall to the bank, on the 15% pro rata basis, if the borrower failed to generate sufficient cash flow to fulfil its payment obligations at loan maturity.

Access for Credendo to such transactions involves working with banks via so-called master risk participation framework agreements. "These are general market-compliant agreements, following which we only need to sign a small bilateral document with the bank to commit to a specific transaction, through a first demand guarantee. Our engagement in master risk participations



"Unfunded risk participations provide capacity to international banks"



is always undisclosed, which helps our financial institution partners,” notes Vincent Mommaerts.

He emphasises that there are specific constraints in place, limiting unfunded risk participations to trade or structured deals, and exposure limits on each country, ensuring that key Credendo capacity remains intact for more traditional ECA business. Risk assessment is also critical to the ECA's engagement in unfunded risk participations, gleaned through the bank's sectoral knowledge, and its enquiries into the project, including construction and performance risk. “We look at all possible scenarios, especially the downside risks, and always try to ascertain reasons for our partner's confidence,” says Vincent Mommaerts.

In the 2015 case, the commodity price risk – which has become challenging for all mining companies – was mitigated by a minimum hedge imposed on the project company's production. “Eventually the project changed hands, and the deal's debt component was repaid, so we are off risk now,” concludes Vincent Mommaerts.



CORPORATE GOVERNANCE

Credendo Group consists of the Credendo Export Credit Agency and its subsidiaries. Its corporate governance structure is made of different bodies: Board of Directors, Executive Committee and Group Coordination Committee.

CREDENDO EXPORT CREDIT AGENCY⁽¹⁾

Board of Directors

Vincent Reuter,
Chairman

Michel Delbaere,
Vice-Chairman

Ludivine Halbrech,
Member, representative of the
Federal Minister of Finance

Pieter-Jan Van Steenkiste,
Substitute member

Marlène Beco,
Member, representative of the
Federal Minister for Foreign Affairs

Xavier De Cuyper,
Substitute member

Henk Mahieu, Member,
representative of the Federal
Minister for Economy

Ivan Van den Bergh,
Substitute member

Sigurd Vangermeersch,
Member, representative
of the Federal Minister for
Development Cooperation

Denis Dubuisson,
Substitute member

Claire Tillekaerts,
Member, representative of
the Flemish Government

Thomas Fiers, Substitute member

Georges Stienlet,
Member, representative of the
Flemish Government

Annemarie Van de Walle,
Substitute member

Jean-Jacques Westhof,
Member, representative of the
Walloon Government

Jean-Jacques Gabriel,
Substitute member

Pascale Delcomminette,
Member, representative of the
Walloon Government

Francis Mullers,
Substitute member

Frédéric Loncour,
Member, representative
of the Government of the
Brussels-Capital Region

Christopher Kashale Ilunga,
Substitute member

Katrien Van Kriekinghe,
Member, representative
of the Government of the
Brussels-Capital Region

Frederic Convent,
Substitute member

Executive Committee

Dirk Terweduwe,
Chief Executive Officer and
Chairman of the Executive
Committee

Frank Vanwingh,
Deputy Chief Executive Officer
and Vice-Chairman of the
Executive Committee

Nabil Jijakli,
Deputy Chief Executive Officer
and Member of the Executive
Committee

⁽¹⁾ legal name Delcredere | Ducroire



Group Coordination Committee

Dirk Terweduwe (1),
Group CEO and Chairman of the
Group Coordination Committee

Frank Vanwingh (2),
Group Deputy CEO, Vice-
Chairman of the Group
Coordination Committee

Nabil Jijakli (3),
Group Deputy CEO

Paul Balthasart (4),
Group Chief Reinsurance Officer

Claudine Collin,
Group Corporate Secretary
general

Thibaut De Haene (5),
Group Chief Legal Officer

Marina Hautman (6),
Group Chief Human Resources
Officer

Ronny Matton (7),
Group Chief Financial Officer

Hans Slock (8),
Group Chief Risk Officer

Lode Vermeersch (9),
Group Chief Information Officer

Alexey Bezdenezhnykh (10),
CEO INGO-ONDD

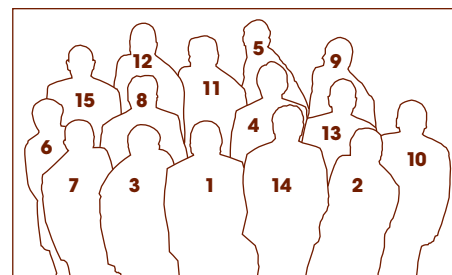
Michael Frank (11),
CEO Garant

Eckhard Horst (12),
CEO Trade Credit

Dominique Meessen (13),
Head of Underwriting and
Account Management
Delcredere | Ducroire

Stefaan Van Boxstael (14),
CEO Credimundi

Michal Veselý (15),
CEO KUPEG



MANAGEMENT REPORT

ON THE 2015 CONSOLIDATED FINANCIAL STATEMENTS

1. IFRS CONSOLIDATION

In conformity with the provisions of the European regulation no. 1606/2002 of 19/07/2002 and the Royal Decree of 27/09/2009, and in conformity with the decision of the Board of Directors of 17/12/2013 to apply IFRS standards to the consolidated accounts of Delcredere | Ducroire, we have the honour to report to you on our consolidated activities over the financial year and to submit for your approval the consolidated financial statements closed as at 31/12/2015.

These financial statements contain the consolidated results of Delcredere | Ducroire, the Belgian official Export Credit Agency, and of its subsidiaries: Credimundi, KUPEG, Garant Versicherungs-AG, INGO-ONDD (held through Holding CIS), Trade Credit and Immo Montoyer (together **Credendo Group**).

These consolidated financial statements of Credendo Group are presented based on the International Financial Reporting Standards (IFRS) as applicable per 31/12/2015, and as adopted by the European Union.

The following new interpretation and amendments to standards are mandatory for the first time for the financial year beginning 01/01/2015:

> **'Annual improvements (2011-2013 cycle)'** in response to four issues addressed during the 2011-2013 cycle. The amendments include IFRS 1 'Meaning of effective IFRSs', IFRS 3 'Scope exceptions for joint ventures', IFRS 13 'Scope of paragraph 52 (portfolio exception)' and IAS 40 'Clarifying the interrelationship of IFRS 3 Business



Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property’.

- > **IFRIC 21 ‘Levies’:** IFRIC 21 sets out the accounting for a liability to pay a levy if that liability is within the scope of IAS 37. It also addresses the accounting for a liability to pay a levy the timing and amount of which are certain.

The application of those amendments did not have a material effect on the consolidated financial statements of Credendo Group for the year ended 31/12/2015.

2. KEY EVENTS OF THE REPORTING PERIOD

For 2015 there are no key events to report on.

3. FINANCIALS

The 2015 Consolidated Statement of Financial Position shows a balance total of EUR 3,992.5 million compared to EUR 3,630.3 million at the end of 2014. The main movements are related to the changes in working capital assets and liabilities and the cash generated by operating activities minus the net cash used by investing and financing activities, reducing the cash and cash equivalents position from EUR 363.7 million in 2014 (restated for short-term deposits reclassification) to EUR 309.0 million at the end of 2015 including exchange gains but excluding the cash under assets held for sale. The financial investment portfolio grows further from EUR 2,333.3 million in 2014 (restated for short-term deposits reclassification) to EUR 2,536.5 million at the end of 2015, which is explained by the positive net balance of additions and disposals of financial investments.

The Consolidated Income Statement is showing a small profit of EUR 8.9 million for the year 2015, down from EUR 352.6 million profit in 2014. This is mainly due to an important increase of insurance claims and loss adjustment expenses in the fourth quarter of 2015. The 2014 profit from operating activities

of EUR 190.9 million turned into a EUR 58.5 million loss in 2015. The insurance premium revenues, including variance in unearned premium reserve, accrued from EUR 371.3 million in 2014 to EUR 389.6 million in 2015 and after the cession of premium to reinsurance the net insurance premium revenue ends at EUR 270.9 million in 2015 or 6.8% up from EUR 253.7 million in 2014.

The 2015 other operating income of EUR 60.9 million contains commissions received from reinsurers, recharges of investigation costs and other recoveries of expenses (EUR 50.1 million in 2014 restated for foreign exchange gains). The crises in the commodities and the emerging markets severely impacted the 2015 net insurance claims and loss adjustment expenses, increasing to EUR 265.1 million compared to EUR 1.9 million in 2014 (restated for foreign exchange gains and losses).

The operating expenses other than claims increase from EUR 111.0 million in 2014 (restated for foreign exchange losses) to EUR 125.1 million in 2015 mainly due to higher services and other goods expenditure and other operating expenses.



EUR 336 million

increase in our reserves

Despite the strong 2015 volatility in the financial markets the net financial income remains positive at EUR 60.6 million in 2015 down from EUR 163.9 million the previous year. The 2014 financial result was furthermore favourably affected by the capital gains in the Zephyr institutional fund which is classified as a financial investment at fair value through profit or loss. The 2015 income tax credit is surging to EUR 6.9 million up from a EUR 2.1 million expense last year thanks to the creation of deferred tax assets.

The 2014 remeasurement loss on defined benefit pension plans of EUR 2.8 million (net of deferred tax thereon) has turned into a net remeasurement profit of EUR 3.8 million for 2015 mainly thanks to the positive impact of the higher 2015 discount rate (2.00% in 2015 against 1.75% in 2014 for the Belgian plans, the 2.00% in 2014 for the Austrian plan remains at 2.00% in 2015).

Also in 2015 we recycled unrealised capital gains from other comprehensive income to financial income explaining the negative change of EUR 5.6 million (net of deferred tax thereon). The total other comprehensive income for the year 2015 is a small loss of EUR 1.7 million compared to the EUR 9.1 million loss in 2014. This brings the total comprehensive income to EUR 7.2 million for 2015 (EUR 343.5 million in 2014).

In 2015 the operating activities generated EUR 117.6 million net cash compared to using EUR 7.7 million in 2014. Together with the EUR 168.8 million cash used by investing and financing activities in 2015 (net EUR 42.8 million used in 2014 restated for short-term deposits reclassification) this resulted in a decrease of the 2015 cash and cash equivalents position by EUR 51.3 million excluding the positive impact of foreign currency translation differences of EUR 5.2 million compared to the previous year's decrease of EUR 50.5 million.

Finally the Consolidated Statement of Changes in Equity is explaining the movements for each component of the total equity attributable to the owner of the parent, i.e. endowment, consolidated reserves and total other comprehensive income, and for the non-controlling interests in equity. As a matter of fact this Consolidated Statement of Changes in Equity is reconciling the financial position to the Income Statement and the Statement of Other Comprehensive Income.

The total 2015 consolidated audit fees of our statutory auditor PwC Belgium amount to EUR 193,840. The non-audit fees amount to EUR 137,000 (other attestation missions). The 2015 fees for our statutory auditor's network include audit fees of EUR 118,982 and other missions external to the audit for a total value of EUR 248,087.

4. RISK MANAGEMENT AND SOLVENCY II

Note 4 Management of insurance and financial risk of the consolidated financial statements summarises the insurance and financial risks to which Credendo Group is or could be exposed and the way it manages them.

A first part covers the exposure to and the management of the **insurance risk** or underwriting risk with particulars on credit and investment insurance risk, surety contracts risk, accepted reinsurance contracts, sensitivity analysis, change in assumptions, quantitative concentrations and claims development tables. Similarly the second part on the **financial risk** specifies the market-related risks (interest rate, currency, equity price), the risks on credit, liquidity and capital management including the fair value hierarchy of the financial instruments.

Credendo Group's capital management strategy considers rating and economic capital targets but is still largely defined by regulatory capital.

Credendo Group entities subject to the forthcoming EU-wide Solvency II insurance regulation, that is all entities except Russia-based INGO-ONDD and parent Delcredere | Ducreire, have a general risk tolerance

set in terms of disposing of a comfortable buffer vis-à-vis the solvency capital requirements in the context of the Solvency II framework that enters into force as of 2016.

Solvency II will replace as of 2016 the current regulatory Solvency I framework, which was one of the first major international attempts to set industry solvency capital requirements. The Solvency II regulatory framework assesses the solvency capital requirements in a more holistic way. Additionally, the Solvency II framework does not only set capital requirements – it also entails the creation of a risk management system within the insurance industry.

As of 2014 transitional measures towards the Solvency II entry into force in 2016 have been implemented by national supervisory authorities. Besides actively preparing for and monitoring the quantitative, governance and reporting requirements, all Credendo Group entities subject to Solvency II have produced during the transition phase an annual Own Risks & Solvency Assessment, considered the key process of the Solvency II regulatory framework.

5. EVENTS OCCURRING AFTER THE REPORTING PERIOD

TCRe², classified as a 'held for sale' transaction in the 2015 figures, has been disposed of on 24/05/2016.

No other event occurred after the reporting period that could have resulted in a material impact on the reported figures as of 31/12/2015.

The 2015 IFRS Consolidated Financial Statements have been established on the basis of going concern.

CONSOLIDATED **FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31/12/2015

37

CONSOLIDATED STATEMENT
OF FINANCIAL POSITION

38

CONSOLIDATED INCOME
STATEMENT

39

CONSOLIDATED
STATEMENT OF OTHER
COMPREHENSIVE INCOME

40

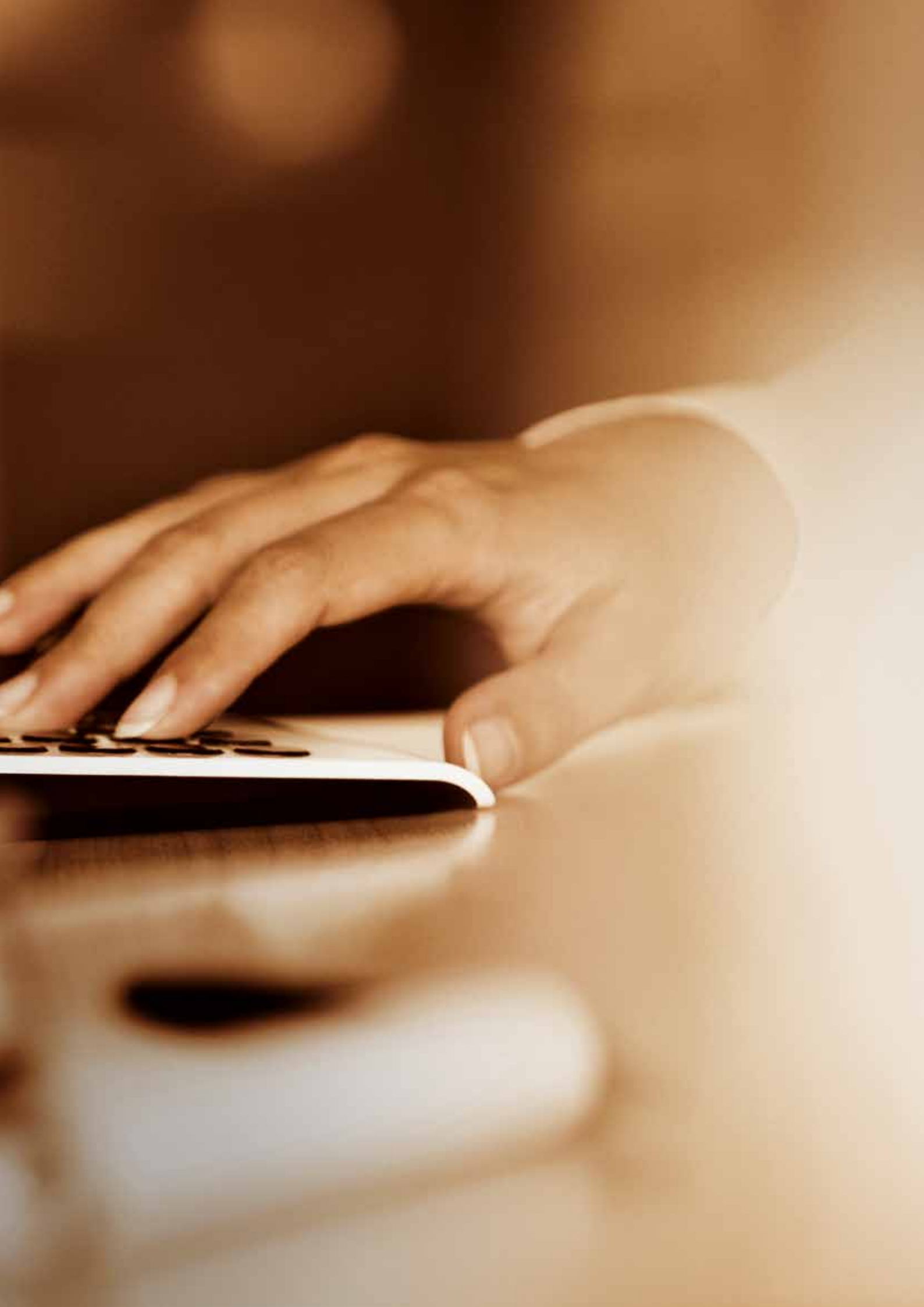
CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY

42

CONSOLIDATED STATEMENT
OF CASH FLOWS

44

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS



PwC Réviseurs d'Entreprises - Bedrijfsrevisoren, has audited Credendo Group's annual accounts (statutory accounts, as well as consolidated accounts presented by applying the IFRS standards) as of and for the year ended 31/12/2015, in accordance with the legal and regulatory requirements applicable in Belgium. It has issued an unqualified audit opinion on these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION ⁽¹⁾⁽²⁾⁽³⁾

| in thousands EUR | Note | 31/12/2015 | 31/12/2014 |
|---|------|------------------|------------------|
| ASSETS | | | |
| Intangible assets | 5 | 22,888 | 17,472 |
| Property, plant and equipment | 6 | 21,301 | 21,555 |
| Other financial assets | 7 | 337 | 201 |
| Financial investments | 8 | 2,536,520 | 2,333,271 |
| Deferred income tax assets | 9 | 16,456 | 9,378 |
| Reinsurance assets | 10 | 252,144 | 201,930 |
| Loans and receivables including reinsurance receivables | 11 | 813,212 | 674,830 |
| Other assets | 12 | 9,583 | 7,604 |
| Current income tax assets | | 2,332 | 386 |
| Cash and cash equivalents | 13 | 309,045 | 363,722 |
| Assets held for sale and discontinued operations | | 8,642 | - |
| TOTAL ASSETS | | 3,992,459 | 3,630,349 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Endowment | 14 | 297,472 | 297,472 |
| Consolidated reserves | 15 | 2,073,012 | 2,062,166 |
| Total other comprehensive income | 15 | -2,816 | -1,004 |
| Total equity excluding non-controlling interests | | 2,367,668 | 2,358,634 |
| Non-controlling interests | | 7,984 | 9,742 |
| Total equity | | 2,375,652 | 2,368,377 |
| Liabilities | | | |
| Liabilities arising from insurance contracts | 16 | 1,388,740 | 1,052,970 |
| Deferred income tax liabilities | 9 | 871 | 5,809 |
| Provisions for other liabilities and charges | 17 | 393 | 240 |
| Employee benefit liabilities | 18 | 8,994 | 13,346 |
| Payables | 19 | 193,499 | 162,311 |
| Other liabilities | 20 | 21,974 | 23,632 |
| Current income tax liabilities | | 351 | 3,664 |
| Liabilities held for sale and discontinued operations | | 1,985 | - |
| Total liabilities | | 1,616,807 | 1,261,972 |
| TOTAL EQUITY AND LIABILITIES | | 3,992,459 | 3,630,349 |

(1) The Consolidated Statement of Financial Position is presented in thousands of euros, rounded to the nearest thousand.

(2) The notes 1 to 36 are an integral part of these consolidated financial statements.

(3) As from 2015 onwards, term deposits that are highly liquid and repayable on demand have been reclassified from financial investments to cash and cash equivalents (2015: K EUR 146,877). Comparative figures for 2014 have been restated (K EUR 80,334).

CONSOLIDATED INCOME STATEMENT ⁽¹⁾⁽²⁾⁽³⁾

| in thousands EUR | Note | 31/12/2015 | 31/12/2014 |
|---|------|-----------------|-----------------|
| Insurance premium revenue | | 389,639 | 371,318 |
| Insurance premium ceded to reinsurers | | -118,775 | -117,583 |
| Net insurance premium revenue | 21 | 270,864 | 253,734 |
| Other operating income | 22 | 60,864 | 50,081 |
| Net income | | 331,728 | 303,815 |
| Insurance claims and loss adjustment expenses | | -351,301 | -73,334 |
| Insurance claims and loss adjustment expenses recovered from reinsurers | | 86,170 | 71,410 |
| Net insurance claims and loss adjustment expenses | 23 | -265,131 | -1,925 |
| Employee benefit expenses | 24 | -39,668 | -38,705 |
| Services and other goods | 25 | -61,266 | -55,609 |
| Depreciation and amortisation | 26 | -4,598 | -2,723 |
| Other operating expenses | 22 | -19,601 | -13,973 |
| Operating expenses (other than claims) | | -125,133 | -111,011 |
| Expenses | | -390,264 | -112,935 |
| Profit/(loss) from operating activities | | -58,537 | 190,880 |
| Finance income | 27 | 93,621 | 176,702 |
| Finance expense | 27 | -33,012 | -12,811 |
| Net financial income | | 60,609 | 163,891 |
| Profit/(loss) of the year before tax | | 2,072 | 354,771 |
| Income tax credit/(expense) | 29 | 6,871 | -2,125 |
| Profit/(loss) of the year from continuing operations | | 8,943 | 352,647 |
| Profit from discontinued operations | | - | - |
| Profit/(loss) of the year | | 8,943 | 352,647 |
| Profit/(loss) attributable to: | | | |
| Owners of the parent | | 10,805 | 352,063 |
| Non-controlling interest | | -1,862 | 583 |
| Total profit/(loss) of the year | | 8,943 | 352,647 |

(1) The Consolidated Income Statement is presented in thousands of euros, rounded to the nearest thousand.

(2) The notes 1 to 36 are an integral part of these consolidated financial statements.

(3) In 2015 the Foreign Exchange differences on operating activities have been reclassified from 'Other operating income and expenses' to 'Insurance claims and loss adjustment expenses'. Comparative figures for 2014 have been restated.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME ⁽¹⁾⁽²⁾

| in thousands EUR | Note | 31/12/2015 | 31/12/2014 |
|--|------|---------------|----------------|
| Profit/(loss) of the year | | 8,943 | 352,647 |
| Other comprehensive income: | | | |
| Items that will not be reclassified to profit or loss | | | |
| Remeasurements on defined benefit pension plans | 18 | 4,369 | -3,485 |
| Deferred tax on remeasurements on defined benefit pension plans | 9 | -613 | 663 |
| Subtotal of other comprehensive income that will not be reclassified to profit or loss | | 3,756 | -2,822 |
| Items that may be subsequently reclassified to profit or loss | | | |
| Change in value of available-for-sale financial investments | | -8,554 | 2,024 |
| Deferred taxes thereon | 9 | 3,000 | -1,890 |
| | | -5,554 | 134 |
| Exchange differences on translating foreign operations | | 80 | -6,419 |
| Subtotal of other comprehensive income for the year that may be subsequently reclassified to profit or loss | | -5,474 | -6,285 |
| Total other comprehensive income for the year | | -1,718 | -9,106 |
| Total comprehensive income for the year | | 7,225 | 343,540 |
| Attributable to: | | | |
| Owners of the parent | | 8,993 | 345,139 |
| Non-controlling interest | | -1,768 | -1,599 |
| Total comprehensive income for the year | | 7,225 | 343,540 |

(1) The Consolidated Statement of Other Comprehensive Income is presented in thousands of euros, rounded to the nearest thousand.

(2) The notes 1 to 36 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY ⁽¹⁾⁽²⁾

| in thousands EUR | Attributable to owners of the parent | | | | | | Non-controlling interest in equity | Total equity |
|---|--------------------------------------|----------------|-----------------------|---|------------------|---------------|------------------------------------|--------------|
| | Note | Endowment | Consolidated reserves | Total comprehensive income for the year | Total | | | |
| Balance at 01/01/2015 | | 297,472 | 2,062,166 | -1,004 | 2,358,634 | 9,742 | 2,368,377 | |
| Profit/(loss) of the year | | - | 10,805 | - | 10,805 | -1,862 | 8,943 | |
| Other comprehensive income: | | | | | | | | |
| Remeasurements on defined benefit pension plans | 18 | - | - | 3,712 | 3,712 | 44 | 3,756 | |
| Change in value of available-for-sale financial investments | | - | - | -5,573 | -5,573 | 19 | -5,555 | |
| Exchange differences on translating foreign operations | | - | - | 49 | 49 | 31 | 80 | |
| Total other comprehensive income for the year | | - | - | -1,813 | -1,813 | 94 | -1,718 | |
| Total comprehensive income for the year | | - | 10,805 | -1,813 | 8,993 | -1,768 | 7,225 | |
| Other equity movements | | - | 41 | - | 41 | 9 | 50 | |
| Total equity movement for the year | | - | 10,846 | -1,813 | 9,034 | -1,759 | 7,274 | |
| Balance at 31/12/2015 | | 297,472 | 2,073,012 | -2,816 | 2,367,668 | 7,984 | 2,375,652 | |

(1) The Consolidated Statement of Changes in Equity is presented in thousands of euros, rounded to the nearest thousand.

(2) The notes 1 to 36 are an integral part of these consolidated financial statements.

| in thousands EUR | Attributable to owners of the parent | | | | | | |
|---|--------------------------------------|----------------|-----------------------|---|------------------|------------------------------------|------------------|
| | Note | Endowment | Consolidated reserves | Total comprehensive income for the year | Total | Non-controlling interest in equity | Total equity |
| Balance at 01/01/2014 | | 297,472 | 1,719,283 | -1,218 | 2,015,538 | 21,208 | 2,036,746 |
| Other movements | | - | -6,995 | 7,124 | 129 | -129 | - |
| Adjusted balance at 01/01/2014 | | 297,472 | 1,712,288 | 5,907 | 2,015,666 | 21,079 | 2,036,746 |
| Profit/(loss) of the year | | - | 352,063 | - | 352,063 | 583 | 352,647 |
| Other comprehensive income: | | | | | | | |
| Remeasurements on defined benefit pension plans | 18 | - | - | -2,801 | -2,801 | -21 | -2,822 |
| Change in value of available-for-sale financial investments | | - | - | 149 | 149 | -15 | 134 |
| Exchange differences on translating foreign operations | | - | - | -4,272 | -4,272 | -2,146 | -6,419 |
| Total other comprehensive income for the year | | - | - | -6,925 | -6,925 | -2,182 | -9,106 |
| Total comprehensive income for the year | | - | 352,063 | -6,925 | 345,139 | -1,599 | 343,540 |
| Total transactions with owners | | | | | | | |
| Changes in ownership interest in subsidiaries that do not result in a change in control | 32 | - | -2,382 | - | -2,382 | -9,738 | -12,121 |
| Other equity movements | | - | 197 | 13 | 210 | - | 210 |
| Total equity movement for the year | | - | 349,878 | -6,911 | 342,967 | -11,337 | 331,630 |
| Balance at 31/12/2014 | | 297,472 | 2,062,166 | -1,004 | 2,358,634 | 9,742 | 2,368,377 |

CONSOLIDATED STATEMENT OF CASH FLOWS ⁽¹⁾⁽²⁾

| in thousands EUR | Note | 31/12/2015 | 31/12/2014 |
|---|-------|----------------|----------------|
| Cash flows from operating activities | | | |
| Profit/(loss) before income tax | | 2,072 | 354,771 |
| Adjustments for: | | | |
| Depreciation and amortisation | 26 | 4,598 | 2,723 |
| Movement of provisions | 17 | 152 | -341 |
| Write-offs on trade receivables | 22 | 11,098 | 175 |
| Impairment charges | 22-27 | 1,705 | 5,600 |
| Fair value gains/losses on financial assets at FVTPL | 27 | -14,615 | -122,682 |
| Gains on sale of available-for-sale financial investments | 27 | -6,999 | -1,368 |
| Other fair value adjustments of financial investments | 27 | - | -1,294 |
| Other non-cash items | | 404 | - |
| Finance income (net) | | -33,066 | -23,123 |
| Net of unrealised exchange rate differences | | 18,065 | 12,657 |
| Subtotal (profit + adjustments) | | -16,585 | 227,119 |
| Changes in working capital assets and liabilities (excluding the effect of exchange differences on consolidation): | | | |
| Liabilities arising from insurance contracts | | 313,365 | -252,407 |
| Employee benefits (excluding remeasurements through OCI) | | -125 | 887 |
| Payables | | 50,691 | 4,131 |
| Other liabilities | | -7,032 | -2,015 |
| Reinsurance assets | | -49,932 | 2,211 |
| Changes in receivables | | -168,398 | 12,900 |
| Changes in financial assets | | -136 | -98 |
| Change in other assets | | -3,275 | 1,387 |
| Other equity movements | | 50 | 197 |
| Cash (used in)/generated from operations | | 118,624 | -5,688 |
| Income taxes (paid) | | -1,050 | -1,973 |
| Net cash (used in)/generated by operating activities | | 117,574 | -7,660 |

(1) The Consolidated Statement of Cash Flows is presented in thousands of euros, rounded to the nearest thousand.

(2) The notes 1 to 36 are an integral part of these consolidated financial statements.

| in thousands EUR | Note | 31/12/2015 | 31/12/2014 |
|---|-----------|-----------------|----------------|
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 6 | -782 | -601 |
| Sale of property, plant and equipment | 6 | 69 | 136 |
| Purchase of intangible assets | 5 | -8,873 | -8,986 |
| Purchase of financial investments | | -493,784 | -260,898 |
| Proceeds from sale of financial investments | | 300,290 | 196,540 |
| Interests and dividends received on financial assets | | 19,058 | 11,961 |
| Realised exchange gains/(losses) on financial assets | | 17,587 | 13,442 |
| Other movements | | 18 | 1 |
| Net cash (used in)/generated by investing activities | | -166,417 | -48,404 |
| Cash flows from financing activities | | | |
| Acquisition of non-controlling interests | 32 | - | -12,121 |
| Financial charges and interest costs paid | | -2,431 | -2,482 |
| Net cash (used in)/generated by financing activities | | -2,431 | -14,603 |
| Changes in cash and cash equivalents | | | |
| Net (decrease)/increase in cash and cash equivalents | 13 | -51,273 | -70,667 |
| Cash and cash equivalents at the beginning of the year ⁽¹⁾ | | 363,722 | 347,284 |
| Exchange gains/(losses) on cash and cash equivalents | | 5,197 | 6,772 |
| Cash and cash equivalents at the end of the year⁽²⁾ | 13 | 317,647 | 283,388 |

(1) Term deposits that are highly liquid and repayable on demand have been reclassified from financial investments to cash and cash equivalents (2015: K EUR 146,877). Comparative figures have been restated as well (2014: K EUR 80,334 and 2013: K EUR 60,164).

(2) Cash and cash equivalent at 31/12/2015 317,647
Included in Cash and cash equivalents at the balance sheet 309,045
Included in the assets held for sale Note 33 8,602

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Delcredere | Ducroire and its subsidiaries form Credendo Group.

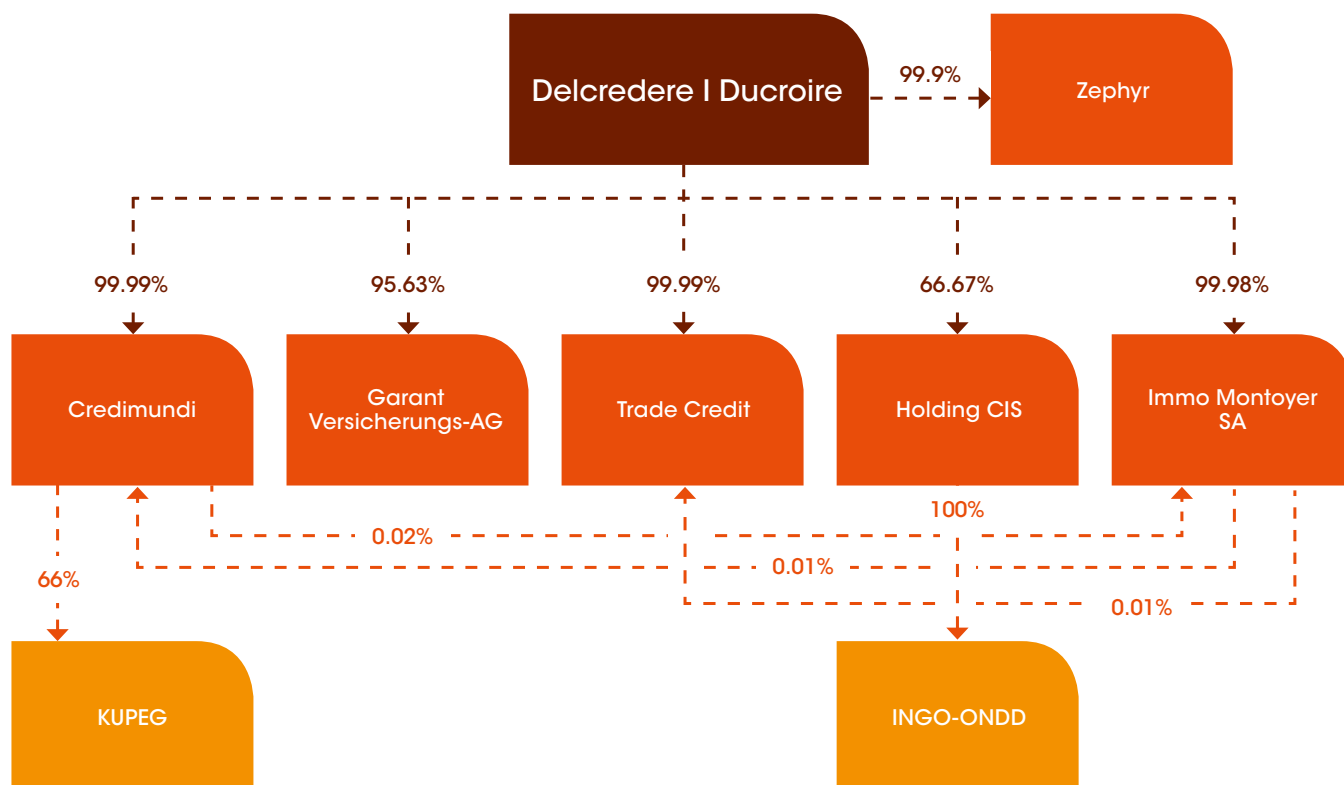
Delcredere | Ducroire is the official Belgian Export Credit Agency.

Delcredere | Ducroire insures companies and banks against political and commercial risks relating to international commercial transactions, mainly regarding capital goods and industrial projects, as well as contracted works and services. For these risks, Delcredere | Ducroire can also work alongside banks through risk-sharing schemes. Delcredere | Ducroire also insures against political risks relating to foreign direct investments and

directly finances commercial transactions of limited proportion.

The skills of Delcredere | Ducroire are complemented by those of its subsidiaries (together Credendo Group): Credimundi, KUPEG, Garant Versicherungs-AG, INGO-ONDD and Trade Credit.

Delcredere | Ducroire is a government body with a state guarantee, incorporated and domiciled in Belgium. The address of its registered office is: rue Montoyer 3, 1000 Brussels. Credendo Group provides insurance cover for companies within Europe, while the risks covered encompass the whole world. It operates in Belgium, Austria, Czech Republic, France, Germany, Italy, Luxembourg, the Netherlands, Poland, Russia, Slovakia, Spain, Switzerland and United Kingdom.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation of the consolidated financial statements

A. General principles

The consolidated financial statements of Delcredere | Ducreire (Credendo Group) per 31/12/2015 have been prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union and the standards that have been published at that date, namely the standards published by the IASB (International Accounting Standards Board) and the interpretations issued by the IFRIC (International Financial Reporting Interpretations Committee).

These financial statements are presented in thousands of euros, rounded to the nearest thousand, unless otherwise stated.

The financial statements have been prepared under the historical cost convention, except for particular assets and liabilities relating to insurance contracts, which are valued according to the methods already applied by Credendo Group according to Belgian generally accepted accounting principles, for financial instruments measured at fair value (derivative instruments, financial instruments at fair value through profit or loss and financial instruments available for sale). These financial statements are prepared on an accruals basis and on the assumption that the entity is a going concern and will continue in operation in the foreseeable future.

The following new interpretation and amendments to standards are mandatory for the first time for the financial year beginning 01/01/2015:

- > 'Annual improvements (2011-2013 cycle)' in response to four issues addressed during the 2011-2013 cycle. The amendments include IFRS 1 'Meaning of effective IFRSs', IFRS 3 'Scope exceptions for joint ventures', IFRS 13 'Scope of paragraph 52 (portfolio exception)' and IAS 40 'Clarifying the interrelationship of IFRS 3 Business Combinations and IAS 40 Investment Property when classifying property as investment property or owner-occupied property'.
- > IFRIC 21 'Levies': IFRIC 21 sets out the accounting for a liability to pay a levy if that liability is within the scope of IAS 37. It also addresses the accounting for a liability to pay a levy the timing and amount of which are certain.
- > The application of those amendments did not have a material effect on the consolidated financial statements of Credendo Group for the year ended 31/12/2015.

The following amendments to standards have been issued and have been endorsed by the European Union, but are not mandatory for the first time for the financial year beginning 01/01/2015:

- > 'Annual improvements (2010-2012 cycle)' with minor amendments to eight standards, effective for annual periods beginning on or after 01/02/2015. The amendments relate to IFRS 2 'Definition of vesting condition', IFRS 3 'Accounting for contingent consideration in a business combination', IFRS 8 'Aggregation of operating segments', IFRS 8 'Reconciliation of the total of the reportable segments' assets to the entity's assets', IFRS 13 'Short-term receivables and payables', IAS 7 'Interest paid that is capitalised', IAS 16/IAS 38 'Revaluation method-proportionate restatement of accumulated depreciation' and IAS 24 'Key management personnel'.
- > Amendment to IAS 19 'Defined benefit plans', effective for annual periods beginning on or after 01/02/2015. The amendment seeks clarification for the accounting of employee contributions set out in the formal terms of a defined benefit plan.
- > Amendment to IAS 16 'Property, plant and equipment' and IAS 41 'Agriculture' on bearer plants, effective for annual periods beginning on or after 01/01/2016. These amendments change the financial reporting for bearer plants, such as grapevines, rubber trees and oil palms. The IASB decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing.
- > Amendment to IFRS 11 'Joint arrangements' on acquisition of an interest in a joint operation, effective for annual periods beginning on or after 01/01/2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

None of the above-mentioned amendments to standards or interpretations are expected to have an effect on the consolidated financial statements of Credendo Group at the date of initial application.

The following new standards and amendments to standards have been issued, but are not mandatory for the first time for the financial year beginning 01/01/2015 and have not been endorsed by the European Union:

- > IFRS 14 'Regulatory deferral accounts', effective for annual periods beginning on or after 01/01/2016. It concerns an interim standard on the accounting for certain balances that arise from rate-regulated activities. IFRS 14 is only applicable to entities that apply IFRS 1 as first-time adopters of IFRS. It permits such entities, on adoption of IFRS, to continue to apply their previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts.

The interim standard also provides guidance on selecting and changing accounting policies (on first-time adoption or subsequently) and on presentation and disclosure.

- > 'Annual improvements (2012-2014 cycle)' with amendments to four standards, effective for annual periods beginning on or after 01/01/2016. The amendments include IFRS 5 'Non-current assets held for sale and discontinued operations', IAS 19 'Employee benefits', IFRS 7 'Financial instruments: disclosures' and IAS 34 'Interim financial reporting'.
- > Amendment to IAS 16 'Property, plant and equipment' and IAS 38 'Intangible assets' on depreciation and amortisation, effective for annual periods beginning on or after 01/01/2016. In this amendment the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
- > Amendments to IAS 27 'Separate financial statements' on the equity method, effective for annual periods beginning on or after 01/01/2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- > Amendments to IFRS 10 'Consolidated financial statements' and IAS 28 'Investments in associates and joint ventures', effective for annual periods beginning on or after 01/01/2016. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.
- > Amendments to IFRS 10 'Consolidated financial statements', IFRS 12 'Disclosure of interests in other entities' and IAS 28 'Investments in associates and joint ventures', effective for annual periods beginning on or after 01/01/2016. These narrow-scope consolidation exception amendments introduce clarifications to the requirements when accounting for investment entities.
- > IFRS 15 'Revenue from contracts with customers'. The IASB and FASB have jointly issued a converged standard on the recognition of revenue from contracts with customers. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. Companies using IFRS will be required to apply the revenue standard for annual periods beginning on or after 01/01/2018, subject to EU endorsement.
- > IFRS 9 'Financial instruments', effective for annual periods beginning on or after 01/01/2018. IFRS 9 was reissued in July 2014 and replaces the guidance in IAS 39. This final version includes requirements on the classification, measurement and derecognition of financial assets and liabilities and includes an expected credit losses model that replaces the current incurred loss impairment model. This version of IFRS 9 also includes the hedging amendment that was issued in 2013.
- > Amendments to IAS 1 'Presentation of financial statements', effective for annual periods beginning on or after 01/01/2016. The amendments to IAS 1 are part of the initiative of the IASB to improve presentation and disclosure in financial reports and are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. The amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

The following new standards and amendments to standards are expected not to be applicable to the consolidated financial statements of Credendo Group: IFRS 14, annual improvements (2012-2014 cycle), amendments to IAS 16 and IAS 38, amendments to IAS 16 and 41, amendment to IFRS 11, amendment to IAS 27, amendments to IFRS 10 and IAS 28, amendment to IFRS 9 relating to hedge accounting, amendments to IFRS 10, IFRS 12 and IAS 28.

The financial statements of Credendo Group will be impacted by the application of IFRS 9 and to a lesser extent by the application of IFRS 15. However Credendo Group is still in the process of examining the impact. A more detailed analysis will be performed once the impact of IFRS 4, not issued yet at this moment, has been examined as these new standards need to be considered together. The amendments to IAS 1 will not materially affect the presentation and disclosures of the financial statements of Credendo Group upon initial application.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Credendo Group accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in a specific note.

2.2. Consolidation

A. Subsidiaries

Credendo Group consolidates entities within its consolidation scope using the consolidation method to be applied depending on the type of control it exercises over the entity.

Subsidiaries are all entities (including structured entities) over which Credendo Group has control. Credendo Group controls an entity when Credendo Group is exposed to, or has rights to, variable returns from its involvement in the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to Credendo Group. They are deconsolidated from the date control ceases.

The intragroup transactions, balances, gains and losses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by Credendo Group.

The non-controlling interests in the net assets and net results of consolidated subsidiaries are presented separately in the consolidated statement of financial position, consolidated income statement and consolidated statement of comprehensive income. After the acquisition date, the non-controlling interests include the amount calculated at the date of acquisition and the share of changes in equity since the date of acquisition attributable to non-controlling interests.

B. Associates

Associates are all entities over which Credendo Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the

date of acquisition. Credendo Group's investments in associates include goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Credendo Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When Credendo Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, Credendo Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

At each reporting date Credendo Group determines whether there is any objective evidence that the investment in the associate is impaired. If this is the case, Credendo Group calculates the amount of the impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates' in the income statement.

Profits and losses resulting from upstream and downstream transactions between Credendo Group and its associate are recognised in Credendo Group's financial statements only to the extent of unrelated investors' interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by Credendo Group.

2.3. Business combinations

Credendo Group applies the acquisition method to account for business combinations.

The consideration transferred for the acquisition of a subsidiary is measured at the aggregate of the fair values of the assets transferred, the liabilities incurred or assumed and the equity interests issued by Credendo Group at the date of the acquisition. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

The excess of the aggregate of the consideration transferred and the fair value of non-controlling interests over the net identifiable assets acquired and liabilities assumed is recorded as goodwill.

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date.

Acquisition costs are expensed as incurred, except for the costs to issue debt and equity securities, which are accounted for in accordance with IAS 32 and IAS 39.

Credendo Group recognises any non-controlling interests in the acquired entity on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquired entity's identifiable net assets. The share of equity and result of any non-controlling interests is recognised on a separate line, respectively in the statement of financial position and in the income statement.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The initial accounting for the fair value of the net assets of the companies acquired during the year may be determined only provisionally as the determination of the fair value can be complex and the time between the acquisition and the preparation of the annual accounts can be limited. The initial accounting shall be completed within a year after acquisition.

Adjustments to the fair values at the date of acquisition of acquired assets and liabilities that are identified within one year after acquisition, are recognised as an adjustment to goodwill; any subsequent adjustment is recognised as income or expense.

Where a business combination is achieved in stages, the acquisition-date carrying value of Credendo Group's previously held equity interest in the acquired entity is remeasured to fair value at the acquisition date (i.e. the date Credendo Group attains control) and the resulting gain or loss, if any, is recognised in the profit or loss account.

When Credendo Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date on which control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if Credendo Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

When Credendo Group performs a business combination involving entities under common control, the assets acquired and liabilities incurred are valued at the carrying value that existed in the books of the subsidiary prior to the business combination.

2.4. Foreign currency translation

A. Functional and presentation currency

Items included in the financial statements of each of Credendo Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional currency of all subsidiaries and associates of Credendo Group is the euro except for KUPEG for which the functional currency is the Czech crown and INGO-ONDD for which the functional currency is the Russian rouble.

The consolidated financial statements are presented in thousands of euros, which is Delcredere | DuCroire's functional and presentation currency.

B. Translation of transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the

translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and/or qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings, cash and cash equivalents, financial investments and receivables/payables are presented in the income statement within 'Finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'Other operating income' or 'Other operating expenses'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss; other changes in carrying amount are recognised in 'Other comprehensive income'.

Translation differences on financial assets and liabilities held at fair value through profit or loss are reported as part of the fair value gain or loss. Translation differences on non-monetary financial investments such as equities classified as available-for-sale financial investments are included in 'Other comprehensive income'.

The results and financial position of all Credendo Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- > assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- > income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- > all resulting exchange differences are recognised in 'Other comprehensive income'.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity.

On the partial disposal that does not result in Credendo Group losing control over a subsidiary that includes a foreign operation, the proportionate share of cumulative amount of exchange differences are reattributed to non-controlling interests in that foreign operation and are not recognised in profit or loss. In any other partial disposals, the proportionate share of

the cumulative amount of the exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as the foreign entity's assets and liabilities and are translated at the closing rate. Exchange differences arising are recognised in 'Other comprehensive income'.

2.5. Property, plant and equipment

Property, plant and equipment comprise land and buildings, office furniture, computer hardware, other equipment, furnishing, vehicles and other tangible fixed assets.

All property, plant and equipment are carried at acquisition cost less any accumulated depreciation and less any accumulated impairment loss. Cost includes any directly attributable cost of bringing the asset to working condition for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Credendo Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance expenditures are charged to the income statement during the financial period in which they are incurred.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

Land is not depreciated. Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- > Building – components:
 - Structure 50 years
 - Building equipment 20 years
 - Decoration 10 years
- > Office furniture: 10 years
- > Computer hardware: 3 years
- > Other equipment: 5 years
- > Furnishing: 10 years
- > Vehicles: 5 years
- > Other tangible fixed assets: 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's

carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'Other operating income' or 'Other operating expenses' in the income statement.

2.6. Intangible assets

A. Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over Credendo Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units (CGUs), or groups of CGUs, expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

B. Computer software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by Credendo Group are recognised as intangible assets when the following criteria are met:

- > it is technically feasible to complete the software product so that it will be available for use;
- > management intends to complete the software product and use or sell it;
- > there is an ability to use or sell the software product;
- > it can be demonstrated how the software product will generate probable future economic benefits;
- > adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and

- > the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs, that are capitalised as part of the software product include the software development employee costs and an appropriate portion of directly attributable overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are carried at acquisition cost less any accumulated amortisation and less any accumulated impairment loss and are amortised on a straight-line basis over their useful lives, which do not exceed five years for externally acquired software and ten years for internally generated software.

C. Concessions, patents and licenses

Separately acquired concessions, patents and licences are shown at historical cost. Concessions, patents and licences acquired in a business combination are recognised at fair value at the acquisition date.

Concessions, patents and licences with an indefinite useful life are tested for impairment annually or whenever there is an indication of impairment. Each accounting period a review is carried out to confirm whether or not events and circumstances still support the assumption of an indefinite useful life.

Concessions, patents and licenses that have a finite useful life are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method (unless another method better reflects the pattern in which future economic benefits of the intangible asset are expected to be consumed) to allocate the cost over the estimated useful life that corresponds to the duration of the contract. The residual value is assumed to be zero.

2.7. Financial investments and other financial assets

2.7.1 Financial investments

A. Classification

Credendo Group classifies its financial investments into the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial investments were acquired. Management determines the classification of its financial investments at initial recognition.

Financial investments at fair value through profit or loss (FVTPL)

This category has two subcategories: financial investments held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified into the 'financial investments at fair value through profit or loss' category at inception if acquired principally for the purpose of selling in the short term, if it forms a part of a portfolio of financial investments in which there is evidence of short-term profit-taking, or if so designated by management. A group of financial assets, financial liabilities or both that is managed and of which the performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, is designated in the 'fair value through profit or loss' category at initial recognition. Derivatives are also classified as held for trading unless they are designated as hedges.

Loans and receivables

Loans and receivables are non-derivative financial investments with fixed or determinable payments that are not quoted in an active market. Credendo Group's loans and receivables also comprise 'Loans and receivables including reinsurance receivables' and 'Cash and cash equivalents'.

Available-for-sale financial investments (FVOCI)

Available-for-sale investments or fair value through other comprehensive income are financial investments that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, financial investments at fair value through profit or loss or held-to-maturity investments (held-to-maturity not used by Credendo Group).

B. Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which Credendo Group commits to purchasing or selling the asset. Investments are initially recognised at fair value plus transaction costs for all financial investments not carried at fair value through profit or loss. Financial investments carried at fair value through profit or loss, are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and Credendo Group has substantially transferred all risks and rewards of ownership. Available-for-sale financial investments and financial investments at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial investments at fair value through profit or loss' category are included in the income statement in the period in which they arise. Dividend income from financial investments at fair value through profit or loss is recognised in the income statement as part of 'Finance income' when Credendo Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are recognised in the income statement.

Interests on available-for-sale securities calculated using the effective interest method, are recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when Credendo Group's right to receive payments is established.

C. Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial investments and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges (for example NYSE-Euronext) and broker quotes. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the dates of the consolidated statement of financial position.

D. Reclassification of financial investments

Financial investments other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, Credendo Group may choose to reclassify financial investments that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if Credendo Group

has the intention and ability to hold these financial investments for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before the reclassification date are subsequently made. Effective interest rates for financial investments reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

E. Impairment of financial investments

Assets carried at amortised cost

Credendo Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial investments is impaired. A financial asset or a group of financial investments is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has (or have) an impact on the estimated future cash flows of the financial investment or group of financial investments that can be reliably estimated.

The criteria Credendo Group uses to determine if there is objective evidence of an impairment loss include:

- > significant financial difficulty of the issuer or obligor;
- > a breach of contract, such as a default or delinquency in interest or principal payments;
- > it becoming probable that the issuer or debtor will enter bankruptcy or any other financial reorganisation;
- > the disappearance of an active market for that financial asset because of financial difficulties; or
- > observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial investments since the initial recognition of those assets, although the decrease cannot be identified yet with the individual financial investments in the portfolio.

Credendo Group first assesses whether objective evidence of impairment exists individually for financial investments that are individually significant. If Credendo Group determines that no objective evidence of impairment exists for an individually assessed financial investment, whether significant or not, it includes the asset in a group of financial investments with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment

and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the consolidated income statement. As a practical expedient, Credendo Group may measure impairment on the basis of an instrument's fair value using an observable market price. This principle is equally applied to insurance assets.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

Assets classified as available for sale

Credendo Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial investments is impaired.

In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is evidence that the assets are impaired. In this respect, a decline of 20% or more is regarded as significant, and a period of one year or longer is considered to be prolonged. If any such quantitative evidence exists for available-for-sale financial investments, the asset is considered for impairment taking qualitative evidence into account. The cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement but through equity. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

F. Investments in other investment funds: valuation of investments in other investment funds

The investments in other investment funds are classified as financial investments at fair value through profit or loss (FVTPL). These investments are valued based on the latest available fair value of such units for each investee fund, as determined by the asset manager of each investee fund. Credendo Group reviews the details of the reported information obtained from the asset managers and considers:

- > the liquidity of the investee fund or its underlying investments;
- > the value date of the net asset value provided;
- > any restrictions on redemptions;
- > fair value basis of accounting.

If necessary, Credendo Group makes adjustments to the net asset value of the investee funds to obtain the best estimate of fair value.

2.7.2 Other financial assets

Other financial assets include expected recoveries of claims paid, amounts owed by policyholders and direct insurance operations, receivables arising out of reinsurance, and other receivables. They are reviewed for impairment as part of the impairment review of loans and receivables.

Other financial assets also include voting rights that are owned by Credendo Group in other entities if these represent less than 20% of the voting power of these entities.

Other financial assets are initially valued at their fair value plus transaction costs, if applicable. Short-term loans and receivables are measured at nominal value if the effect of discounting is immaterial. Loans and receivables are subsequently measured at amortised cost.

Available-for-sale financial assets are measured at fair value unless their fair value cannot be measured reliably.

2.8. Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Derivative financial instruments are only used within Credendo Group to hedge the fair value of recognised assets or liabilities or a firm commitment (fair value hedges).

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Credendo Group does not apply hedge accounting.

2.9. Impairment of non-financial assets

Intangible assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10. Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2.11. Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash at hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

2.12. Endowment and share capital

Delcredere | Ducroire received an endowment (capital) from the Belgian state several decades ago. This endowment is classified as equity since there is no obligation to transfer cash or other assets.

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

2.13. Insurance contracts and reinsurance contracts

Credendo Group issues insurance contracts and takes up the risks of the insured by insuring them. Insurance contracts are those contracts under which Credendo Group accepts a significant insurance risk – other than a financial risk – from a policyholder by agreeing to compensate the beneficiary on the occurrence of an uncertain event. As a general

guideline, Credendo Group defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% more than the benefits payable if the insured event did not occur.

As permitted by IFRS 4.4(d), Credendo Group has elected to account for financial guarantee contracts as insurance contracts rather than financial instruments, on the basis that Credendo Group has previously asserted explicitly that it regards such contracts as insurance contracts and has used accounting applicable to insurance contracts.

None of the insurance contracts of Credendo Group contain a discretionary participation feature (DPF), nor embedded derivatives. Credendo Group does not hold any service contract falling within the scope of the standard IAS 18.

Insurance contracts are classified into the following main categories:

- > **Credit insurance contracts:** insurance of the risk related to termination and payment default of international and domestic trade transactions which are caused by political events or by debtor insolvency or debtor default. The product range covers turnover policies, single-risk policies (supplier credit, buyer credit, project cash transactions, unfair calling of guarantees, contracting equipment), excess-of-loss policies and captive policies. Foreign exchange risk can be included.
- > **Investment insurance contracts:** insurance contracts for foreign direct investments (FDI) whereby the investor or bank is insured against infringement of property rights, the non-repatriation of invested funds and dividends or the non-payment of investment credits due to political and assimilated events.
- > **Financial guarantees:** guarantees for the benefit of a bank in the framework of three types of credit lines: bank guarantees, working capital (under export business) and investments and guarantees at the benefit of the bond holder.
- > **Surety contracts:** also known as 'bonding contracts'. These are contracts that provide compensation to the beneficiary of the contract if Credendo Group's bonding customer fails to perform a contractual obligation towards the beneficiary. Contractual bonds (advance payment bond, performance bond,...) guarantee the proper performance as well as the technical and financial abilities of the bonding customer in favour of a commercial partner. Credendo Group also issues legal bonds, e.g. in favour of the VAT or customs administration.
- > **Forfeiting contracts:** contracts that are concluded in addition to the credit insurance policy for a medium-term supplier credit whereby the

supplier credit is refinanced by Credendo Group. Credendo Group purchases the foreign trade receivable from the exporter. This purchase takes the form of a discounting without recourse on the exporter for all events of non-payment by the foreign buyer that cannot be attributed to negligence or fault of the exporter. Credendo Group has a direct risk of non-payment of claims on the debtor.

The credit insurance, investment insurance, financial guarantees, surety business and forfeiting are commonly referred to as direct business activity. Part of the risk from these insurance activities, financial guarantees and forfeiting excepted, is ceded to reinsurers.

- > **Inward reinsurance contracts:** contracts that reinsure similar risks as the direct business underwritten or issued by other insurance/surety companies.

A. Recognition and measurement

Except for some exceptions defined in the standard, IFRS 4 permits the continued use of previous local statutory accounting principles for the recognition and measurement of insurance and reinsurance contracts. Credendo Group has thus continued to apply the Insurance Regulations of Belgium for Credimundi and Trade Credit, of the Czech Republic for KUPEG, of Austria for Garant Versicherungs-AG, and of Russia for INGO-ONDD, which are substantially similar, save for the following points, which are covered by specific provisions of IFRS 4:

- > removal of provisions for equalisation where applicable;
- > identification and separation of embedded derivatives.

For insurance contracts (direct business) premiums correspond to premiums written excluding taxes, before reinsurance and net of terminations. They are recognised on the date on which the insurance cover takes effect.

Inward reinsurance contracts are recognised when an entity of Credendo Group becomes a party to the obligation to provide for reinsurance cover, which is typically when the contract is signed. Technical reserves for reported claims correspond to the amounts advised by the assignors.

In accordance with IFRS 4.25, Credendo Group has chosen to continue the policy of not discounting its insurance liabilities and technical provisions.

Credendo Group does not apply shadow accounting.

B. Premium provisions

The premium provisions comprise the provision for unearned premiums, the provision for profit-

sharing and rebates and, for Delcredere | Ducroire, Credimundi and Trade Credit only, the provision for deterioration of the risk as foreseen in the Belgian regulations. For all insurance contracts, other than inward reinsurance contracts not administered by Credendo Group, contracts with premium payment via spreads per annum and financial guarantees, a provision for unearned premiums corresponds to the pro rata temporis share of the premiums to be allocated to the period following the closing date in order to cover claims charges and operating costs of insured risks not yet expired at the closing date.

For the credit (re)insurance contracts underwritten or administered by Delcredere | Ducroire, Credimundi and Trade Credit a provision for deterioration of the risk is constituted when for outstanding transactions the risk assessment is aggravated in comparison with the original assessment and, as a result, the unearned premiums may be insufficient to cover the estimated future charges (claims charges and operating costs). This can be caused by a deterioration in the country or debtor risk (downgrading of the rating), or by the deterioration of the business environment in a country or trade sector giving rise to an increased risk of a systemic nature.

Finally, Credendo Group constitutes a provision for profit-sharing and rebates for in-force policies that foresee rebates or no-claim bonuses, which will be settled at the end of the closing date of the period for which the policy has been taken out. The provision is based on an anticipated rate of profit-sharing and rebates which is adjusted each year and estimated on the basis of past experience.

C. Provision for claims

Claims and loss adjustment expenses are charged to income as incurred based on the estimated liability for compensation owed to contract holders.

Credendo Group has three types of provisions for claims:

- > a provision for claims occurring during the period but reported after the end of the reporting period, also known as IBNR provision (incurred but not reported);
- > a provision for claims reported but not yet settled at the end of the reporting period, also known as RBNS provision (reported but not settled); and
- > a provision for internal and external claims handling expenses.

D. The IBNR provision

The IBNR provision is aimed at insuring on a statistical basis, taking past experience into account, the final losses of claims incurred but not yet reported at closing date.

All entities calculate their IBNR provision using insurance-mathematical and statistical methods. For the surety contracts, no IBNR provision is calculated.

For inward reinsurance contracts, the IBNR provision is calculated by applying a prospective loss rate to the written premiums, after deduction of the claims paid, the expected recoveries of claims paid and the provision for expected claims. The provision is released when the risks have expired.

E. The RBNS provision

The RBNS provision encompasses claims that have been reported by the insured party.

For the credit insurance contracts directly underwritten or administered by Credendo Group and the surety contracts, the RBNS provision is calculated based on the probability of claims payment and the probability of claims recovery on a case-by-case basis. The estimations take account of the different nature of the causes of risk: political risks (i.e. when the default is due to political risks) and commercial risks (i.e. when the default is due to the debtor) are entirely different.

The RBNS provision for inward reinsurance corresponds to an estimate of the expected final loss of the claim, based on the information given by the ceding party.

The RBNS provision is accounted for by Credendo Group at the moment of notification of non-payment, except for INGO-ONDD where the RBNS provision is accounted for at the end of the waiting period which is determined on a contract-per-contract basis.

F. The provision for claims handling expenses

The provision for claims handling expenses at Delcredere | Ducroire and Credimundi is estimated based on a historic average per claims file of internal and external handling costs adjusted for cost inflation, the expected number of files with incurred losses and the average handling life of these files.

For Trade Credit only internal handling costs are taken into account. The provision amounts to 2% of the IBNR and RBNS provisions.

For Garant and KUPEG only external handling costs are taken into account for provisioning. For KUPEG, the RBNS provision is increased with the expected expenses for the settlement of claims which are, based on long-term experience, estimated as a share of that provision.

For INGO-ONDD no provision for claims handling expenses is accounted for.

G. Liability Adequacy Test

Technical provisions are valued properly with suitable controls, systems and procedures in place to ensure the reliability, sufficiency and adequacy of the data. Models and methods used are tested through a systematic process, including back-testing, to ensure that the results are properly determined and make appropriate use of the available data. On a quarterly basis, Credendo Group performs an IFRS Liability Adequacy Test (LAT) and any deficiency is immediately charged to the income statement.

H. Impairment of reinsurance-related assets

On a quarterly basis, Credendo Group performs an impairment test on its reinsurance recoverables. If there is objective evidence that the reinsurance-related assets need to be impaired, Credendo Group reduces the carrying amount of those assets accordingly and recognises that impairment loss in the income statement.

2.14. Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where Credendo Group subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, 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.

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.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where Delcredere | DuCroire controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The tax effects of carry-forwards of unused losses or unused tax credits are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred tax related to fair value remeasurement of available-for-sale investments, which are charged or credited directly in other comprehensive income, is also credited or charged directly to other comprehensive income and subsequently recognised in the consolidated income statement together with the deferred gain or loss.

2.15. Employee benefits

A. Post-employment benefits: pension obligations

Credendo Group operates defined benefit plans as well as defined contribution plans (in Belgium). A defined contribution plan is a pension plan under which the employer pays fixed contributions per employee into a separate fund. The employer has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits they are entitled to under the existing schemes. However, because of the Belgian legislation applicable to 2nd-pillar pension plans (so-called Law Vandenbroucke), all Belgian defined contribution plans have to be considered under IFRS as defined benefit plans. Law Vandenbroucke states that in the context of defined contribution plans, the employer must guarantee a minimum return of 3.75% on employee contributions and 3.25% on employer contributions. Because of this minimum guaranteed return for defined contribution plans in Belgium, the employer is exposed to a financial risk (there is a legal obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods). Therefore all pension plans operated by Credendo Group are accounted for as defined benefit plans under IFRS.

A defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, which is dependent on age, years of service and compensation. The schemes are funded through payments to insurance companies, determined by periodic actuarial calculations.

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses (remeasurements) that arise from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur. These actuarial gains and losses are recognised outside the income statement and are presented in the statement of comprehensive income.

Past-service costs whether vested or unvested are recognised immediately in the income statement.

B. Seniority bonuses

Credendo Group provides seniority bonuses rewarding employees for long years of service. The liability recognised in the statement of financial position is equal to the present value of the liabilities, less any fair value of plan assets. Calculations are made according to the projected unit credit method. The actuarial gains and losses are recognised in the income statement.

C. Termination benefits

Termination benefits are payable when employment is terminated by Credendo Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Credendo Group recognises termination benefits at the earlier of the following dates: when Credendo Group can no longer withdraw the offer of those benefits; and when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are based on the number of employees expected to accept the offer. Benefits falling due more than twelve months

after the end of the reporting period are discounted to their present value.

D. Bonus plans

Credendo Group recognises a liability and an expense for bonuses. Credendo Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.16. Provisions for restructuring costs and legal claims

Provisions for restructuring costs and legal claims are recognised when:

- > Credendo Group has a present legal or constructive obligation as a result of past events;
- > it is probable that an outflow of resources will be required to settle the obligation; and
- > the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A provision for restructuring is recognised when Credendo Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly before the reporting date.

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

2.17. Revenue recognition

A. Premium earned

Written premiums include both direct and assumed reinsurance business and are defined as all premium- and policy-related fees invoiced to third parties and the premium assumed, excluding tax, in respect of mainly:

- > single-risk policies;
- > turnover policies;
- > financial guarantees;
- > sureties;
- > forfeiting;
- > excess-of-loss policies;
- > captive policies;
- > inward reinsurance.

Accruals for premium refunds are charged against premium written. Premium earned includes an adjustment for the unearned share of premium, matching risks and rewards. See also note 2.13 on valuation rules for insurance and reinsurance contracts.

Part of the insurance premium is ceded to reinsurers. Premium ceded under reinsurance contracts is reported as a reduction of premium earned. Amounts recoverable for ceded unearned premium under cession agreements, are reported as assets in the accompanying consolidated statement of financial position.

B. Net income on financial investments

Net income on financial investments (included under 'Finance income' in the income statement) comprises interest income on funds invested (including available-for-sale financial investments), dividend income, gains/losses on the disposal of available-for-sale financial investments, increases/decreases in the fair value of financial investments at fair value through profit or loss that are recognised in the income statement and impairment losses recognised on financial investments. Interest income is recognised as it accrues in the income statement, using the effective interest method. Dividend income is recognised in the income statement on the date that Credendo Group's right to receive payment is established, which, in the case of quoted securities, is the ex-dividend date.

2.18. Interest income and expenses

Interest income and expenses for all interest-bearing financial instruments including financial instruments measured at fair value through profit or loss, are recognised within 'Finance income' and 'Finance expense' (note 27) in the income statement using the effective interest rate method. When a receivable is impaired, Credendo Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

2.19. Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Credendo Group leases certain property, plant and equipment. The leases of property, plant and equipment where Credendo Group substantially has all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance expenses. The corresponding rental obligations, net of finance expenses, are included in other long-term payables. The interest element of the finance expense is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

2.20. Assets and liabilities held for sale and discontinued operations

Non-current assets (or disposals) are classified as held for sale if their carrying amount will be recovered principally through a sale rather than through continuing use and if a sale is considered highly probable. They are measured at the lower of their carrying value and fair value less cost to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempted from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increase in fair value less costs to sell an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of the disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities or a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and that represents a separate major line of business or geographical area of operations, is part of a single coordination plan

to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of comprehensive income.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Credendo Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1. The ultimate liability arising from claims made under insurance contracts

The estimation of the ultimate liability arising from claims made under insurance contracts is Credendo Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that Credendo Group will ultimately pay for such claims. We refer to chapter 4 'Management of insurance and financial risk' for more information.

3.2. Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. Credendo Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, Credendo Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

Other key assumptions for pension obligations are based in part on current market conditions. See note 18.2 for assumptions used and a sensitivity analysis on these assumptions.

3.3. Estimated impairment of goodwill

Credendo Group annually tests whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.6. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (see note 5).

3.4. Income taxes

Credendo Group is subject to income taxes in Belgium, Austria, the Czech Republic, France, Germany, Italy, Luxembourg, the Netherlands, Poland, Russia, Slovakia, Spain, Switzerland and the United Kingdom. Significant judgement is required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. Credendo Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred tax assets are only recognised for deductible temporary differences and losses carried forward if it is probable that future taxable profits will offset these losses and differences, and if tax losses remain available given their origin, their period of occurrence and their compliance with the legislation relating to their recovery. Credendo Group's ability to recover deferred tax assets is assessed through an analysis which is mainly based on business plans and the uncertainty surrounding economic conditions and uncertainties in the markets in which Credendo Group operates. Given the various uncertainties described above, a time horizon of three years is used by Credendo Group in its analysis. The underlying assumptions of this analysis are reviewed annually.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

Credendo Group recognises the importance of effective risk management and internal control systems. In this regard, Credendo Group has in place a consistent group-wide risk management system that enables to identify, measure, monitor, manage and report, on a continuous basis, the risks to which Credendo Group and its subsidiaries are or could be exposed. Risk management must allow an appropriate understanding of the nature and significance of the risks to which the group and its individual entities are exposed.

Delcredere | Ducroire's Board of Directors lays out the group risk management strategy to implement a consistent group-wide risk management framework, applicable for the different subsidiaries that are part of Credendo Group. The relevant bodies of the subsidiaries organise their risk management framework in function of the key principles defined in this group risk management strategy, having in mind the applicable laws and prudential regulations. The group risk management strategy defines how the risk management framework within Credendo Group is structured and how it should operate in practice, in order to balance control, risk management and transparency, while supporting Credendo Group's success by ensuring efficient decision-making processes. It lays out the group risk management objective, key principles, general risk appetite and assignment of roles and responsibilities with regard to the risk management framework in Credendo Group.

Delcredere | Ducroire's Board of Directors, responsible for risk management and internal control at Credendo Group level, has, without affecting this responsibility in any way, delegated the authority to take decisions in this context to Delcredere | Ducroire's Executive Committee which in turn has charged an independent Group Risk Management function with the responsibility of the day-to-day group risk management. The Group Risk Management function is held within Delcredere | Ducroire's Risk Management department. The Group Risk Management function assists, together with the actuarial function, the subsidiaries' risk management functions in the effective implementation of the risk management system and assists subsidiaries, subject to the Solvency II regulation, in their own risk and solvency assessment processes. By overseeing and steering the functioning of the risk management system within all subsidiaries, the Group Risk Management function ensures that the functioning of the risk management system within all subsidiaries is aligned with the group risk management strategy.

This section summarises the insurance and financial risks to which Credendo Group is exposed and the way it manages them.

4.1. Insurance risk

The insurance or underwriting risk is defined as the risk of loss or of adverse change in the value of insurance liabilities, due to inadequate pricing and provisioning assumptions. Apart from premium and reserve risk, i.e. the risk resulting from fluctuations in the timing, frequency and severity of insured events and in the timing and amount of claim settlements, Credendo Group's credit insurance and reinsurance activity may be exposed to a catastrophic risk resulting from significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events.

Underwriting guidelines have been established, identifying and controlling existing and potential risks of the products involved and managing the risk/premium relationship of the product. Proper procedures of risk identification and selection at the time of acceptance and underwriting of risks, including internal underwriting risk limits, are established and applied by all employees. This framework enables Credendo Group to clearly and diligently assign risk decisions and manage risks, both for the complete underwriting portfolio as for every product that is offered.

The underwriting process is strictly defined by underwriting guidelines and subdelegation rules. In order to achieve a high level of transparency and security, the authority to take decisions is dispersed throughout the entities, from individual underwriters to special committees that discuss, evaluate and underwrite risks. Small amounts will need less people of lower seniority, while important transactions will be evaluated by committees and people with higher seniority. In order to assign the tasks and the decision levels in a clear way, the subdelegation in risk underwriting is clearly described and documented. The subdelegation of authority is the hierarchy management has put in place to assess and underwrite risks. These differ for every line of business. Exposures to a single counterparty, being a buyer (group) or a country, are subject to appropriate risk limits and managed taking into account potential correlations and contagions. Policies and procedures to monitor, manage and control these concentration risks, are embedded in the risk management system, in line with the global policy on solvency and established limits.

Outward reinsurance enables Credendo to mitigate the underwriting risk. Policies and procedures have been developed, enabling the prudent management of the use of reinsurance, including both the risks transferred (identifying the maximum net risk to be retained, appropriate to the established risk tolerance limits, and setting types of appropriate reinsurance arrangements) and the risks arising from reinsurance, namely counterparty risk. Quota-share reinsurance lowers the estimated real exposure in retention while excess-of-loss and stop-loss programmes mitigate exceptional risks.

4.1.1 Credit & investment insurance risk

All Credendo Group entities insure non-payment risks attached to international and domestic sales of goods, prefinancing and delivery of services. Losses may arise from debtor insolvency of debtor defaults and/or political and assimilated ('force majeure') events. Policyholders are typically companies located in the larger Europe, while the risks covered encompass the whole world. These types of risks may be covered through different products, like single-risk policies, turnover policies, excess-of-loss products, captive schemes, forfaiting contracts and financial guarantees.

Another type of risk under credit insurance cover offered by some entities concerns losses due to contract termination and illicit calling of guarantees. Other accessory risks from current trade transactions that may be covered are the risk of infringement of property rights, like deliveries of equipment and goods for consignment or in the framework of processing contracts and of loans for use. Infringement of property rights due to political and assimilated events is also one of the risks covered by the investment insurance policy of Delcredere | Ducreire and the PRI product of Garant. The investment insurance can be extended to include the risks of non-repatriation of invested funds and dividends or the non-payment of investment credits.

The above risks are managed through the underwriting strategy, adequate reinsurance arrangements and proactive claims handling. The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

4.1.2 Surety contracts risk

Credendo Group entity Credimundi and its subsidiary KUPEG are entitled to issue bonds on account of companies established in the European Union in favour of different (public or private) applicants. The bond is issued on account of the principal (a company) in order to guarantee the payment of a certain sum to the beneficiary in the event that the principal's contractual or legal obligations have not been met. There are two categories of bonds/guarantees issued by Credendo Group entities:

- > contractual/commercial bonds/guarantees: these bonds are issued within the framework of contracts between private companies (e.g. the beneficiaries can require that an advance payment bond or a performance bond be issued in their favour); and
- > legal bonds/guarantees (issued by Credimundi only): the issue of these bonds is required and organised by legal or statutory provisions (e.g. custom bonds, transport bonds to cover the amount of the current transport licences, bonds in favour of the VAT administration, etc.)

Before granting a bond on account of a company, its financial situation is analysed, taking its experience and its reputation into account.

4.1.3 Inward reinsurance contracts

Some Credendo Group entities reinsure similar risks and bonds underwritten or issued by other insurance/surety companies. This inward reinsurance business takes place on a facultative and on a treaty basis and is subject to a similar risk management process as direct business. Credimundi put the underwriting of reinsurance treaties that are not administered by itself in run-off as of 2013.

4.1.4 Sensitivity analysis

The underwriting risk being the most important risk in Credendo Group's risk profile, the impact of standard sensitivity analyses is larger than for other risks. A 10% fall in the average premium level would ceteris paribus lead to a lowering of pre-tax income with EUR 26.9 million (2014: EUR 25.4 million). A 10% rise in claims expenses would lower the pre-tax income with EUR 35.3 million (2014: EUR 2.6 million).

4.1.5 Change in assumptions

No assumption changes with material impact have occurred since 01/01/2015.

4.1.6 Quantitative concentrations

The following table discloses the highest concentrations of total potential exposure from underwritten risks from all business lines by debtor country:

| Total Potential Exposure (million EUR) by Top 10 debtor countries | | | | | |
|---|--------------------------|-------------|---------------------------------|--------------------------|-------------|
| Country | 31/12/2015 | | Country | 31/12/2014 | |
| | Total Potential Exposure | % | | Total Potential Exposure | % |
| Russia | 3,524 | 5.9% | Russia | 3,575 | 6.1% |
| Turkey | 2,483 | 4.1% | Turkey | 2,536 | 4.3% |
| Belgium | 2,423 | 4.0% | Belgium | 2,369 | 4.0% |
| France | 2,311 | 3.9% | Brazil | 2,362 | 4.0% |
| Germany | 2,281 | 3.8% | France | 2,170 | 3.7% |
| United States | 2,152 | 3.6% | Italy | 1,906 | 3.2% |
| Brazil | 2,089 | 3.5% | Germany | 1,864 | 3.2% |
| Italy | 1,832 | 3.1% | United States | 1,737 | 3.0% |
| Saudi Arabia | 1,716 | 2.9% | China | 1,612 | 2.7% |
| China | 1,664 | 2.8% | Saudi Arabia | 1,531 | 2.6% |
| Other countries | 37,521 | 62.5% | Other countries | 37,107 | 63.1% |
| Total Potential Exposure | 59,996 | 100% | Total Potential Exposure | 58,769 | 100% |

4.1.7 Claims development tables

In addition to scenario testing, the development of insurance liabilities provides a measure of Credendo Group's ability to estimate the ultimate value of claims. The following tables give an overview of how claims payments and provisions for direct business develop through the years on a basis gross and net of reinsurance. The claims development tables below illustrate how Credendo Group entities' estimates of total claims outstanding for each occurrence/

underwriting year have changed at successive year-ends. Amounts are gross of any intra-group transactions and give insight on how uncertainties surrounding claims evolve and on possible overestimations or underestimations of ultimate payments.

In the following development tables on reported claims for Delcredere | Ducroire's direct medium-/long-term (MLT) business the accident or risk occurrence year is defined in terms of the (first) maturity date on which the risk materialises:

| Delcredere Ducroire Direct MLT Business | | Reported Claims, gross | | | | | | |
|--|-------|------------------------|-------|-------|-------|------|-------|--------------|
| Occurrence year | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Total |
| Estimate of claims incurred: | | | | | | | | |
| At the end of the reporting year | 123.9 | 263.5 | 153.2 | 196.9 | 108.9 | 54.5 | 143.4 | |
| One year later | 75.3 | 235.0 | 167.5 | 172.9 | 101.9 | 93.4 | | |
| Two years later | 73.1 | 130.3 | 174.3 | 103.2 | 119.9 | | | |
| Three years later | 67.9 | 120.2 | 197.7 | 108.6 | | | | |
| Four years later | 59.3 | 137.9 | 168.6 | | | | | |
| Five years later | 77.2 | 151.8 | | | | | | |
| Six years later | 88.7 | | | | | | | |
| Current estimate of cumulative claims | 88.7 | 151.8 | 168.6 | 108.6 | 119.9 | 93.4 | 143.4 | 874.3 |
| Cumulative payments to date | 86.2 | 150.9 | 149.8 | 71.2 | 26.1 | 13.1 | 3.2 | 500.6 |
| Liability in respect to prior years | | | | | | | | 20.1 |
| Total liability included in the balance sheet at 31/12/2015 | | | | | | | | 393.8 |

| Delcredere Ducroire Direct MLT Business | | Reported Claims, net | | | | | | |
|--|------|----------------------|-------|-------|------|------|-------|--------------|
| Occurrence year | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Total |
| Estimate of claims incurred: | | | | | | | | |
| At the end of the reporting year | 92.0 | 251.8 | 139.5 | 177.2 | 98.2 | 50.8 | 132.8 | |
| One year later | 52.3 | 228.9 | 153.7 | 150.9 | 85.2 | 67.1 | | |
| Two years later | 52.4 | 118.6 | 164.1 | 60.8 | 94.7 | | | |
| Three years later | 46.9 | 109.3 | 104.8 | 66.0 | | | | |
| Four years later | 43.0 | 49.0 | 75.7 | | | | | |
| Five years later | 43.7 | 58.9 | | | | | | |
| Six years later | 50.4 | | | | | | | |
| Current estimate of cumulative claims | 50.4 | 58.9 | 75.7 | 66.0 | 94.7 | 67.1 | 132.8 | 545.6 |
| Cumulative payments to date | 48.7 | 58.4 | 57.0 | 33.4 | 14.8 | 8.2 | 0.0 | 220.5 |
| Liability in respect to prior years | | | | | | | | 20.1 |
| Total liability included in the balance sheet at 31/12/2015 | | | | | | | | 345.2 |

Most Credendo Group entities, however, mainly deal with short-term (ST) business, for which uncertainty about the amount and timing of claims payments is typically resolved within one year.

In the following development tables on reported claims for Delcredere | Ducroire's ST and Credimundi's direct business, the accident or risk occurrence year is defined in terms of the (first) maturity date for credit insurance and, for Credimundi's small surety contracts business, in terms of the date of bond calling:

| Delcredere Ducroire Direct ST Business & Credimundi | | | Reported Claims, gross | | | | | |
|--|-------|------|------------------------|------|------|-------|-------|--------------|
| Occurrence year | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Total |
| Estimate of claims incurred: | | | | | | | | |
| At the end of the reporting year | 182.1 | 36.0 | 43.7 | 31.9 | 49.7 | 74.9 | 113.5 | |
| One year later | 143.7 | 35.3 | 34.1 | 34.7 | 66.6 | 108.1 | | |
| Two years later | 158.9 | 33.4 | 30.2 | 32.0 | 68.9 | | | |
| Three years later | 153.5 | 26.3 | 28.9 | 32.0 | | | | |
| Four years later | 150.2 | 23.1 | 28.7 | | | | | |
| Five years later | 139.4 | 22.9 | | | | | | |
| Six years later | 137.7 | | | | | | | |
| Current estimate of cumulative claims | 137.7 | 22.9 | 28.7 | 32.0 | 68.9 | 108.1 | 113.5 | 511.7 |
| Cumulative payments to date | 117.6 | 21.6 | 25.6 | 30.5 | 57.8 | 73.8 | 21.8 | 348.5 |
| Liability in respect to prior years | | | | | | | | -5.1 |
| Total liability included in the balance sheet at 31/12/2015 | | | | | | | | 158.1 |

| Delcredere Ducroire Direct ST Business & Credimundi | | | Reported Claims, net | | | | | |
|--|-------|------|----------------------|------|------|------|------|-------------|
| Occurrence year | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Total |
| Estimate of claims incurred: | | | | | | | | |
| At the end of the reporting year | 133.2 | 27.3 | 32.9 | 21.4 | 35.6 | 46.1 | 73.7 | |
| One year later | 94.8 | 25.9 | 23.0 | 22.5 | 42.9 | 67.0 | | |
| Two years later | 110.8 | 23.8 | 19.9 | 19.7 | 45.3 | | | |
| Three years later | 104.4 | 17.0 | 18.5 | 19.8 | | | | |
| Four years later | 102.8 | 13.8 | 18.5 | | | | | |
| Five years later | 59.5 | 13.6 | | | | | | |
| Six years later | 57.3 | | | | | | | |
| Current estimate of cumulative claims | 57.3 | 13.6 | 18.5 | 19.8 | 45.3 | 67.0 | 73.7 | 295.1 |
| Cumulative payments to date | 44.8 | 13.4 | 16.8 | 18.9 | 42.7 | 59.6 | 58.4 | 254.4 |
| Liability in respect to prior years | | | | | | | | -4.3 |
| Total liability included in the balance sheet at 31/12/2015 | | | | | | | | 36.4 |

In the following claims development tables for KUPEG and INGO-ONDD (gross and net of reinsurance; including IBNR provisions), the accident or risk

occurrence year for reported claims is defined in terms of the date of reporting of the loss:

| KUPEG & INGO-ONDD | Incurred Losses, gross | | | | | | | |
|---|------------------------|------|------|------|------|------|------|-------|
| Occurrence year | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Total |
| Estimate of claims incurred: | | | | | | | | |
| At the end of the reporting year | 18.4 | 9.8 | 12.5 | 34.9 | 14.2 | 13.4 | 23.7 | |
| One year later | 24.2 | 8.2 | 11.4 | 34.8 | 14.6 | 15.0 | | |
| Two years later | 22.7 | 7.4 | 10.5 | 34.5 | 14.1 | | | |
| Three years later | 22.0 | 7.1 | 10.3 | 33.1 | | | | |
| Four years later | 21.8 | 6.8 | 10.2 | | | | | |
| Five years later | 21.7 | 6.7 | | | | | | |
| Six years later | 21.7 | | | | | | | |
| Current estimate of cumulative claims | 21.7 | 6.7 | 10.2 | 33.1 | 14.1 | 15.0 | 23.7 | 124.6 |
| Cumulative payments to date | 21.6 | 6.7 | 10.2 | 9.2 | 14.0 | 10.9 | 6.5 | 79.2 |
| Liability in respect to prior years | | | | | | | | 0.0 |
| Total liability included in the balance sheet at 31/12/2015 | | | | | | | | 45.4 |

| KUPEG & INGO-ONDD | Incurred Losses, net | | | | | | | |
|---|----------------------|------|------|------|------|------|------|-------|
| Occurrence year | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Total |
| Estimate of claims incurred: | | | | | | | | |
| At the end of the reporting year | 6.4 | 4.9 | 5.4 | 5.8 | 5.3 | 4.9 | 10.2 | |
| One year later | 8.5 | 4.1 | 4.9 | 5.2 | 5.0 | 6.2 | | |
| Two years later | 7.9 | 3.7 | 4.4 | 5.1 | 4.9 | | | |
| Three years later | 7.7 | 3.5 | 4.3 | 4.2 | | | | |
| Four years later | 7.6 | 3.4 | 4.3 | | | | | |
| Five years later | 7.6 | 3.3 | | | | | | |
| Six years later | 7.6 | | | | | | | |
| Current estimate of cumulative claims | 7.6 | 3.3 | 4.3 | 4.2 | 4.9 | 6.2 | 10.2 | 40.7 |
| Cumulative payments to date | 7.6 | 3.3 | 4.3 | 3.6 | 4.8 | 4.4 | 2.7 | 30.7 |
| Liability in respect to prior years | | | | | | | | 0.0 |
| Total liability included in the balance sheet at 31/12/2015 | | | | | | | | 10.0 |

Finally, the following development tables for the excess-of-loss activity of Trade Credit

(gross and net of reinsurance) are defined in underwriting years:

| Trade Credit | Reported Claims, gross | | | | | | | |
|--|------------------------|------|------|------|------|------|------|-------------|
| Underwriting year | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Total |
| Estimate of claims incurred: | | | | | | | | |
| At the end of the reporting year | 4.8 | 3.5 | 5.6 | 2.8 | 3.8 | 3.4 | 4.5 | |
| One year later | 9.5 | 7.7 | 11.7 | 10.3 | 9.4 | 7.1 | | |
| Two years later | 12.3 | 9.7 | 15.3 | 15.1 | 8.6 | | | |
| Three years later | 12.6 | 11.1 | 16.5 | 13.7 | | | | |
| Four years later | 11.4 | 11.1 | 15.7 | | | | | |
| Five years later | 10.9 | 11.8 | | | | | | |
| Six years later | 11.0 | | | | | | | |
| Current estimate of cumulative claims | 11.0 | 11.8 | 15.7 | 13.7 | 8.6 | 7.1 | 4.5 | 72.5 |
| Cumulative payments to date | 10.8 | 10.4 | 15.1 | 11.8 | 4.4 | 2.7 | 2.0 | 57.2 |
| Liability in respect to prior years | | | | | | | | 0.5 |
| Total liability included in the balance sheet at 31/12/2015 | | | | | | | | 15.8 |

| Trade Credit | Reported Claims, net | | | | | | | |
|--|----------------------|------|------|------|------|------|------|------------|
| Underwriting year | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | Total |
| Estimate of claims incurred: | | | | | | | | |
| At the end of the reporting year | 1.2 | 0.9 | 1.4 | 0.7 | 1.0 | 0.9 | 1.1 | |
| One year later | 2.4 | 1.9 | 2.9 | 2.6 | 2.3 | 1.8 | | |
| Two years later | 3.1 | 2.4 | 3.8 | 3.8 | 2.1 | | | |
| Three years later | 3.2 | 2.8 | 4.1 | 3.4 | | | | |
| Four years later | 2.9 | 2.8 | 3.9 | | | | | |
| Five years later | 2.7 | 3.0 | | | | | | |
| Six years later | 2.8 | | | | | | | |
| Current estimate of cumulative claims | 2.8 | 3.0 | 3.9 | 3.4 | 2.1 | 1.8 | 1.1 | 18.1 |
| Cumulative payments to date | 2.7 | 2.6 | 3.8 | 2.9 | 1.1 | 0.7 | 0.5 | 14.3 |
| Liability in respect to prior years | | | | | | | | 0.1 |
| Total liability included in the balance sheet at 31/12/2015 | | | | | | | | 4.0 |

Garant's historical claims developments (2009-2013) include the Pauschal reserve which was replaced at the end of 2014 by a separate unearned premium provision and IBNR provision. Therefore,

2014 marks the starting point of a new set of claims development tables that will be disclosed in future reporting.

4.2. Financial risk

Credendo Group is exposed to a range of financial risks through its financial investments, reinsurance assets and insurance liabilities. The most important components of this financial risk are interest rate risk, equity price risk, foreign currency risk and credit risk.

Credendo Group entities' risk management framework also covers the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. The objective is to identify, quantify, manage and then monitor events or actions that could lead to financial losses.

Taking into account risk appetite, the administrative or supervisory board of the entity determines limits regarding asset allocation as reflected in the investment strategy. The investment strategy typically identifies the asset allocations across the main investment categories, possible allocation limits by counterparty, business sector, geography, type of instrument and currency, the return to be targeted and the nature of any outsourcing and requirements for the safekeeping of assets (custodial arrangements). The portfolios of financial investments are managed and monitored through regular dedicated meetings by management bodies, whether or not assisted by a specialised committee.

4.2.1 Market risk

4.2.1.1 Interest rate risk

The interest rate risk stems from the risk of adverse movements in interest rates. Credendo Group's exposure to the interest rate risk is primarily limited to fixed-income instruments and, if discounted, technical provisions due to the fact that Credendo Group has no borrowings. Given the nature of the insurance activity, the undiscounted insurance liabilities are not sensitive to the level of market interest rates as they are contractually non-interest bearing. A higher interest rate lowers ceteris paribus the value of bonds and, if applied, the discounted value of technical provisions. At the end of reporting period, a sensitivity analysis on that part of the bond portfolio identified as or assumed to be at variable interest rate points to a negligible decrease/increase in pre-tax profit of maximally EUR 0.9 million (2014: EUR 2.3 million) due to change in financial income, if interest rates would have been respectively 100 bps lower/higher.

4.2.1.2 Currency risk

Credendo Group is active in the insurance of international trade transactions, meaning that it holds insurance liabilities and related assets in several currencies on its statement of financial position. This creates risks of losses due to adverse movements in these currencies. The most material foreign currency positions for Credendo Group are as follows:

| Currency risk exposures (in million EUR) | 31/12/2015 | 31/12/2014 |
|---|------------|------------|
| Assets denominated in foreign currency | | |
| Financial investments | | |
| USD | 214.2 | 206.4 |
| GBP | 21.9 | 34.3 |
| Reinsurers' share of insurance liabilities | | |
| USD | 124.2 | 68.7 |
| GBP | 1.3 | 4.2 |

| Currency risk exposures (in million EUR) | 31/12/2015 | 31/12/2014 |
|---|------------|------------|
| Liabilities denominated in foreign currency | | |
| Financial liabilities | | |
| USD | | |
| GBP | | |
| Liabilities arising from insurance contracts | | |
| USD | 614.7 | 422.7 |
| GBP | 3.2 | 2.9 |

At the end of the reporting period, a sensitivity analysis on the above positions points to an increase of the net liability position in USD of EUR 27.6 million (2014: EUR 14.8 million) and the net asset position in GBP of EUR 2.0 million (2014: EUR 3.6 million) if these currencies would appreciate by 10% vis-à-vis the EUR, ceteris paribus. A 10% depreciation of the currencies would lead to inverse movements in the net position.

Pre-tax profit for both currencies combined would respectively decrease/increase by EUR 25.6 million (2014: EUR 11.2 million).

The rates used for the translation of the most important foreign currencies in these financial statements are the following:

| Most important currencies vis-à-vis EUR | USD | GBP | CZK | RUB |
|---|--------|-------|-------|-------|
| Exchange rate at the end of 2015 | 1.09 | 0.73 | 27.02 | 80.67 |
| % fluctuation since the end of 2014 | -10.0% | -5.9% | -2.6% | 11.5% |
| Average 2015 | 1.10 | 0.72 | 27.27 | 68.77 |

4.2.1.3 Equity price risk

Equity represents a significant percentage in the consolidated Credendo Group investment portfolio. Since equity is typically a higher-risk instrument that is more sensitive to volatility and possible large shocks, a safe investment strategy is pursued. The volatility risk is mitigated through the use of mixed target volatility funds and diversified hedging of risk positions. While a decent return is sought after, it is equally important to hold equity in secure assets. Furthermore, also geographically, the equity portfolio generally favours safer, more mature markets over risky markets.

At the end of the reporting period, a sensitivity analysis on funds invested in equity instruments (not contained in the target volatility or other mixed funds) demonstrates that if equity market prices had been 10% higher/lower, with all other variables held constant, pre-tax impact on OCI would have been EUR 1.2 million higher/lower (2014: EUR 2.2 million) respectively, due to the change in mark-to-market of equity AFS.

4.2.2 Credit risk

Credit or counterparty default risk is defined as the risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which Credendo Group is exposed. Credit risk is typically assessed through

ratings reflecting the creditworthiness of the counterparty. The credit risk exposure arises from financial transactions with security issuers, debtors, intermediaries, policyholders or reinsurers. Most notably, there is a significant credit risk when considering the investment portfolio and when considering the reinsurance recoverables. The receivables from the insurance activities mostly concern exposures to typically unrated counterparties, like policyholders and brokers, for which the overall credit risk is mitigated through the very diversification of the exposures.

The credit risk inherent in the investment portfolio mainly concerns the bonds, term deposits and monetary funds. Where such instruments are involved, the clear strategic decision is taken to favour highly rated counterparties. The majority of the bonds are government bonds and where corporate bonds are held, the counterparty is generally well-rated.

The following table demonstrates the credit quality of the consolidated financial investments that are neither overdue nor impaired. Mixed funds are classified on a look-through basis i.e. according to the category of the underlying financial investments. Therefore, amounts e.g. classified as equity instruments or cash (equivalents), are different from amounts in the balance sheet. Investments for which no clear identification (other than e.g. 'other liquidity') was found are classified as non-rated.

| Credit risk exposures (in million EUR) | AAA | AA | A | BBB | <BBB | Non-rated | Total |
|---|------------|------------|------------|------------|-----------|--------------|--------------|
| Financial investments and cash (equivalents) at 31/12/2015 | | | | | | | |
| Government bonds | 162 | 423 | 26 | 78 | - | 10 | 700 |
| Funds invested in debt/security instruments | 51 | 117 | 398 | 243 | 23 | 213 | 1,044 |
| Funds invested in equity instruments | - | - | 5 | 7 | - | 606 | 618 |
| Fixed-term deposits | - | 5 | 19 | 5 | 2 | 145 | 175 |
| Cash and cash equivalents | 0 | 0 | 139 | 15 | 2 | 153 | 309 |
| Total | 214 | 545 | 588 | 347 | 26 | 1,127 | 2,846 |

| Credit risk exposures (in million EUR) | AAA | AA | A | BBB | <BBB | Non-rated | Total |
|---|------------|------------|------------|------------|----------|--------------|--------------|
| Financial investments and cash (equivalents) at 31/12/2014 | | | | | | | |
| Government bonds | 85 | 473 | 20 | 42 | - | 27 | 647 |
| Funds invested in debt/security instruments | 26 | 47 | 299 | 188 | 4 | 375 | 939 |
| Funds invested in equity instruments | | | | | | 499 | 499 |
| Fixed-term deposits | - | - | 241 | 6 | 1 | - | 247 |
| Cash and cash equivalents | 5 | 10 | 242 | 6 | 0 | 100 | 364 |
| Total | 115 | 531 | 802 | 242 | 4 | 1,002 | 2,697 |

While reinsurance agreements help mitigating and managing the insurance risks, there is a possibility that the reinsurer will not fulfil its obligations. This boils down to the reinsurer not compensating an incurred loss, because it is not able or willing to do so. Credendo Group carefully selects its reinsurers and sets an internal requirement for all reinsurers to be rated at least investment grade. Furthermore, a strict follow-up and regular review of the relations and the performance of the agreements enable

to optimise these agreements beyond the pure rating requirement. The choice of counterparties varies little from year to year, indicating an overall satisfaction with both the relationships and the creditworthiness of these counterparties.

The following table demonstrates the distribution of the consolidated technical provisions, recoverable from reinsurers, per rating category of the counterparty:

| Counterparty risk exposures | AAA | AA | A | BBB | <BBB | Non-rated | Total |
|--|-----|------|-------|-----|------|-----------|-------|
| Reinsurers' share of insurance liabilities (in million EUR) | | | | | | | |
| 31/12/2015 | 0.1 | 56.5 | 183.5 | 0.0 | | 11.9 | 252.1 |
| 31/12/2014 | 0.1 | 69.0 | 114.6 | 0.2 | 0.0 | 18.1 | 202.0 |

Non-rated reinsurers concern especially foreign government-related credit insurers.

4.2.3 Liquidity risk

Liquidity risk is defined as the risk that funds are not available in order to settle financial obligations when they fall due. Credendo Group entities' principal cash outflow commitments are related to their insurance liabilities. Credendo Group's (non-) derivative financial liabilities equal close to zero.

The insurance liabilities of most of Credendo Group's entities are especially short-term liabilities. High fluctuations in the claims payments may cause severe liquidity stresses. This means that, at all times, a solid balance between higher-yielding longer-term securities and keeping sufficient liquid funds to cover short-duration insurance liabilities has to be struck. Resources to cover day-to-day cash requirements are, besides cash inflows from especially net written premiums and recoveries of paid claims, available cash and deposit holdings and highly liquid financial investments. Given the nature of Credendo Group's insurance business, expected cash inflows do not take into account expected profit included in future premiums from in-force contracts.

Policies and procedures for managing the liquidity risk have regard to the investment strategy, the global underwriting strategy and the claims management. Liquidity risk management covers both the operational liquidity or cash management and the longer-term strategic liquidity needs. Taking into account available resources and existing untapped sources of funding, and the fact that Credendo Group has no borrowings or significant financial liabilities the liquidity risk is assessed to be low.

4.2.4 Capital management

Credendo Group's capital management strategy considers rating and economic capital targets but is still largely defined by regulatory capital.

Credendo Group entities subject to the forthcoming EU-wide Solvency II insurance regulation, that is all entities except Russia-based INGO-ONDD and parent company Delcredere | DuCroire, have a general risk tolerance set in terms of disposing of a comfortable buffer vis-à-vis the solvency capital requirements in the context of the Solvency II framework that enters into force as of 2016.

Solvency II will replace as of 2016 the current regulatory Solvency I framework, which was one of the first major international attempts to set industry solvency capital requirements. The Solvency II regulatory framework assesses the solvency capital requirements in a more holistic way. Additionally, the Solvency II framework does not only set capital requirements – it also entails the creation of a risk management system within the insurance industry.

As of 2014 transitional measures towards the Solvency II entry into force in 2016 have been implemented by national supervisory authorities. Besides actively preparing for and monitoring the quantitative, governance and reporting requirements, all Credendo Group entities subject to Solvency II have produced during the transition phase an annual Own Risks & Solvency Assessment, considered the key process of the Solvency II regulatory framework.

Two entities within Credendo Group currently hold ratings from recognised rating agencies:

- > Garant holds an AM Best financial strength rating and Fitch IFS rating of A-;
- > parent company Delcredere | DuCroire is rated AA by S&P.

4.3. Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- > quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- > inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- > inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following tables present Credendo Group's assets and liabilities measured at fair value at 31/12/2015 and 2014. Note that only the financial instruments measured at fair value are included in the tables below. As loans and receivables are not measured at fair value, these have not been included in the tables below.

| 31/12/2015 | Level 1 | Total |
|--|------------------|------------------|
| Assets | | |
| Financial assets at fair value through profit or loss | 2,028,904 | 2,028,904 |
| Government bonds | 542 | 542 |
| Funds invested in debt instruments | 106,060 | 106,060 |
| Mixed and other funds | 1,922,302 | 1,922,302 |
| Available-for-sale financial assets | 191,515 | 191,515 |
| Government bonds | 31,574 | 31,574 |
| Funds invested in debt instruments | 22,492 | 22,492 |
| Funds invested in equity instruments | 11,657 | 11,657 |
| Mixed and other funds | 125,792 | 125,792 |
| Total assets | 2,220,419 | 2,220,419 |

| 31/12/2014 | Level 1 | Total |
|--|------------------|------------------|
| Assets | | |
| Financial assets at fair value through profit or loss | 1,831,862 | 1,831,862 |
| Government bonds | 10,669 | 10,669 |
| Funds invested in debt instruments | 210,912 | 210,912 |
| Mixed and other funds | 1,610,281 | 1,610,281 |
| Available-for-sale financial assets | 188,242 | 188,242 |
| Government bonds | 35,203 | 35,203 |
| Funds invested in debt instruments | 53,067 | 53,067 |
| Funds invested in equity instruments | 22,088 | 22,088 |
| Mixed and other funds | 77,884 | 77,884 |
| Total assets | 2,020,103 | 2,020,103 |

The split by asset class has been changed, so that it represents the different categories of financial instruments invested in by Credendo Group. A look-through of the investments in other investment funds has been provided in note 8. Total values by measurement category remain unchanged.

At 31/12/2015, all financial investments measured at fair value on a recurring basis are classified as level 1 (31/12/2014: 100%). Fair value measurements classified as level 1 include exchange-traded prices of fixed maturities, equity securities and derivative contracts.

Credendo Group has no investments that are measured at fair value and that are classified as level 2 or level 3.

For the accounting policies regarding the determination of the fair values of financial investments and financial liabilities, see note 2.7.1.

There were no transfers between levels during the year.

There are no financial assets or financial liabilities that are subject to offsetting, enforceable master netting arrangements and similar agreements.

5. INTANGIBLE ASSETS

| | Note | Goodwill | Externally acquired software | Internally generated software development costs | Concessions, patents and licences | Other | Total |
|---|------|---------------|------------------------------------|---|---|---------------|----------------|
| At cost at 01/01/2015 | | 5,835 | 633 | 9,561 | 11,886 | 3,242 | 31,156 |
| Additions | | - | - | 390 | 411 | 8,072 | 8,873 |
| Transfers | | - | 90 | 3,219 | -1,377 | -1,932 | - |
| Exchange differences | | - | 17 | - | - | - | 17 |
| Other movements | | - | - | -640 | -19 | -8 | -667 |
| At cost at 31/12/2015 | | 5,835 | 740 | 12,530 | 10,902 | 9,373 | 39,380 |
| Accumulated amortisation and impairments at 01/01/2015 | | -5,560 | -448 | -1,799 | -4,598 | -1,279 | -13,685 |
| Amortisation charge | 26 | - | -83 | -1,751 | -1,481 | -128 | -3,443 |
| Transfers | | - | - | -812 | 812 | - | - |
| Exchange differences | | - | -12 | - | - | - | -12 |
| Other movements | | - | - | 640 | - | 8 | 648 |
| Accumulated amortisation and impairments at 31/12/2015 | | -5,560 | -544 | -3,722 | -5,267 | -1,399 | -16,492 |
| Balance at 01/01/2015 | | 275 | 185 | 7,762 | 7,288 | 1,962 | 17,472 |
| Balance at 31/12/2015 | | 275 | 196 | 8,808 | 5,635 | 7,974 | 22,888 |

| | Note | Goodwill | Externally acquired software | Internally generated software development costs | Concessions, patents and licences | Other | Total |
|---|------|---------------|------------------------------------|---|---|---------------|----------------|
| At cost at 01/01/2014 | | 5,835 | 626 | 7,576 | 4,956 | 3,244 | 22,238 |
| Additions | | - | 6 | 1,128 | 6,930 | 922 | 8,986 |
| Transfers | | - | - | 921 | - | -921 | - |
| Exchange differences | | - | -7 | - | - | - | -7 |
| Other movements | | - | 8 | -64 | - | -3 | -59 |
| At cost at 31/12/2014 | | 5,835 | 633 | 9,561 | 11,886 | 3,242 | 31,156 |
| Accumulated amortisation and impairments at 01/01/2014 | | - | -366 | -1,027 | -3,968 | -1,204 | -6,565 |
| Amortisation charge | 26 | - | -79 | -839 | -630 | -75 | -1,624 |
| Impairment charge | 5.1 | -5,560 | - | - | - | - | -5,560 |
| Exchange differences | | - | 5 | - | - | - | 5 |
| Other movements | | - | -8 | 67 | - | - | 59 |
| Accumulated amortisation and impairments at 31/12/2014 | | -5,560 | -448 | -1,799 | -4,598 | -1,279 | -13,685 |
| Balance at 01/01/2014 | | 5,835 | 260 | 6,549 | 988 | 2,040 | 15,673 |
| Balance at 31/12/2014 | | 275 | 185 | 7,762 | 7,288 | 1,962 | 17,472 |

The total amortisation expense of K EUR 3,443 (31/12/2014: K EUR 1,624) has been charged in 'Depreciation and amortisation' in the income statement.

The significant additions in 2015 (K EUR 8,873) are mainly related to the continuing IT investment projects at Credendo Group level.

The total additions of 2014 amount to K EUR 8,986 and mainly relate to the SAP license fee (K EUR 6,824) and the capitalisation of internal hours spent on the development of IT. These development costs are mainly related to the SAP migration project (K EUR 1,033) and project portfolio management (K EUR 126).

Credendo Group's current and future intangible assets are not pledged nor restricted.

5.1. Goodwill

Management reviews the business performance based on an entity level as this is how the goodwill is monitored by the management.

The following is a summary of goodwill allocation for each entity:

| 31/12/2015 | Opening | Impairment | Closing |
|--------------|------------|------------|------------|
| Trade Credit | 275 | | 275 |
| Total | 275 | - | 275 |

| 31/12/2014 | Opening | Impairment | Closing |
|--------------|--------------|---------------|------------|
| Trade Credit | 275 | | 275 |
| INGO-ONDD | 5,560 | -5,560 | - |
| Total | 5,835 | -5,560 | 275 |

During the fourth quarter of 2015, Credendo Group completed its annual impairment test for goodwill. There was no further impairment of goodwill required.

Last year, the impairment test resulted in the total impairment of the carrying amount of goodwill allocated to INGO-ONDD (K EUR 5,560).

6. PROPERTY, PLANT AND EQUIPMENT

| | Note | Land and buildings | Plant, machinery and equipment | Office furniture, furnishing and vehicles | Operating equipment | Assets under construction | Other | Total |
|---|------|--------------------|--------------------------------|---|---------------------|---------------------------|-------------|----------------|
| At cost at 01/01/2015 | | 18,788 | 10,181 | 7,968 | 289 | 34 | 624 | 37,883 |
| Additions | | - | 296 | 165 | 200 | - | 120 | 782 |
| Disposals | | - | -29 | -114 | -10 | - | -7 | -160 |
| Transfers | | - | -289 | 99 | 335 | -208 | 63 | 0 |
| Exchange differences | | - | - | 3 | -27 | 3 | 13 | -8 |
| Other movements | | - | -104 | 40 | 4 | 170 | 2 | 112 |
| At cost at 31/12/2015 | | 18,788 | 10,056 | 8,160 | 790 | - | 816 | 38,610 |
| Accumulated depreciation and impairments at 01/01/2015 | | -1,725 | -6,229 | -7,539 | -253 | - | -581 | -16,328 |
| Depreciation charge | 26 | -161 | -731 | -178 | -42 | - | -43 | -1,154 |
| Depreciation on disposals | | - | -4 | 78 | 10 | - | 7 | 90 |
| Transfers | | - | 274 | 31 | -305 | - | - | - |
| Exchange differences | | - | - | 23 | 10 | - | -12 | 22 |
| Other movements | | - | 104 | -40 | -1 | - | -2 | 61 |
| Accumulated depreciation and impairments at 31/12/2015 | | -1,885 | -6,586 | -7,625 | -581 | - | -631 | -17,309 |
| Balance at 01/01/2015 | | 17,063 | 3,952 | 428 | 36 | 34 | 43 | 21,555 |
| Balance at 31/12/2015 | | 16,902 | 3,470 | 535 | 209 | - | 185 | 21,301 |

| | Note | Land and buildings | Plant, machinery and equipment | Office furniture, furnishing and vehicles | Operating equipment | Assets under construction | Other | Total |
|---|------|--------------------|--------------------------------|---|---------------------|---------------------------|-------------|----------------|
| At cost at 01/01/2014 | | 18,788 | 9,591 | 7,767 | 319 | 266 | 733 | 37,463 |
| Additions | | - | 459 | 80 | 10 | 34 | 19 | 601 |
| Disposals | | - | -135 | -11 | - | - | - | -146 |
| Transfers | | - | 266 | 122 | - | -266 | -122 | - |
| Exchange differences | | - | - | -38 | -39 | - | -6 | -83 |
| Other movements | | - | 1 | 48 | - | - | - | 49 |
| At cost at 31/12/2014 | | 18,788 | 10,181 | 7,968 | 289 | 34 | 624 | 37,883 |
| Accumulated depreciation and impairments at 01/01/2014 | | -1,564 | -5,564 | -7,212 | -265 | - | -624 | -15,228 |
| Depreciation charge | 26 | -161 | -677 | -215 | -21 | - | -25 | -1,100 |
| Depreciation on disposals | | - | 7 | 3 | - | - | - | 10 |
| Impairment charge | | - | - | -34 | -5 | - | - | -39 |
| Transfers | | - | - | -62 | - | - | 62 | - |
| Exchange differences | | - | - | 30 | 38 | - | 6 | 74 |
| Other movements | | - | 4 | -49 | - | - | - | -45 |
| Accumulated depreciation and impairments at 31/12/2014 | | -1,725 | -6,229 | -7,539 | -253 | - | -581 | -16,328 |
| Balance at 01/01/2014 | | 17,224 | 4,027 | 555 | 54 | 266 | 110 | 22,235 |
| Balance at 31/12/2014 | | 17,063 | 3,952 | 428 | 36 | 34 | 43 | 21,555 |

The total depreciation expense of K EUR 1,154 (2014: K EUR 1,100) has been charged in 'Depreciation and amortisation' in the income statement.

The total additions of 2015 amount to K EUR 782 (2014: K EUR 601) and are mainly relating to the acquisition of furniture and hardware (K EUR 390).

Lease rentals amounting to K EUR 2,221 (2014: K EUR 2,111) relating to the lease of offices, cars and office equipment are included in the income statement.

Credendo Group's current and future tangible assets are not pledged nor restricted.

7. OTHER FINANCIAL ASSETS

The other financial assets can be detailed as follows:

| in thousands EUR | 2015 | 2014 |
|--------------------------------------|------------|------------|
| Shares in non-consolidated companies | 103 | 103 |
| Cash guarantees | 234 | 98 |
| Total other financial assets | 337 | 201 |

The other financial assets relate to cash guarantees and the participation in Global Trade Security (GTS) (situated at Route de l'Aéroport 29 in Geneva, Switzerland) in which Credendo Group holds 100%.

Due to its insignificant impact on the consolidated figures, GTS was not consolidated as per 31/12/2015 and 2014.

8. FINANCIAL INVESTMENTS

Credendo Group's financial investments are summarised by measurement category in the tables below:

| Analysis by classes 2015 | AFS | Fair value through profit or loss | Loans and receivables | Total |
|--------------------------------------|----------------|--------------------------------------|--------------------------|------------------|
| Government bonds ⁽¹⁾ | 31,574 | 542 | 297,472 | 329,588 |
| Quoted | 31,574 | 542 | - | 32,116 |
| Unquoted | - | - | 297,472 | 297,472 |
| Funds invested in debt instruments | 22,492 | 106,060 | - | 128,552 |
| Quoted | 22,492 | 106,060 | - | 128,552 |
| Funds invested in equity instruments | 11,657 | - | - | 11,657 |
| Quoted | 11,657 | - | - | 11,657 |
| Mixed and other funds | 125,792 | 1,922,302 | - | 2,048,095 |
| Quoted | 125,792 | 1,922,302 | - | 2,048,095 |
| Fixed-term deposits | - | - | 18,629 | 18,629 |
| Total financial investments | 191,515 | 2,028,904 | 316,101 | 2,536,520 |

(1) Including local and regional authorities, and other related issuers.

| Analysis by classes 2014 | AFS | Fair value through profit or loss | Loans and receivables | Total |
|---|----------------|--------------------------------------|--------------------------|------------------|
| Government bonds⁽¹⁾ | 35,203 | 10,669 | 297,860 | 343,731 |
| Quoted | 35,203 | 10,669 | - | 45,872 |
| Unquoted | - | - | 297,860 | 297,860 |
| Funds invested in debt instruments | 53,067 | 210,912 | - | 263,979 |
| Quoted | 53,067 | 210,912 | - | 263,979 |
| Funds invested in equity instruments | 22,088 | - | - | 22,088 |
| Quoted | 22,088 | - | - | 22,088 |
| Mixed and other funds | 77,884 | 1,610,281 | - | 1,688,165 |
| Quoted | 77,884 | 1,610,281 | - | 1,688,165 |
| Fixed-term deposits | - | - | 15,308 | 15,308 |
| Total financial investments | 188,242 | 1,831,862 | 313,167 | 2,333,271 |

(1) Including local and regional authorities, and other related issuers.

The split by asset class has been changed, so that it represents the different categories of financial instruments where Credendo Group invested in. A look-through of the investments in other investment funds (Zephyr) is provided below. Total value by measurement category remains unchanged.

Taking into account the current market environment of negative interest rates, Credendo Group reinvested the Unquoted Belgian Treasury Bills (BTBs: short-term investments) of EUR 297.9 million into Euro Medium Term Notes (EMTNs). In order to avoid negative interest rates, the Public Treasury issued medium-term EMTNs. The transition of BTBs into EMTNs has resulted in a minor value adjustment.

As from 2015 onwards, term deposits that are highly liquid and repayable on demand have been reclassified from financial investments to cash and

cash equivalents (2015: K EUR 146,877). Comparative figures for 2014 have been restated (K EUR 80,334).

The maximum exposure to credit risk at the reporting date is the carrying value of the debt securities and term deposits.

At the reporting date there were no available-for-sale financial investments that were overdue but not impaired. At the reporting date no loans and receivables were impaired.

Equity and debt securities classified at fair value through profit or loss are designated in this category upon initial recognition.

There are no non-derivative financial assets held for trading.

| Current/Non-current split | 2015 | 2014 |
|---------------------------|------------------|------------------|
| Current | 170,144 | 481,545 |
| Non-current | 2,366,376 | 1,851,726 |
| Total | 2,536,520 | 2,333,271 |

Zephyr

The financial investments as per 31/12/2015 include financial investments in an institutional fund, called Zephyr, for an amount of EUR 2.01 billion (2014: EUR 1.78 billion). These are classified as financial investments at fair value through profit or loss (see table below for more details per asset class). Credendo Group has elected to designate these financial investments as financial investments at fair value through profit or loss based on the fact that these concern a group of financial assets that is managed and their performance is evaluated on

a fair value basis, in accordance with a documented risk management and investment strategy.

Zephyr is a multi-asset investment fund with the following subfunds and investment objectives and strategy:

- > 1 money market fund for a total amount of EUR 100 million with an investment objective to preserve the invested capital over a 3-month period corresponding to the recommended investment horizon while producing the best possible money market return for the investors;

- > 3 mixed funds for a total amount of EUR 998 million managed by 3 different asset managers within a traditional balanced mandate on the basis of the following benchmark: 35% government bonds of OECD countries, 26% corporate bonds investment grade, 29% equities, 6% commodities and 4% real estate;
- > 2 mixed funds for a total amount of EUR 868 million managed by 2 different asset managers within specific mandates with as primary objective to optimise the return while maintaining ex ante and ex post a predefined measure of risk budget;
- > 1 fund that contains investments used for the Dynamic Risk Overlay, managed by 1 asset manager, when non-active with a traditional balanced mandate on the basis of the above-mentioned benchmark, when active investing in securities to counter decreasing financial markets.

The Strategic Asset Allocation (SAA) for the entire investment portfolio is reviewed at least annually by the Board of Directors, the Executive Management Committee and the Financial Asset Management Committee.

The investments within Zephyr represent the major part of the entire investment portfolio of the group. Most of the asset classes with a higher risk profile are managed within Zephyr.

The Financial Asset Management Committee reviews the portfolio positioning related to Zephyr at least on a monthly basis and reviews the entire portfolio positioning related to risk and performance at least on a quarterly basis by, amongst other things, verifying that asset classes remain within expected boundaries and by assessing the investment portfolio against the SAA benchmark.

These financial investments are quoted and therefore classified as level 1 financial investments. The fair value of these financial investments is determined based on the following principles:

- > the valuation of financial instruments and monetary market instruments that are traded on a regulated, regularly functioning and open market is based on the last known price on such market. If such instrument is traded on more than one market, the valuation is based on the last known price on its principal trade market. If such price is not representative, the valuation is based on the likely realisation value;
- > valuations that are expressed in another currency than the one of the concerned compartment are converted into EUR based on the last known exchange rate.

The financial investment portfolio in Zephyr as per 31/12/2015 can be detailed as follows:

Detail per asset class

| Asset class | Market value | |
|---------------------------|------------------|------------------|
| | 2015 | 2014 |
| Government bonds | 451,723 | 287,451 |
| Corporate bonds | 792,492 | 834,047 |
| Equity | 484,523 | 431,636 |
| Cash and cash equivalents | 223,207 | 206,820 |
| Other fixed income | - | 10,165 |
| Commodities | 40,272 | 9,500 |
| Real estate | 20,419 | - |
| Other | | 83 |
| Forward | -48 | 21 |
| Total | 2,012,588 | 1,779,724 |

Detail per currency

| Currency | Market value | |
|--------------|------------------|------------------|
| | 2015 | 2014 |
| EUR | 1,741,090 | 1,534,478 |
| USD | 192,001 | 182,422 |
| JPY | 14,289 | 17,619 |
| GBP | 38,440 | 32,747 |
| CHF | 14,491 | 3,381 |
| SEK | 3,220 | 1,068 |
| KRW | 1,006 | 1,068 |
| HKD | 2,214 | 1,780 |
| OTHER | 5,837 | 5,161 |
| Total | 2,012,588 | 1,779,724 |

The financial risks related to the portfolio in Zephyr can be described as follows:

Market risk

Market risk is the risk that the value of the Zephyr investment fund will be adversely affected by movements in market variables such as interest rates, equity prices and currency exchange rates.

A. Interest rate risk

Interest rate risk is the risk that the value of an asset or a liability will change due to the movement in the absolute level of interest rates.

An excellent parameter to measure the interest sensitivity is the modified duration percentage. Modified duration within Zephyr at 31/12/2015 is 4.20 (31/12/2014: 3.78).

The bonds within Zephyr amount to EUR 1,244 million (2014: EUR 1,121 million). An increase (decrease) of 100 basis points in interest rates at the reporting date would have decreased (increased) the market value of the bonds with EUR 52.2 million (2014: EUR 42.4 million). This analysis instrument assumes that all other variables, in particular foreign currency rates remain constant.

B. Variation in equity prices

Equity price risk in Zephyr is mitigated by holding a diversified and liquid portfolio of investment funds. The exposure to equity investments can at any time be reduced if a substantial risk is perceived in the financial markets. The volatility risk is mitigated through the use of mixed target volatility funds with a limited risk budget. The other mixed funds holding equity are protected by a dynamic risk overlay aiming at protecting these funds against a drop by more than 5%.

C. Currency risk

The main assets in foreign currency within Zephyr are denominated in USD and amount to USD 208 million (EUR 192 million) at 31/12/2015 (31/12/2014: USD 221 million – EUR 182 million).

They mitigate the foreign currency exchange risk of the insurance liabilities.

The asset managers within Zephyr are monitoring the exchange risk by hedging the risk if necessary.

Credit risk

The credit risk, i.e. the risk that a counterparty will be unable to pay amounts in full when due, is strictly managed within Zephyr.

Within the balanced mandates in Zephyr, only investment grade securities are allowed. Government bonds on the peripheral countries in the Eurozone are excluded.

Also debt instruments within the target volatility mandates (with limited risk budget) are of high quality (minimum 90% investment grade).

The monetary fund in Zephyr is composed of high-quality short-term-rated paper with a weighted average maturity (WAM) of 60 to 180 days.

Liquidity risk

The group is exposed to the liquidity risk if there is insufficient cash available to meet its financial obligations, when due, at a reasonable cost. Although substantial cash amounts are available outside Zephyr, funds included in Zephyr are all liquid with highly marketable underlying securities.

The money market fund included in Zephyr amounting to EUR 100 million has daily liquidation dates.

The movements in Credendo Group's financial investments are summarised in the table below by measurement category:

| | Note | AFS | Fair value through profit or loss | Loans and receivables | Total |
|---|------|----------------|-----------------------------------|-----------------------|------------------|
| At 01/01/2014 | | 173,243 | 1,683,676 | 288,613 | 2,145,532 |
| Additions | | 104,786 | 131,791 | 27,013 | 263,591 |
| Disposals | | -92,947 | -102,225 | - | -195,172 |
| Net gains/(losses) transfer to equity | 15,2 | 4,682 | - | - | 4,682 |
| Net gains/(losses) transfer from equity | 15,2 | -1,368 | - | - | -1,368 |
| Conversion differences | | -136 | -4,062 | -2,459 | -6,657 |
| Net gains/(losses) through profit or loss | 27 | - | 122,682 | - | 122,682 |
| Other movements | | -18 | - | - | -18 |
| At 31/12/2014 | | 188,242 | 1,831,862 | 313,167 | 2,333,271 |
| Additions | | 108,719 | 379,802 | 5,263 | 493,784 |
| Disposals | | -96,023 | -196,609 | -659 | -293,291 |
| Net gains/(losses) transfer to equity | 15,2 | -3,225 | - | - | -3,225 |
| Net gains/(losses) transfer from equity | 15,2 | -6,999 | - | - | -6,999 |
| Conversion differences | | 328 | -766 | -1,283 | -1,720 |
| Net gains/(losses) through profit or loss | 27 | - | 14,615 | - | 14,615 |
| Other movements | | 473 | - | -388 | 86 |
| At 31/12/2015 | | 191,515 | 2,028,904 | 316,101 | 2,536,520 |

No collateral is held by Credendo Group against potential losses arising from impairments of available-for-sale financial investments. A specific impairment provision has been provided against each of the individually impaired financial investments for the full amount of the impairment.

In 2015, an impairment has been booked on the Dynamic Risk Overlay compartment (2014: none).

During the period from 01/01/2015 till 31/12/2015 there were no reclassifications of financial investments.

9. DEFERRED INCOME TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset tax assets against tax liabilities and when the deferred income tax assets and liabilities relate to income

taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows:

| Deferred tax assets and liabilities | 31/12/2015 | 31/12/2014 |
|--|---------------|---------------|
| Deferred tax assets to be recovered after more than 12 months | 12,210 | 9,378 |
| Deferred tax assets to be recovered within 12 months | 4,246 | - |
| Deferred tax assets | 16,456 | 9,378 |
| Deferred tax liabilities to be recovered after more than 12 months | -237 | -5,809 |
| Deferred tax liabilities to be recovered within 12 months | -634 | - |
| Deferred tax liabilities | -871 | -5,809 |
| Net deferred tax position | 15,585 | 3,568 |

The amounts of deferred tax assets and liabilities before offset are as follows:

| Deferred tax assets and liabilities - Set-off | 31/12/2015 | 31/12/2014 |
|--|---------------|--------------|
| Deferred tax assets before set-off | 17,352 | 9,673 |
| Set-off of deferred tax position | -895 | -295 |
| Deferred tax assets presented in the statement of financial position | 16,456 | 9,378 |
| Deferred tax liabilities before set-off | 1,766 | 6,105 |
| Set-off of deferred tax position | -895 | -295 |
| Deferred tax liabilities presented in the statement of financial position | 871 | 5,809 |

The gross movement on the deferred income tax account is as follows:

| Gross movements deferred taxes | Note | 2015 | 2014 |
|--|------|---------------|--------------|
| Balance at 01/01 | | 3,568 | 3,932 |
| Income statement (charge)/credit | 29 | 8,498 | 256 |
| Tax (charge)/credit relating to components of other comprehensive income | 15.2 | 2,387 | -1,227 |
| Other movements | | -531 | 431 |
| Transfer to assets held for sale | | 1,908 | - |
| Exchange differences | | -245 | 176 |
| Balance at 31/12 | | 15,585 | 3,568 |

The movement in deferred income tax assets and liabilities during the year, without taking into

consideration the offsetting of balances within the same tax jurisdiction, is as follows:

| Deferred tax assets | Tax losses | Provision for pensions and other employee benefit obligations | Liabilities arising from insurance contracts | Timing differences on property, plant and equipment | Other | Total |
|--|---------------|---|--|---|------------|---------------|
| Balance at 01/01/2015 | 7,158 | 1,256 | 162 | 730 | 367 | 9,673 |
| Charged/(credited) to the income statement | 7,491 | -2 | 82 | 1,771 | 165 | 9,508 |
| Charged/(credited) to other comprehensive income | - | -613 | - | - | - | -613 |
| Other movements | - | - | - | - | -532 | -532 |
| Transfers | -421 | - | - | - | - | -421 |
| Exchange differences | 1 | - | - | -265 | - | -264 |
| Balance at 31/12/2015 | 14,229 | 641 | 244 | 2,237 | - | 17,352 |

The deferred tax assets include an amount of K EUR 14,229 which relates to tax losses carried forward of Credendo Group. Management has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets. The losses can be carried forward indefinitely and have no expiry date.

In 2015, Credendo Group has withdrawn deferred income tax assets of K CZK 3,541 (K EUR 120) relating to tax losses carried forward of KUPEG that are no longer recoverable (recoverability of Czech tax losses is limited in time).

There are no unrecognised deferred income tax assets in respect of losses carried forward.

| Deferred Tax Liabilities | Financial investments | Liabilities arising from insurance contracts | Timing differences on property, plant and equipment | Timing differences on intangible assets | Others | Total |
|--|-----------------------|--|---|---|--------------|--------------|
| Balance at 01/01/2015 | 3,595 | 117 | - | - | 2,393 | 6,105 |
| Charged/(credited) to the income statement | -370 | 747 | -1 | -26 | 659 | 1,009 |
| Charged/(credited) to other comprehensive income | -3,000 | - | - | - | - | -3,000 |
| Other movements | - | - | - | - | - | 0 |
| Transfers | -5 | 331 | 1 | 93 | -841 | -421 |
| Transfer to assets held for sale | - | -642 | - | - | -1,266 | -1,908 |
| Exchange differences | - | - | - | - | -19 | -19 |
| Balance at 31/12/2015 | 220 | 553 | 1 | 66 | 926 | 1,766 |

10. REINSURANCE ASSETS

| Reinsurance assets | 31/12/2015 | 31/12/2014 |
|--|----------------|----------------|
| Reinsurers' share of insurance liabilities | | |
| Provision for unearned premium | 30,457 | 32,235 |
| Provision for risk deterioration | 5,539 | 5,704 |
| provision for IBNR | 25,721 | 16,086 |
| Provision for claims - reported losses - expected claims | 186,828 | 144,933 |
| Provisions profit-sharing and rebates | 3,282 | 2,628 |
| Provision for claims management expenses | 251 | 296 |
| Other technical provisions | 66 | 49 |
| Total | 252,144 | 201,930 |

The recognition and measurement of reinsurance assets follow the recognition and measurement of the insurance liabilities that have been ceded to the reinsurer. For the accounting policies of Credendo Group relating to the liabilities arising from insurance contracts, we refer to note 2.13 'Insurance contracts and reinsurance contracts'.

Amounts due from reinsurers in respect of claims already paid by Credendo Group on the contracts that are reinsured, are included in the receivables (note 11).

As Credendo Group does not discount its insurance liabilities, reinsurance assets are also not discounted.

As a security against potential default by reinsurance counterparties, Credendo Group retains part of the premium that has to be paid to the reinsurer on a deposit account. Yearly, an interest of 80% of Euribor 3 months is paid on this deposit.

11. LOANS AND RECEIVABLES INCLUDING REINSURANCE RECEIVABLES

The receivables are analysed by classes in the table below:

| Analysis by classes | 31/12/2015 | 31/12/2014 |
|---|----------------|----------------|
| Receivables on insurance and reinsurance business | | |
| Amounts owed by policyholders and direct insurance operations | 1,367,639 | 1,301,696 |
| Receivables arising out of reinsurance | 49,182 | 54,681 |
| Expected recovery on claims paid | 309,667 | 197,572 |
| Provision for impairment | -980,328 | -937,827 |
| Total receivables related to insurance activity | 746,160 | 616,122 |
| Other receivables | 67,052 | 58,708 |
| Total other receivables | 67,052 | 58,708 |
| Total receivables | 813,212 | 674,830 |

The outstanding receivables are substantially all current and consequently their fair value does not materially differ from their book value.

For certain reinsurance contracts (mostly Italian and Spanish business) an interest of 90% of Euribor 3 months, on average, is received by Credendo Group on retained deposits in the framework of its assumed reinsurance activity.

There is no concentration of credit risk with respect to loans and receivables, as Credendo Group

has a large number of internationally dispersed debtors. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. Credendo Group does not hold any collateral as security.

The other classes within receivables do not contain impaired assets.

Movements in the provision for impairment on receivables are as follows:

| Movements in the provision for impairment on receivables | 2015 | 2014 |
|---|-----------------|-----------------|
| Balance at 01/01 | -937,827 | -835,568 |
| Final losses on receivables | 16 | - |
| Provisions for impairment on receivables | -102 | -267 |
| Reversal of provisions for impairment on receivables | 100 | 92 |
| Provisions for impairment on outstanding claims | -194,967 | -105,038 |
| Reversal of provisions for impairment on outstanding claims | 214,027 | 55,641 |
| Other movements | -61,575 | -52,686 |
| Balance at 31/12 | -980,328 | -937,827 |

The creation and release of the provision for impaired receivables of K EUR 11,098 (2014: K EUR 175) have been included in 'Other operating expenses' in the income statement. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

As of 31/12/2015, total loans and receivables of K EUR 439,156 (31/12/2014: K EUR 384,174) were past due but not impaired. These mainly relate to accounts receivable from indemnities for which there is no recent history of default.

| Loans and receivables - 31/12/2015 | Impaired and provided for | Due but not impaired | Not due | Total |
|------------------------------------|---------------------------|----------------------|----------------|----------------|
| Gross | 980,328 | 439,156 | 374,056 | 1,793,540 |
| Impairment | -980,328 | - | - | -980,328 |
| Net | - | 439,156 | 374,056 | 813,212 |

| Loans and receivables - 31/12/2014 | Impaired and provided for | Due but not impaired | Not due | Total |
|------------------------------------|---------------------------|----------------------|----------------|----------------|
| Gross | 937,827 | 384,174 | 290,656 | 1,612,657 |
| Impairment | -937,827 | - | - | -937,827 |
| Net | - | 384,174 | 290,656 | 674,830 |

As of 31/12/2015, K EUR 980,328 (2014: K EUR 937,827) of total receivables were impaired.

| Ageing analysis - 31/12/2015 | Less than 3 months | 3 to 6 months | > 6 months | Total |
|------------------------------|--------------------|----------------|-----------------|-----------------|
| Impaired and provided for | -63,992 | -38,853 | -877,484 | -980,328 |
| % of total | 7% | 4% | 90% | 100% |
| Total | -63,992 | -38,853 | -877,484 | -980,328 |

| Ageing analysis - 31/12/2014 | Less than 3 months | 3 to 6 months | > 6 months | Total |
|------------------------------|--------------------|----------------|-----------------|-----------------|
| Impaired and provided for | -42,702 | -20,309 | -874,816 | -937,827 |
| % of total | 5% | 2% | 93% | 100% |
| Total | -42,702 | -20,309 | -874,816 | -937,827 |

| Ageing analysis - 31/12/2015 | Less than 3 months | 3 to 6 months | > 6 months | Total |
|------------------------------|--------------------|---------------|----------------|----------------|
| Past due but not impaired | 54,451 | 13,330 | 371,375 | 439,156 |
| % of total | 12% | 3% | 85% | 100% |
| Total | 54,451 | 13,330 | 371,375 | 439,156 |

| Ageing analysis - 31/12/2014 | Less than 3 months | 3 to 6 months | > 6 months | Total |
|------------------------------|--------------------|---------------|----------------|----------------|
| Past due but not impaired | 24,002 | 1,439 | 358,733 | 384,174 |
| % of total | 6% | 0% | 93% | 100% |
| Total | 24,002 | 1,439 | 358,733 | 384,174 |

12. OTHER ASSETS

The other assets can be detailed as follows:

| | 31/12/2015 | 31/12/2014 |
|---------------------------------------|--------------|--------------|
| Deferred charges | 2,296 | 2,735 |
| Prepaid expenses | 1,430 | 844 |
| Accrued interests | 1,792 | 2,939 |
| Accrued revenue on insurance premiums | 3,274 | 911 |
| Other accrued income | 791 | 174 |
| Total other assets | 9,583 | 7,604 |

13. CASH AND CASH EQUIVALENTS

| | 31/12/2015 | 31/12/2014 |
|---|----------------|----------------|
| Cash at bank and in hand | 157,070 | 258,310 |
| Short-term bank deposits | 151,975 | 105,412 |
| Cash and cash equivalents in the statement of financial position | 309,045 | 363,722 |

The effective interest rate on short-term bank deposits for 2015 amounted to 1.06% (2014: 0.45%). The average maturity is 10 days (2014: 11 days).

Term deposits that are highly liquid and repayable on demand have been reclassified from financial

investments to cash and cash equivalents (2015: K EUR 146,877). Comparative figures to 2014 have been restated (K EUR 80,334).

Cash and cash equivalents include the following for the purposes of the statement of cash flows:

| | 31/12/2015 | 31/12/2014 |
|---|----------------|----------------|
| Cash and cash equivalents | 309,045 | 363,722 |
| Bank overdrafts | - | - |
| Cash and cash equivalents in the statement of cash flows | 309,045 | 363,722 |

14. ENDOWMENT

| | Endowment | Total |
|----------------------|----------------|----------------|
| At 01/01/2014 | 297,472 | 297,472 |
| Change in endowment | - | - |
| At 31/12/2014 | 297,472 | 297,472 |
| Change in endowment | - | - |
| At 31/12/2015 | 297,472 | 297,472 |

Delcredere | Ducroire has an endowment of EUR 297.5 million. This endowment (capital) is granted/contributed by the Belgian State in the form of financial assets. The amount of the endowment represents the fair value of the original financial assets that were granted/contributed by the Belgian State. After the original grant/contribution, these financial assets have been valued at amortised cost. At each maturity date, these financial assets representing the endowment have been replaced

by other financial assets generating a market-conform interest rate. As per 31/12/2015 the endowment is represented by two Euro Medium Term Notes (EMTNs) which will come to maturity in 3 to 5 years. These financial assets represent the capital of Delcredere | Ducroire and cannot be sold or liquidated without the approval of the Belgian State. The amount of the endowment has not been changed for several decades.

15. CONSOLIDATED RESERVES AND OTHER COMPREHENSIVE INCOME

15.1. Consolidated reserves

| | Note | 2015 | | | 2014 | | |
|--|------|------------------|----------------|------------------|------------------|---------------|------------------|
| | | Total | NCI | Share of parent | Total | NCI | Share of parent |
| Balance at 01/01 | | 2,052,633 | -9,533 | 2,062,166 | 1,711,909 | -378 | 1,712,287 |
| Profit/(loss) of the year | | 8,943 | -1,862 | 10,805 | 352,647 | 583 | 352,063 |
| Changes in ownership interests in subsidiaries that do not result in a change in control | 32 | - | - | - | -12,121 | -9,738 | -2,382 |
| Other movements | | 50 | 9 | 41 | 197 | - | 197 |
| Share in movements in consolidated reserves | | 8,994 | -1,853 | 10,846 | 340,723 | -9,155 | 349,878 |
| Balance at 31/12 | | 2,061,626 | -11,386 | 2,073,012 | 2,052,633 | -9,533 | 2,062,166 |

15.2. Other comprehensive income

| | Note | 2015 | | | 2014 | | |
|--|---------|--------|-----|-----------------|--------|--------|-----------------|
| | | Total | NCI | Share of parent | Total | NCI | Share of parent |
| Items that will not be reclassified to profit or loss | | | | | | | |
| Remeasurements on defined benefit pension plans | 18 | 4,369 | 54 | 4,315 | -3,485 | -28 | -3,457 |
| Deferred tax on actuarial gains/(losses) on defined benefit pension plans | 9 | -613 | -9 | -604 | 663 | 7 | 656 |
| Subtotal of items that will not be reclassified to profit or loss | | 3,756 | 44 | 3,712 | -2,822 | -21 | -2,801 |
| | | | | | | | |
| Items that may subsequently be reclassified to profit or loss | | | | | | | |
| | | - | - | - | - | - | - |
| Fair value changes on available-for-sale financial assets | 8 | -3,827 | -19 | -3,808 | 3,814 | -26 | 3,840 |
| Foreign exchange differences on available-for-sale financial assets | 8-28 | 602 | 7 | 595 | 868 | 38 | 830 |
| Fair value changes on available-for-sale financial assets - recycled to profit or loss | 8-27 | -6,746 | 17 | -6,763 | -1,654 | 21 | -1,675 |
| Foreign exchange differences on available-for-sale financial assets - recycled to profit or loss | 8-27-28 | -252 | 20 | -272 | 286 | 13 | 274 |
| Impairment losses on available-for-sale financial assets - recycled to profit or loss | 28 | 1,705 | - | 1,705 | - | - | - |
| Other changes on available-for-sale financial assets | | -36 | - | -36 | -1,290 | -59 | -1,230 |
| Deferred taxes thereon | 9 | 3,000 | -5 | 3,005 | -1,890 | -1 | -1,889 |
| | | -5,555 | 19 | -5,574 | 134 | -15 | 149 |
| | | | | | | | |
| Exchange differences on translating foreign operations | 28 | 80 | 31 | 49 | -6,419 | -2,146 | -4,272 |
| Subtotal of items that may subsequently be reclassified to profit or loss | | -5,474 | 50 | -5,524 | -6,284 | -2,161 | -4,123 |
| | | | | | | | |
| Total other comprehensive income for the year | | -1,718 | 94 | -1,812 | -9,106 | -2,182 | -6,924 |

16. LIABILITIES ARISING FROM INSURANCE CONTRACTS AND REINSURANCE ASSETS

| | 31/12/2015 | | | 31/12/2014 | | |
|--|------------------|------------------------------|------------------|------------------|------------------------------|----------------|
| | Gross | Recoverable from reinsurance | Net | Gross | Recoverable from reinsurance | Net |
| Single risk | 973,635 | -87,263 | 886,372 | 749,501 | -66,909 | 682,592 |
| Investment insurance | 4,834 | - | 4,834 | 5,562 | - | 5,562 |
| Financial guarantees | 21,229 | - | 21,229 | 15,366 | - | 15,366 |
| Sureties | 4,768 | -2,373 | 2,395 | 3,106 | -1,052 | 2,054 |
| Excess of loss and captives | 51,670 | -33,135 | 18,535 | 66,837 | -42,427 | 24,410 |
| Turnover policies | 225,512 | -118,029 | 107,483 | 158,049 | -89,679 | 68,371 |
| Inward reinsurance | 107,092 | -11,344 | 95,748 | 54,549 | -1,865 | 52,684 |
| Liabilities arising from insurance contracts presented in the statement of financial position | 1,388,740 | -252,144 | 1,136,596 | 1,052,970 | -201,930 | 851,039 |

16.1. Single-risk insurance

| | 31/12/2015 | | | 31/12/2014 | | |
|--|----------------|------------------------------|----------------|----------------|------------------------------|----------------|
| | Gross | Recoverable from reinsurance | Net | Gross | Recoverable from reinsurance | Net |
| Provision for reported claims and loss adjustment expenses | 698,746 | -71,108 | 627,638 | 503,203 | -48,975 | 454,228 |
| Claims incurred but not reported | 14,187 | -3 | 14,184 | 7,030 | -7 | 7,023 |
| Provision for profit-sharing and rebates | 51 | -19 | 32 | - | - | - |
| Provision for risk deterioration | 26,111 | -5,280 | 20,831 | 28,056 | -5,570 | 22,485 |
| Provision for unearned premiums | 222,226 | -10,736 | 211,490 | 202,978 | -12,147 | 190,831 |
| Provision for claims management expenses | 12,314 | -117 | 12,197 | 8,119 | -171 | 7,948 |
| Other technical provisions | - | - | - | 115 | -38 | 77 |
| Total | 973,635 | -87,263 | 886,372 | 749,501 | -66,909 | 682,592 |

16.2. Investment insurance

| | 31/12/2015 | | | 31/12/2014 | | |
|--|--------------|------------------------------|--------------|--------------|------------------------------|--------------|
| | Gross | Recoverable from reinsurance | Net | Gross | Recoverable from reinsurance | Net |
| Provision for reported claims and loss adjustment expenses | 4,159 | - | 4,159 | 4,632 | - | 4,632 |
| Provision for unearned premiums | 597 | - | 597 | 879 | - | 879 |
| Provision for claims management expenses | 78 | - | 78 | 51 | - | 51 |
| Total | 4,834 | - | 4,834 | 5,562 | - | 5,562 |

16.3. Financial guarantees

| | 31/12/2015 | | | 31/12/2014 | | |
|--|---------------|------------------------------|---------------|---------------|------------------------------|---------------|
| | Gross | Recoverable from reinsurance | Net | Gross | Recoverable from reinsurance | Net |
| Provision for reported claims and loss adjustment expenses | 18,390 | - | 18,390 | 10,333 | - | 10,333 |
| Provision for risk deterioration | - | - | - | 2,078 | - | 2,078 |
| Provision for unearned premiums | 2,622 | - | 2,622 | 2,872 | - | 2,872 |
| Provision for claims management expenses | 216 | - | 216 | 82 | - | 82 |
| Total | 21,229 | - | 21,229 | 15,366 | - | 15,366 |

16.4. Sureties

| | 31/12/2015 | | | 31/12/2014 | | |
|--|--------------|------------------------------|--------------|--------------|------------------------------|--------------|
| | Gross | Recoverable from reinsurance | Net | Gross | Recoverable from reinsurance | Net |
| Provision for reported claims and loss adjustment expenses | 3,346 | -1,248 | 2,099 | 1,510 | -239 | 1,271 |
| Provision for unearned premiums | 1,401 | -1,125 | 276 | 1,596 | -813 | 783 |
| Provision for claims management expenses | 20 | - | 20 | - | - | - |
| Total | 4,768 | -2,373 | 2,395 | 3,106 | -1,052 | 2,054 |

16.5. Excess-of-loss and captive insurance

| | 31/12/2015 | | | 31/12/2014 | | |
|--|---------------|------------------------------|---------------|---------------|------------------------------|---------------|
| | Gross | Recoverable from reinsurance | Net | Gross | Recoverable from reinsurance | Net |
| Provision for reported claims and loss adjustment expenses | 15,824 | -11,576 | 4,248 | 21,941 | -16,539 | 5,403 |
| Claims incurred but not reported | 12,104 | -8,753 | 3,351 | 14,786 | -11,095 | 3,691 |
| Provision for profit-sharing and rebates | 841 | -1,589 | -748 | 1,357 | -682 | 676 |
| Provision for unearned premiums | 22,147 | -11,150 | 10,996 | 28,086 | -14,111 | 13,975 |
| Provision for claims management expenses | 559 | - | 559 | 666 | - | 666 |
| Other technical provisions | 197 | -66 | 131 | - | - | - |
| Total | 51,670 | -33,135 | 18,535 | 66,837 | -42,427 | 24,410 |

16.6. Turnover policies

| | 31/12/2015 | | | 31/12/2014 | | |
|--|----------------|------------------------------|----------------|----------------|------------------------------|---------------|
| | Gross | Recoverable from reinsurance | Net | Gross | Recoverable from reinsurance | Net |
| Provision for reported claims and loss adjustment expenses | 179,511 | -101,786 | 77,725 | 133,457 | -78,926 | 54,531 |
| Claims incurred but not reported | 29,238 | -9,548 | 19,690 | 8,428 | -4,319 | 4,109 |
| Provision for profit-sharing and rebates | 3,896 | -1,591 | 2,305 | 3,799 | -1,946 | 1,853 |
| Provision for risk deterioration | 654 | -259 | 395 | 343 | -133 | 210 |
| Provision for unearned premiums | 9,686 | -4,753 | 4,933 | 9,150 | -4,218 | 4,933 |
| Provision for claims management expenses | 2,528 | -93 | 2,435 | 2,847 | -125 | 2,722 |
| Other technical provisions | - | - | - | 25 | -11 | 13 |
| Total | 225,512 | -118,029 | 107,483 | 158,049 | -89,679 | 68,371 |

16.7. Inward reinsurance

| | 31/12/2015 | | | 31/12/2014 | | |
|--|----------------|------------------------------|---------------|---------------|------------------------------|---------------|
| | Gross | Recoverable from reinsurance | Net | Gross | Recoverable from reinsurance | Net |
| Provision for reported claims and loss adjustment expenses | 49,057 | -1,110 | 47,947 | 16,562 | -254 | 16,308 |
| Claims incurred but not reported | 38,711 | -7,417 | 31,294 | 28,604 | -665 | 27,939 |
| Provision for profit-sharing and rebates | 107 | -83 | 24 | - | - | - |
| Provision for unearned premiums | 19,105 | -2,692 | 16,413 | 9,383 | -946 | 8,437 |
| Provision for claims management expenses | 111 | -42 | 69 | - | - | - |
| Total | 107,092 | -11,344 | 95,748 | 54,549 | -1,865 | 52,684 |

17. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

| | Onerous contracts | Litigation | Other | Total |
|---|-------------------|------------|------------|------------|
| Balance at 01/01/2015 | - | 193 | 47 | 240 |
| Charged/(credited) to the income statement: | | | | |
| Additional provisions | - | 77 | 122 | 199 |
| Unused amounts reversed | - | -39 | - | -39 |
| Used during period | - | - | -7 | -7 |
| Balance at 31/12/2015 | - | 231 | 162 | 393 |
| | | | | |
| Current | - | 231 | 40 | 271 |
| Non-current | - | - | 122 | 122 |

| | Onerous contracts | Litigation | Other | Total |
|---|-------------------|------------|------------|------------|
| Balance at 01/01/2014 | 111 | 126 | 344 | 581 |
| Charged/(credited) to the income statement: | | | | |
| Additional provisions | - | 1 | 40 | 41 |
| Unused amounts reversed | - | -45 | - | -45 |
| Used during period | - | - | -315 | -315 |
| Exchange differences | - | - | -22 | -22 |
| Transfers | -111 | 111 | - | - |
| Balance at 31/12/2014 | - | 193 | 47 | 240 |
| | | | | |
| Current | - | 193 | 47 | 240 |
| Non-current | - | - | - | - |

18. EMPLOYEE BENEFIT OBLIGATIONS

The table below outlines the amounts recognised as employee benefit obligations on the statement of financial position:

| | 31/12/2015 | 31/12/2014 |
|-----------------------------------|--------------|---------------|
| Short-term employee benefits | 5,368 | 5,519 |
| Post-employment benefits | 3,322 | 7,545 |
| Other long-term employee benefits | 304 | 282 |
| Total | 8,994 | 13,346 |

18.1. Short-term employee benefits

Short-term employee benefits represent accruals for bonuses, social security charges and holiday pay.

18.2. Post-employment benefits

Credendo Group operates defined benefit pension plans in Belgium and Austria under broadly similar regulatory frameworks.

The TOU (Technical Operating Unit) Credendo Group operates defined benefit pension plans based on employee pensionable remuneration and length of service. The plans are final salary plans coming in addition to the Belgian legal pension. The benefits are determined by the plan rules and are defined as a retirement pension with the option to convert the pension into a retirement lump sum. These pension benefits are externally funded by means of an annual dotation at an insurance company. The covering plan assets are invested into insurance products providing minimum guaranteed interest rates.

Because of the Belgian legislation applicable to 2nd-pillar pension plans (so-called Law Vandenbroucke), all Belgian defined contribution plans have to be considered under IFRS as defined benefit plans. Law Vandenbroucke states that in the context of defined contribution plans, the employer must guarantee a minimum return of 3.75% on employee contributions and 3.25% on employer contributions.

Because of this minimal guaranteed return for defined contribution plans in Belgium, the employer is exposed to a financial risk (there is a legal obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods). Therefore these plans are classified and accounted for as a defined benefit

plan under IAS 19 except for one pension plan. The potential additional liabilities for this pension plan as at 31/12/2015 are, however, being assessed as not significant. For information some key figures related to the plan are given below:

> employer contributions 2015: K EUR 68 (2014: K EUR 155).

As from 01/10/2014 the TOU Credendo introduced a new defined benefit plan for all new hires and with the option for current employees to remain in the old defined benefit plan.

The TOU Credendo will contribute to this new defined benefit plan a fixed percentage of the annual salary. The contributions are funded by the pension institution according to the plan rules as to the benefits payment to the employee.

The TOU (Technical Operating Unit) Garant operates defined benefit pension plans based on employee pensionable remuneration and length of service. One plan is a final salary plan coming in addition to the Austrian legal pension. The benefits are determined by the plan rules and are defined as a retirement pension with the option to convert the pension into a retirement lump sum. The other plan is a plan in which the employees are entitled to a severance payment of which the amount depends on monthly salary and years of service and which is paid out upon resignation or at retirement date.

Garant holds special bonds or investment funds amounting to 50% of the value of the provision for defined benefit plans. Since these assets are not held in a legally separate fund, these do not meet the criteria of plan assets under IAS 19 and are therefore not accounted for as plan assets but included under the financial investments.

The amounts for post-employment benefits recognised in the consolidated statement of financial position are determined as follows:

| Defined benefit plan | 2015 | 2014 |
|---|---------------|---------------|
| Present value of funded obligations | -42,448 | -42,242 |
| Fair value of plan assets | 42,562 | 39,213 |
| Deficit/surplus of funded plans | 114 | -3,030 |
| Present value of unfunded obligations | -3,436 | -4,516 |
| Net asset/(liability) in the statement of financial position | -3,322 | -7,545 |

The movement in the defined benefit obligation over the year is as follows:

| Defined benefit obligation | 2015 | 2014 |
|--|---------------|---------------|
| Defined benefit obligation at 01/01 | 46,758 | 39,871 |
| Current service cost | 3,447 | 2,739 |
| Current service cost - Other | - | -103 |
| Interest cost | 825 | 1,309 |
| Remeasurements: | -3,900 | 3,177 |
| Remeasurements resulting from changes in demographic assumptions | 101 | -668 |
| Remeasurements resulting from changes in financial assumptions | -2,073 | 5,214 |
| Remeasurements resulting from experience gains/losses | -1,927 | -1,471 |
| Remeasurements - other | - | 103 |
| Administration expense | -88 | -70 |
| Taxes paid | -302 | -239 |
| Benefits paid from plan | -857 | -300 |
| Other movements | - | 373 |
| Defined benefit obligation at 31/12 | 45,884 | 46,758 |

The weighted average duration of the defined benefit obligation in Belgium is 13.5 years. In Austria the average duration of the defined benefit obligation is 18.5 years.

The movement in the fair value of plan assets of the year is as follows:

| Fair value of plan assets | 2015 | 2014 |
|---|---------------|---------------|
| Fair value of plan assets at 01/01 | 39,213 | 36,226 |
| Interest income | 711 | 1,228 |
| Remeasurements | 469 | -308 |
| Remeasurements: return on plan assets excluding interest income | 469 | -308 |
| Employer contributions | 3,230 | 2,557 |
| Administration expense | -88 | -70 |
| Taxes paid | -302 | -239 |
| Benefits paid from plan | -671 | -182 |
| Fair value of plan assets at 31/12 | 42,562 | 39,213 |

Plan assets are represented by the following instruments:

| Plan assets | 31/12/2015 | 31/12/2014 |
|--------------------------------|---------------|---------------|
| Equity instruments | 1,443 | 1,277 |
| Government and corporate bonds | 25,234 | 19,730 |
| Corporate loans | - | 258 |
| Real estate | - | 3,299 |
| Cash | 188 | - |
| Qualifying insurance policies | 15,698 | 14,649 |
| Total | 42,562 | 39,213 |

Pension plan assets include three financing funds at insurance companies of which two funds are included under 'Qualifying insurance funds'.

The amounts recognised in the income statement are as follows:

| Income statement | 31/12/2015 | 31/12/2014 |
|---|--------------|--------------|
| Current service cost | 3,447 | 2,739 |
| Net interest cost | 114 | 81 |
| Current service cost - other | - | -103 |
| Expense recognised in income statement | 3,561 | 2,717 |

The total cost of post-employment benefits of K EUR 3,561 (31/12/2014: K EUR 2,717) are included within employee benefit expenses in the income statement.

| Remeasurements other comprehensive income | 31/12/2015 | 31/12/2014 |
|--|--------------|---------------|
| Remeasurements: | 3,900 | -3,177 |
| Remeasurements resulting from changes in demographic assumptions | -101 | 668 |
| Remeasurements resulting from changes in financial assumptions | 2,073 | -5,214 |
| Remeasurements resulting from experience gains/losses | 1,927 | 1,471 |
| Remeasurements - other | - | -103 |
| Return on plan assets excluding interest income | 469 | -308 |
| Total remeasurements included in OCI | 4,369 | -3,485 |

The significant actuarial assumptions used for post-employment benefits are as follows:

A. For the Belgian defined benefit pension plans

| Actuarial assumptions | 31/12/2015 | 31/12/2014 |
|---|------------|------------|
| Discount rate | 2.00% | 1.75% |
| Future inflation rate | 1.75% | 1.75% |
| Future salary increases (after age of 30) | 1.25% | 1.25% |
| Future salary increases (up to age of 30) | 5.00% | 5.00% |
| Mortality | MR-5/FR-5 | MR-5/FR-5 |

The mortality rate of the employees follows the Belgian mortality table MR|FR with an age correction of -5 years.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is as follows:

| Sensitivity analysis | Impact on defined benefit obligation | |
|------------------------------|--------------------------------------|-------------------------|
| | Change in assumption | Increase + / Decrease - |
| Year ended 31/12/2015 | | |
| Discount rate | + 0.25% | -3.12% |

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of defined benefit obligations to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with

the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

B. For the Austrian defined benefit pension plan

| Actuarial assumptions | 31/12/2015 | 31/12/2014 |
|--|--------------|--------------|
| Discount rate | 2.00% | 2.00% |
| Rate of compensation increase | 1.70% | 2.75% |
| Rate of benefit in payment increase | 1.70% | 2.75% |

Through its defined benefit pension plans, Credendo Group is exposed to a number of risks, the most significant of which are detailed below:

- > asset volatility: the plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets underperform this yield, this will create a deficit;
- > changes in bond yields: a decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings;
- > inflation risk: the pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. The majority of the plan's assets are either (fixed-interest bonds) unaffected by or (equities) loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Expected contributions to post-employment defined benefit plans for the year ending 31/12/2016 are K EUR 2,733.

18.3. Other long-term employee benefits

The other long-term benefits consist of the seniority bonuses. Credendo Group operates seniority bonus plans in Belgium, providing a loyalty bonus for employees in recognition of long years of service.

18.4. Termination benefits

The termination benefits relate to termination benefits granted by Credendo Group to certain employees in Austria. As from 2014 onwards, these benefits are accounted for as post-employment benefit plans (defined benefit plans).

19. PAYABLES

The payables are analysed in the table below:

| | 31/12/2015 | 31/12/2014 |
|---|----------------|----------------|
| Payables on insurance and reinsurance business | | |
| Amounts due to policyholders | 23,416 | 33,218 |
| Payables arising out of reinsurance operations | 170,083 | 127,400 |
| Amounts due to intermediaries | - | 1,693 |
| Total payables | 193,499 | 162,311 |

| | 31/12/2015 | 31/12/2014 |
|--------------|----------------|----------------|
| Current | 192,393 | 162,311 |
| Non-current | 1,105 | - |
| Total | 193,499 | 162,311 |

Amounts due to policyholders and other parties related to the contract mainly relate to payables to brokers.

Payables arising out of reinsurance operations relate to payables resulting from ceded claims and provisions as well as to deposits from reinsurers.

These payables have a contractual profile payment within 1 year.

The outstanding payables are substantially all current and consequently their fair values are considered to approximate their carrying amounts.

20. OTHER LIABILITIES

The other liabilities can be detailed as follows:

| | 31/12/2015 | 31/12/2014 |
|-------------------------------------|---------------|---------------|
| Other debts | 13,080 | 12,825 |
| Accrued charges and deferred income | 8,894 | 10,807 |
| Total | 21,974 | 23,632 |

Other liabilities differ from payables (note 19) as they arise from non-insurance-related activities.

As per 31/12/2015 total other liabilities mainly relate to invoices to be received (K EUR 4,067), debt towards the Belgian State (K EUR 356) and other non-insurance-related supplier debts (K EUR 8,653).

As per 31/12/2014 total other liabilities mainly relate to invoices to be received (K EUR 4,631), debt towards the Belgian State (K EUR 5,463) and other non-insurance-related supplier debts (K EUR 2,731).

The total accrual of K EUR 8,894 as per 31/12/2015 mainly relates to accrued interest (K EUR 177), operating and administration expenses (K EUR 621) and deferred income (K EUR 6,340).

The total accrual of K EUR 10,807 as per 31/12/2014 mainly relates to accrued operating and administration expenses (K EUR 3,325) and deferred income (K EUR 6,301).

All other liabilities can be considered as current. The fair value therefore approximates the carrying amount.

21. NET INSURANCE PREMIUM REVENUE

| | 2015 | | | 2014 | | |
|--|----------------|-------------------|----------------|----------------|-------------------|----------------|
| | Gross | Reinsurers' share | Net | Gross | Reinsurers' share | Net |
| Single risk | | | | | | |
| Written premium | 190,734 | -27,752 | 162,982 | 159,940 | -28,956 | 130,984 |
| Change in provision for unearned premium | -13,699 | -2,075 | -15,774 | 6,208 | 8,433 | 14,641 |
| Total | 177,035 | -29,828 | 147,208 | 166,149 | -20,524 | 145,625 |
| Investment insurance | | | | | | |
| Written premium | 2,722 | - | 2,722 | 2,203 | - | 2,203 |
| Change in provision for unearned premium | 263 | - | 263 | 130 | - | 130 |
| Total | 2,985 | - | 2,985 | 2,334 | - | 2,334 |
| Financial guarantees | | | | | | |
| Written premium | 5,869 | - | 5,869 | 7,455 | - | 7,455 |
| Change in provision for unearned premium | 226 | - | 226 | 697 | - | 697 |
| Total | 6,095 | - | 6,095 | 8,152 | - | 8,152 |
| Sureties | | | | | | |
| Written premium | 2,915 | -1,661 | 1,254 | 3,125 | -2,417 | 708 |
| Change in provision for unearned premium | 206 | 302 | 509 | -73 | 171 | 98 |
| Total | 3,121 | -1,359 | 1,763 | 3,051 | -2,245 | 806 |
| Excess of loss and captives | | | | | | |
| Written premium | 33,491 | -29,160 | 4,331 | 41,324 | -36,889 | 4,436 |
| Change in provision for unearned premium | 5,954 | -7,215 | -1,261 | 918 | -691 | 227 |
| Total | 39,445 | -36,375 | 3,070 | 42,242 | -37,579 | 4,663 |
| Turnover policies | | | | | | |
| Written premium | 103,566 | -50,353 | 53,213 | 98,929 | -59,638 | 39,292 |
| Change in provision for unearned premium | -1,194 | 869 | -325 | -2,616 | 3,636 | 1,020 |
| Total | 102,372 | -49,484 | 52,888 | 96,313 | -56,002 | 40,311 |
| Inward reinsurance | | | | | | |
| Written premium | 67,852 | -4,972 | 62,880 | 67,879 | -2,447 | 65,432 |
| Change in provision for unearned premium | -2,362 | -11 | -2,373 | -10,604 | 35 | -10,568 |
| Total | 65,491 | -4,983 | 60,507 | 57,276 | -2,412 | 54,864 |
| Total written premiums | 407,150 | -113,898 | 293,251 | 380,856 | -130,347 | 250,509 |
| Change in provision for unearned premium | -10,606 | -8,130 | -18,736 | -5,339 | 11,584 | 6,245 |
| Total profit-sharing and rebates | -6,905 | 3,254 | -3,652 | -4,199 | 1,179 | -3,020 |
| Net insurance premium revenue | 389,639 | -118,775 | 270,864 | 371,318 | -117,583 | 253,734 |

The table below details the written premiums according to the country where the risk is situated.

| | 31/12/2015 | 31/12/2014 |
|-------------------------------|----------------|----------------|
| Belgium | 46,218 | 44,039 |
| Germany | 27,589 | 5,874 |
| Russia | 25,549 | 17,710 |
| United States | 23,426 | 9,548 |
| France | 23,220 | 19,772 |
| Turkey | 22,221 | 7,512 |
| Nigeria | 20,943 | 10,620 |
| Netherlands | 15,926 | 16,853 |
| Republic of Congo | 15,459 | - |
| Luxembourg | 15,273 | 22,104 |
| Brazil | 14,661 | 6,164 |
| United Kingdom | 13,848 | 10,396 |
| Italy | 13,539 | 13,223 |
| China | 12,361 | 2,972 |
| Japan | 11,244 | - |
| Spain | 8,998 | 3,629 |
| Czech Republic | 6,655 | 11,873 |
| Saudi Arabia | 6,499 | 23,032 |
| UAE - Dubai | 4,476 | -29 |
| India | 4,130 | 5,865 |
| Other countries | 74,915 | 149,699 |
| Total written premiums | 407,150 | 380,856 |

22. OTHER OPERATING INCOME AND EXPENSE

| | 31/12/2015 | 31/12/2014 |
|--|----------------|----------------|
| Commissions from reinsurers | 29,901 | 33,513 |
| Investigation costs recharged | 4,935 | 5,416 |
| Interests received on claims | 6,603 | 5,966 |
| Other recoveries | 19,425 | 5,185 |
| Other operating income | 60,864 | 50,081 |
| General expenses and acquisition costs | -2,907 | -1,352 |
| Investigation costs | -4,434 | -4,552 |
| Write-offs on trade receivables | -11,098 | -175 |
| Impairment charges on goodwill | - | -5,599 |
| Other expense | -1,162 | -2,296 |
| Other operating expenses | -19,601 | -13,973 |

The other operating expenses for 2015 mainly include investigation costs (K EUR 4,434) and general expenses and acquisition costs (K EUR 2,907).

In 2015, foreign exchange rate losses for a total net amount of K EUR 23,263 (2014: losses of K EUR 21,787) have been reclassified from 'Other operating income and expense' to 'Insurance claims and loss adjustment expenses' (see note 23). Comparative figures for 2014 have been restated.

The other operating income for 2015 mainly includes commissions received from reinsurers (K EUR 29,901), investigation costs that were recharged to clients (K EUR 4,935), interests received on claims (K EUR 6,603) and other recoveries of expenses (K EUR 19,425).

The other operating expenses for 2014 mainly include investigation costs (K EUR 4,552), general expenses and acquisition costs (K EUR 1,352) and impairment charges on goodwill and other non-current assets for INGO-ONDD (K EUR 5,600) (see note 5).

The other operating income for 2014 mainly includes commissions received from reinsurers (K EUR 33,513), investigation costs that were recharged to clients (K EUR 5,416), interests received on claims (K EUR 5,966) and other recoveries of expenses (K EUR 5,185).

23. INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

| Insurance benefits and claims | 2015 | | | 2014 | | |
|--|----------------|----------------|----------------|-----------------|----------------|-----------------|
| | Gross | Reinsurance | Net | Gross | Reinsurance | Net |
| Single risk | | | | | | |
| Claims paid in the year | 78,508 | -21,359 | 57,148 | 71,900 | -14,145 | 57,756 |
| Change in provision for outstanding claims | 52,675 | 1,177 | 53,852 | -142,981 | 7,805 | -135,176 |
| Net exchange gains/(losses) from operating activities | 24,851 | -4,826 | 20,024 | 21,099 | -4,048 | 17,051 |
| Total | 156,033 | -25,009 | 131,024 | -49,982 | -10,387 | -60,369 |
| Investment insurance | | | | | | |
| Claims paid in the year | 204 | | 204 | 1,033 | | 1,033 |
| Change in provision for outstanding claims | 662 | | 662 | | | |
| Net exchange gains/(losses) from operating activities | -3 | | -3 | | | |
| Total | 864 | | 864 | 1,033 | | 1,033 |
| Financial guarantees | | | | | | |
| Claims paid in the year | 7,900 | | 7,900 | 11,230 | | 11,230 |
| Change in provision for outstanding claims | -3,569 | | -3,569 | -9,031 | | -9,031 |
| Net exchange gains/(losses) from operating activities | -36 | | -36 | -39 | | -39 |
| Total | 4,295 | | 4,295 | 2,159 | | 2,159 |
| Turnover policies | | | | | | |
| Claims paid in the year | 32,809 | -16,515 | 16,294 | 46,811 | -24,095 | 22,717 |
| Change in provision for outstanding claims | 85,060 | -36,784 | 48,276 | 35,723 | -25,100 | 10,623 |
| Net exchange gains/(losses) from operating activities | 765 | -1,135 | -369 | 2,704 | -1,304 | 1,400 |
| Total | 118,634 | -54,434 | 64,200 | 85,239 | -50,499 | 34,740 |
| Sureties | | | | | | |
| Claims paid in the year | 24 | 32 | 56 | 286 | -283 | 2 |
| Change in provision for outstanding claims | 5,544 | -2,164 | 3,380 | 302 | -318 | -16 |
| Net exchange gains/(losses) from operating activities | | | | | | |
| Total | 5,568 | -2,132 | 3,436 | 588 | -602 | -14 |
| Excess of loss | | | | | | |
| Claims paid in the year | 11,696 | -7,145 | 4,551 | 47,196 | -42,998 | 4,198 |
| Change in provision for outstanding claims | -10,647 | 6,967 | -3,680 | -34,280 | 29,010 | -5,270 |
| Net exchange gains/(losses) from operating activities | 641 | | 641 | | | |
| Total | 1,690 | -178 | 1,512 | 12,915 | -13,987 | -1,072 |
| Inward reinsurance | | | | | | |
| Claims paid in the year | 28,767 | -61 | 28,706 | 17,778 | 3,583 | 21,360 |
| Change in provision for outstanding claims | 31,842 | -3,753 | 28,088 | -128 | 840 | 712 |
| Net exchange gains/(losses) from operating activities | 3,608 | -603 | 3,005 | 3,733 | -358 | 3,375 |
| Total | 64,217 | -4,417 | 59,800 | 21,382 | 4,065 | 25,448 |
| Total claims paid in the year | 159,908 | -45,049 | 114,859 | 196,233 | -77,937 | 118,296 |
| Total change in provision for outstanding claims | 161,567 | -34,558 | 127,009 | -150,396 | 12,238 | -138,158 |
| Total net exchange gains/(losses) from operating activities | 29,826 | -6,564 | 23,263 | 27,497 | -5,710 | 21,787 |
| Total claims expenses | 351,301 | -86,170 | 265,131 | 73,334 | -71,410 | 1,925 |

In 2015 and 2014 there were no changes in provision due to Liability Adequacy Tests.

In 2015, foreign exchange rate gains (K EUR 41,177) & losses (K EUR 64,440) have been reclassified

from 'Other operating income and expense' to 'Insurance claims and loss adjustment expenses' (see note 22). Comparative figures for 2014 have been restated (2014: gains of K EUR 27,116 and losses of K EUR 48,903).

The table below details the net insurance claims and loss adjustment expenses per country:

| | 31/12/2015 | 31/12/2014 |
|-------------------|----------------|--------------|
| Iran | 59,234 | -5,273 |
| United States | 34,586 | -4,015 |
| Australia | 24,622 | 1,364 |
| Switzerland | 21,267 | 1,897 |
| Russia | 20,614 | 968 |
| United Kingdom | 16,353 | 690 |
| Brazil | 15,247 | -470 |
| India | 12,214 | |
| Senegal | 9,176 | -136 |
| Turkey | 6,292 | 4,124 |
| Nigeria | 5,727 | |
| Mexico | 4,207 | |
| Kazakhstan | 3,473 | -4,623 |
| UAE - Fujairah | 3,280 | |
| Azerbaijan | 2,872 | |
| Republic of Congo | 2,254 | |
| Benin | 2,067 | |
| China | 1,675 | -1,837 |
| Uzbekistan | 1,601 | |
| France | 1,149 | 1,546 |
| Other countries | 17,220 | 7,691 |
| Total | 265,131 | 1,925 |

24. EMPLOYEE BENEFIT EXPENSE

| | 31/12/2015 | 31/12/2014 |
|--|---------------|---------------|
| Wages, salaries and other benefits | 28,567 | 28,017 |
| Social security charges | 7,473 | 7,816 |
| Pension costs - defined contribution plans | 68 | 155 |
| Pension costs - defined benefit plans | 3,561 | 2,717 |
| Total employee benefit expenses | 39,668 | 38,705 |

The number of employees as per 31/12/2015 (in FTE) amounted to 461 (31/12/2014: 437).

25. SERVICES AND OTHER GOODS

| | 31/12/2015 | 31/12/2014 |
|---------------------------------------|---------------|---------------|
| Broker fees | 21,859 | 21,760 |
| Commissions to inward reinsurance | 18,166 | 15,787 |
| Administration costs | 18,800 | 16,389 |
| Other operating costs | 2,442 | 1,672 |
| Total services and other goods | 61,266 | 55,609 |

For 2015 administration costs mainly relate to housing costs (K EUR 3,417), management services and administration costs (K EUR 1,555), consultancy and other fees (K EUR 7,440), marketing expenses (K EUR 1,897), representation and travel costs (K EUR 1,762), IT expenses (K EUR 2,101) and car expenses (K EUR 617).

For 2014 administration costs mainly relate to housing costs (K EUR 2,831), management services and administration costs (K EUR 2,780), consultancy and other fees (K EUR 5,178), marketing expenses (K EUR 2,230), representation and travel costs (K EUR 1,726) and car expenses (K EUR 338).

26. DEPRECIATION AND AMORTISATION

| | Note | 31/12/2015 | 31/12/2014 |
|---|------|--------------|--------------|
| Amortisation intangible assets | 5 | 3,443 | 1,624 |
| Depreciation property, plant and equipment | 6 | 1,154 | 1,100 |
| Exchange differences on amortisation and depreciation | | -2 | - |
| Other movements | | 2 | -2 |
| Total | | 4,598 | 2,723 |

27. FINANCE INCOME AND EXPENSE

| | Note | 31/12/2015 | 31/12/2014 |
|--|------|----------------|----------------|
| Finance income: | | | |
| Cash and cash equivalents - interest income | | 694 | 1,185 |
| Other financial income | | 2,181 | 4,682 |
| Fair value gains/(losses) AFS - Recycled from OCI | 15.2 | 6,997 | 2,662 |
| Impairment losses on AFS | 15.2 | -1,705 | - |
| Income from financial investments - AFS | | 4,292 | 4,396 |
| Net gains on financial investments - AFS | | 9,583 | 7,058 |
| Fair value gains/(losses) FVTPL | 8 | 14,615 | 122,682 |
| Net realised gains on sale of financial investments | | -164 | -85 |
| Income from financial investments - FVTPL | | 171 | 58 |
| Net gains on financial investments - FVTPL | | 14,622 | 122,655 |
| Interests on rescheduling agreements | | 12,064 | 5,603 |
| Interest on loans and receivables | | 660 | 823 |
| Dividends and interests | | 30 | 99 |
| Exchange gains on financial assets (other than AFS and FVTPL) | 28 | 53,787 | 34,598 |
| | | 93,621 | 176,702 |
| Finance expense: | | | |
| Exchange losses on financial assets (other than AFS and FVTPL) | 28 | -30,580 | -10,288 |
| Charges on financial investments | | -261 | -41 |
| Financial charges and interest costs | | -2,170 | -2,482 |
| Net finance cost | | -33,012 | -12,811 |
| Net financial result | | 60,609 | 163,891 |

Since 2014 most financial investments of Delcredere | Ducroire are held through an institutional fund, called Zephyr, that is accounted for as financial assets with fair changes through profit or loss (FVTPL) based on the fact that these concern a group of financial assets that is managed and

the performance of which is evaluated on a fair value basis, in accordance with a documented risk management and investment strategy. Changes in the fair value of the Zephyr financial investments are therefore immediately recognised as gains or losses in the income statement.

28. NET FOREIGN EXCHANGE GAINS

| | Note | 31/12/2015 | 31/12/2014 |
|---|------|------------|---------------|
| Net exchange gains/(losses) recognised in profit or loss | | -56 | 2,523 |
| Net exchange gains/(losses) from operating activities | 23 | -23,263 | -21,787 |
| Net exchange gains/(losses) from financing activities | 27 | 23,206 | 24,310 |
| Net exchange gains/(losses) through other comprehensive income | | 430 | -5,265 |
| Net exchange gains/(losses) through other comprehensive income | 15.2 | 350 | 1,154 |
| Exchange differences on translating foreign operations | 15.2 | 80 | -6,419 |
| Total | | 373 | -2,742 |

Total net exchange losses recognised in the income statement amount to K EUR 56 (31/12/2014: gains of K EUR 2,523). For more details relating to the exchange differences from operating activities we refer to note 23. For more details relating to the exchange differences from financing activities we refer to note 27.

The increase in exchange differences (gains on financing activities/losses on operating activities) is mainly due to the fluctuations in the USD during the year.

Exchange differences related to the translation of foreign operations are recognised in other comprehensive income and amount to K EUR 80 (31/12/2014: minus K EUR 6,419).

29. INCOME TAX EXPENSE

| | 2015 | 2014 |
|---|---------------|---------------|
| Current taxes on income for the reporting period | -2,029 | -1,729 |
| Current taxes referring to previous periods | 401 | -668 |
| Total current tax | -1,627 | -2,398 |
| Origination and reversal of temporary differences | 8,498 | 273 |
| Total deferred tax | 8,498 | 273 |
| Income tax (expense)/credit | 6,871 | -2,125 |

Tax on Credendo Group's profit before tax differs from the theoretical amount that would arise using the

domestic tax rate (tax rate applicable to profits of Delcredere | Ducroire: 0%) as follows:

| Tax rate | 2015 | 2014 |
|---|--------------|----------------|
| Profit before income taxes | 2,072 | 354,771 |
| Domestic tax rate | 0.00% | 0.00% |
| Income tax (expense)/credit calculated at domestic tax rate | - | - |
| Effects of: | | |
| Tax rate effect | 7,193 | -1,068 |
| Disallowed expenses | -255 | -869 |
| Dividend received deduction | 61 | 546 |
| Notional interest deduction | 90 | 137 |
| Tax-exempted income | - | 496 |
| Other permanent differences | -621 | -514 |
| Other temporary items | - | 162 |
| Utilisation of previously unrecognised tax losses | 746 | - |
| Prior year adjustment | -401 | -592 |
| Other | 57 | -424 |
| Income tax (expense)/credit for the year | 6,871 | -2,125 |

The weighted average applicable tax rate amounts to -332% (31/12/2014: 0.59%). The increase is mainly explained by the deferred tax assets that have been recognised for fiscal losses.

30. CONTINGENCIES

Credendo Group, like all other insurers, is subject to litigation in the normal course of its business. Credendo Group does not believe that such type of

litigation will have a material effect on its profit or loss and financial condition.

31. COMMITMENTS

Credendo Group leases offices, vehicles and office equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The lease terms vary depending upon which asset is leased. Credendo Group does not have any purchase option at the end of the lease terms.

Operating leases relating to the lease of offices, vehicles and office equipment have been

recognised as an expense in the period amounting to K EUR 2,221 (31/12/2014: K EUR 2,111) which has been included in the income statement. Those lease expenditures are disclosed in note 6. The entire amount represents minimum lease payments, no contingent rents or sublease payment are included.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

| | 31/12/2015 | 31/12/2014 |
|---|--------------|--------------|
| No later than 1 year | 1,812 | 1,722 |
| Later than 1 year and no later than 5 years | 2,518 | 1,382 |
| Later than 5 years | 175 | 25 |
| Total | 4,505 | 3,129 |

32. ACQUISITION OF NON-CONTROLLING INTERESTS

For 2015 there are no acquisitions of non-controlling interests.

The 2014 changes pertain to the acquisition by Delcredere | Ducroire of an additional interest

of 44.89% of the share capital of Trade Credit Re Insurance SA.NV bringing the total ownership interest in Trade Credit Re Insurance SA.NV to 100%.

33. ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

In 2015 Trade Credit (a subsidiary of Delcredere | Ducroire) announced its intention to sell its shares in TCR^{e2} and initiated an active programme to locate a buyer. The associated assets and liabilities were consequently presented as held for sale in the 2015 financial statements.

TCR^{e2} was sold on 24/05/2016 and is reported in the current period as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operations of TCR^{e2} as at 31 December 2015:

| Assets classified as held for sale | 31/12/2015 |
|---|--------------|
| Receivables | 34 |
| Cash | 8,602 |
| Other assets | 7 |
| Total assets of disposal group held for sale | 8,642 |

| Liabilities directly associate with assets classified as held for sale | 31/12/2015 |
|--|--------------|
| Provision for taxes (incl. deferred taxes) | 1,985 |
| Total liabilities of disposal group held for sale | 1,985 |

34. RELATED-PARTY TRANSACTIONS

The ultimate parent of Delcredere | Ducroire is the Belgian State.

The following transactions were carried out with related parties.

34.1. Key management compensation

Key management includes members of the Board of Directors as well as the members of the management committee. The compensation paid or

payable to key management for employee services is shown below:

| | 31/12/2015 | 31/12/2014 |
|---|--------------|--------------|
| Salaries and other short-term employee benefits | 8,131 | 6,717 |
| Post-employment benefits | 808 | 701 |
| Leasing company car | 154 | 115 |
| Other | 21 | 21 |
| Total | 9,114 | 7,554 |

34.2. Year-end balances for related party transactions

| | 31/12/2015 | 31/12/2014 |
|---|------------|--------------|
| Loans and receivables including reinsurance receivables | 964 | 1,231 |
| Total receivables | 964 | 1,231 |
| Payables | 356 | 5,463 |
| Total payables | 356 | 5,463 |

The receivables from related parties arise from receivables on the Belgian State. The payables to related parties arise from payables to the Belgian State. The payables bear no interest. These year-end balances result from the cession to the State Account which is managed and administered by Delcredere | Ducroire.

There are no other receivables and payables from and to related parties.

We also refer to note 14 relating to the endowment that is granted to Delcredere | Ducroire by the Belgian State for an amount of K EUR 297,472.

35. LIST OF CONSOLIDATED COMPANIES

The subsidiaries of Delcredere | Ducroire and Credendo Group's percentage of ordinary share capital are presented below.

35.1. Subsidiaries

| | 31/12/2015 | | 31/12/2014 | | Country of incorporation |
|-------------------------|---------------|--------------|---------------|--------------|--------------------------|
| | % of interest | % of control | % of interest | % of control | |
| Credimundi | 100% | 100% | 100% | 100% | Belgium |
| Trade Credit | 100% | 100% | 100% | 100% | Belgium |
| Holding CIS | 66.67% | 66.67% | 66.67% | 66.67% | Belgium |
| Immo Montoyer | 100% | 100% | 100% | 100% | Belgium |
| Garant Versicherungs-AG | 95.63% | 95.63% | 95.63% | 95.63% | Austria |
| INGO-ONDD | 66.67% | 66.67% | 66.67% | 66.67% | Russia |
| KUPEG | 66% | 66% | 66% | 66% | Czech Republic |

Total non-controlling interests as per 31/12/2015 amount to K EUR 7,984 and mainly relate to the 33.33% participation held by *JSC InWest-Policy*, having its registered office at Lesnaya street 41, 127994 Moscow, Russian Federation, in Holding CIS and indirectly in INGO-ONDD and the 34% participation held by *Exportní garanční a pojišťovací společnost, a.s. (EGAP)*, a joint-stock company that is fully owned by the Czech State, in KUPEG.

As total non-controlling interests are not material to the consolidated financial statements of Credendo Group, no further detailed information on the subsidiaries with non-controlling interests

are disclosed. There are no statutory, contractual or regulatory restrictions on Credendo Group's ability to access or use the assets and settle the liabilities of the group.

35.2. Non-consolidated company

Global Trade Security (GTS) (situated at Route de l'Aéroport 29 in Geneva, Switzerland) is not consolidated as per 31/12/2015 and 2014 due to its insignificant impact on the consolidated figures.

36. EVENTS AFTER THE REPORTING PERIOD

TRe², classified as a 'held for sale' transaction in the 2015 figures, has been disposed of on 24/05/2016.

No other event occurred after the reporting period that could have resulted in a material impact on the reported figures as of 31/12/2015.

Delcredere | Ducroire
rue Montoyerstraat 3
1000 Brussels, Belgium
T +32 (0)2 788 88 00
[LinkedIn](#) [linkedin.com/company/credendo](https://www.linkedin.com/company/credendo)
[Twitter](#) @CredendoEN
www.credendogroup.com

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