CREDENDO

2016

TURNING UNCERTAINTIES INTO **OPPORTUNITIES**

ANNUAL REPORT


113
112
MCC CONVEYOR

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.

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.

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EMERGING MARKETS RISK MITIGATION: CREDENDO STRENGTHENS BRAND AS RELIABLE EXPORT PARTNER

CREDENDO MAINTAINED ITS CUSTOMER SUPPORT LEVELS, PAID MORE CLAIMS BUT SUCCEEDED IN UPHOLDING ITS RESULTS

In the face of a slowdown in world trade in 2016, accompanied by rising claims, Credendo sharpened its brand all over Europe. Despite a tighter underwriting stance on many emerging markets, and downward pressure on premium rates, our insurance premium revenue held up at EUR 370 million, and we grew our export insurance business significantly among clients in Poland and Russia. Of equal importance, a substantial level of provisioning and an overall EUR 4 billion balance sheet ensured that losses suffered by our clients, especially in Brazil, were indemnified swiftly and in full. As in 2015, we overcame a negative technical result to finish the year in the black, by reaching a consolidated profit of EUR 20.5 million.

At the heart of this performance was a focus on high-level customer service, whatever the economic weather, within the context of an ever more harmonised group approach to protect against all forms of worldwide credit and political risk. By increasing staffing levels to almost 500 employees, Credendo added new visibility to its strengthening profile as a major integrated European insurance group, present all over the continent and active across all classes of trade credit insurance. In the Czech Republic, we deepened the group integration by taking over full ownership of Credendo – Short-Term EU Risks (formerly known as KUPEG).

"At the heart of this performance was a focus on high-level customer service, whatever the economic weather, within the context of an ever more harmonised group approach to protect against all forms of worldwide credit and political risk."


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

But we maintained our specialisms. The second Credendo Trade Forum, for example, again provided delegates with a range of expert geopolitical views, building on the country risk information provided via the Credendo website. Meanwhile the ongoing innovation across the group's product range was mirrored by the first usages of our Buyer Credit scheme for Belgian SMEs. This offers financing within the EUR 2-5 million bracket to foreign capital goods buyers, at a time when commercial banks have proved hesitant to finance smaller-sized Belgian export deals.

Our group rebranding fully incorporates an ever-rising focus on Corporate Social Responsibility (CSR), to strengthen transparency and best practice on environmental and social issues. Building upon the now regular dialogue with, and feedback from, a range of NGOs and other key stakeholders, Credendo is integrating the human rights and due diligence recommendations of the OECD's 'Common Approaches', and updating our policies on anti-money laundering, anti-corruption and compliance. Adding to our ongoing carbon footprint measurement, internal CSR initiatives have targeted employee well-being and work stress.

The outlook for 2017 remains uncertain, particularly after the political shocks of 2016, when the votes for Brexit and Donald Trump sent shock waves across a geopolitical landscape which is now bracing for several key European elections. The commodity price decline since mid-2014 has bottomed out, and China's predicted 7% growth should keep world growth afloat. Less encouragingly, interest rates appear to be on a gradual upward curve, and conflict in the Middle East remains fierce. As ever, Credendo's experience in riding out volatile markets and turbulent times will allow us to take a long-term view, and to keep providing a reliable flow of cover for the global gamut of trade and investment risk.

Dirk Terweduwe
Group Chief Executive Officer

Vincent Reuter
Group Chairman

HIGHLIGHTS OF THE YEAR

REBRANDING AND NEW GROUP STRUCTURE

After the first rebranding campaign in November 2013 – when the brand-new trade name of Credendo was introduced – most entities of the group kept their historical name, to which the words ‘Member of the Credendo Group’ were added. Although this was well received in general, the solution was temporary to get used to the new name of Credendo. Indeed, confusion was inevitable (Credendo or Delcredere or Ducroire); certain names had linguistic limitations; the group image was not optimal; etc. To consolidate alignment within the group and clarify our image vis-à-vis the outside world, the Board of Directors decided that as from 01/01/2017, the name ‘Credendo’ is used for all group entities. Separate entities are distinguished from each other based on their activity. The former historical names of the different group entities thus disappeared, leading to our new group structure.

NEW WEBSITE

The next step in our rebranding incited us to merge our ten separate websites into one single Credendo website. This new website is online since the beginning of 2017 and fit for all mobile appliances. Our main focus is customer intimacy. We tried to see things from the customer’s point of view. This resulted in the website being built around a product wizard, easily leading customers to products we offer that are fit for their purposes, and the group country risk application, providing a swift overview of our risk assessment for any country in the world.

‘GET READY’ ACTION PLAN

All this integrates in Credendo’s Get Ready strategic plan for 2016-2018. It is of crucial importance for the future development of the group. The focus is on reaching a better level in operational excellence than ever. We will at the same time aim for a further group integration and increased efficiency. Within this focus there are four key elements:

> We are active in credit and political risk insurance and this is what we will continue doing. We will not diversify into business that we are not familiar with. In this context new products can be launched, like the ‘Buyer Credit’ in 2016.

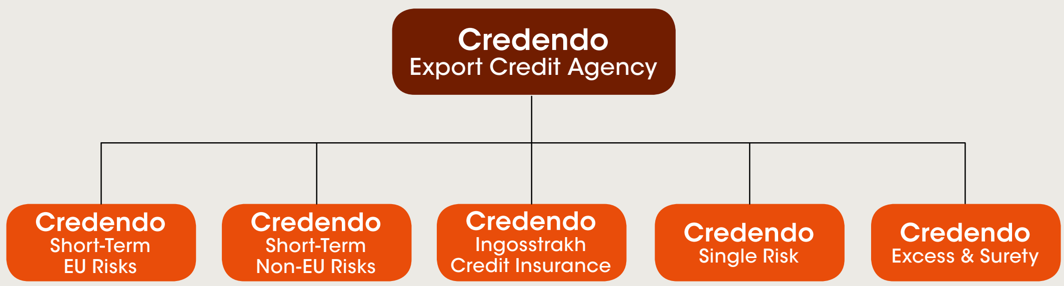
> We also want to consolidate our current geographical presence.

> We will be implementing our IT investment programme, an essential element in the further development of the group, and to increase operational excellence. It will not only reduce costs, but it will especially be a business-enabler for the future.

> We have introduced action plans in each entity and department, and improved performance measurement and management by objectives. This was launched in 2017 for the entire staff.

NEW GROUP STRUCTURE

TOGETHER WITH THE REBRANDING, A NEW GROUP STRUCTURE WAS INTRODUCED ON 01/01/2017



WHERE TO FIND WHICH PRODUCT?

ENTITY	PRODUCTS OFFERED
Credendo – Export Credit Agency (formerly known as Delcredere I Ducroire)	> ECA products for Belgian companies and banks: – Single-risk credit insurance – Investment insurance (political risk) – Financial guarantees – Direct financing > Market Window products: – Participation in bank and insurance syndicates (unfunded) – Cover to banks for trade finance instruments (e.g. confirmation of L/Cs) > Reinsurance of credit and surety
Credendo – Short-Term Non-EU Risks (formerly known as Credimundi)	> Whole turnover short-term credit insurance, with focus on non-EU risks
Credendo – Short-Term EU Risks (formerly known as KUPEG)	> Whole turnover short-term credit insurance, with focus on risks within EU
Credendo – Ingosstrakh Credit Insurance (formerly known as INGO-ONDD)	> Whole turnover short-term credit insurance (for clients in Russia and CIS)
Credendo – Single Risk (formerly known as Garant)	> Single-risk credit insurance > Investment insurance (political risk) > Unfair calling of bonds
Credendo – Excess & Surety (formerly known as Trade Credit)	> Excess-of-loss insurance > Top-up cover > Captive reinsurance > Surety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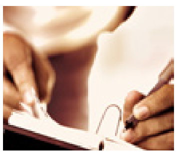
MAJOR HISTORICAL DATES

1921

The Belgian Ministry of Economic Affairs sets up a Delcredere Committee to insure the political risks of exports

1939

The Delcredere Committee is transformed into an autonomous public financial body with Belgian state guarantee. It is renamed Nationale Delcrederedienst I Office national du Ducroire, known today as **Credendo – Export Credit Agency.**



1996

Market Window activity is launched, allowing Credendo – Export Credit Agency to cover risks that represent only a minor or no Belgian interest. The pricing is following market conditions.

2004

Credendo – Export Credit Agency sets up a private limited liability company, **Credendo – Short-Term Non-EU Risks**, to guarantee the continuity of its services to European businesses. This company insures the political and commercial risks of current trade transactions.

Credendo – Export Credit Agency acquires a 26% stake in **Credendo – Excess & Surety**, a Belgian private credit insurance company that specialises in excess-of-loss and top-up cover. Today Credendo – Export Credit Agency is the sole shareholder in Credendo – Excess & Surety.

2005

Forfaiting products are launched. Credendo – Export Credit Agency buys exporters' accounts receivable due by their foreign buyers and provides funding.

CREDENDO – EXPORT CREDIT AGENCY[1] IS THE PARENT COMPANY OF CREDENDO, AND WORKS WITH A GUARANTEE OF THE BELGIAN STATE FOR ITS OWN ACTIVITIES

2006

Credendo – Export Credit Agency acquires a 50% stake in Austrian single-risk insurer **Credendo – Single Risk** along with leading Russian insurer Ingosstrakh. In the meantime Credendo – Single Risk has become a subsidiary of Credendo – Export Credit Agency for 96%.

Credendo – Export Credit Agency launches its **financial guarantee products** for bank loans.

2007

Credendo – Short-Term Non-EU Risks acquires a 33% stake in **Credendo – Short-Term EU Risks**, the market leader in the short-term credit insurance in the Czech Republic. Today, Credendo – Short-Term EU Risks is a subsidiary of Credendo for 100%.

2009

Credendo – Export Credit Agency sets up the Russian joint venture **Credendo – Ingosstrakh Credit Insurance** with Ingosstrakh. Credendo – Ingosstrakh Credit Insurance specialises in covering credit risks related to domestic and international transactions on the Russian and CIS market. At present Credendo holds 67% of the shares.

2013

Consolidation continues as Credendo Group, more powerfully articulating the shared values, approach and strength of the group companies.

2017

New step in the group consolidation: each entity integrates **Credendo** in its name. **One name, one team, one mission**.

(1) The previous official name 'Nationale Delcrederedienst | Office National du Ducroire' was changed into 'Delcredere | Ducroire' by the Law of 18 April 2017 containing different provisions regarding the economy (B.S./M.B., 24 April 2017). Credendo is the group's commercial name, and Credendo – Export Credit Agency is the commercial name of 'Delcredere | Ducroire'. In the future, mainly these commercial names will be used.

SAILING IN AN UNCERTAIN ENVIRONMENT OF HIGH POLITICAL RISKS

EXPORTERS HAVE BEEN NAVIGATING TROUBLED WATERS, WITH THE PROSPECT OF FURTHER PERILS AHEAD. CREDENDO'S NOVEMBER 2016 TRADE FORUM HIGHLIGHTED THIS TREND BY POINTING OUT THE HISTORICAL WAVE OF DOWNGRADES IN 2016 FOR MEDIUM- TO LONG-TERM (MLT) POLITICAL RISKS.

A veritable tsunami of downgrades (25) over upgrades (5) was attributable mainly to the macroeconomic impact of low oil prices on oil-exporting countries. The waves thinned at times via a few notable upgrades of Argentina, Iran and, for the first time ever, Myanmar. By contrast, conditions were far more favourable for short-term (ST) political risk. Upgrades (26) outnumbered downgrades (15), indicating slightly improving macroeconomic and liquidity conditions in emerging markets supported by a rebound in commodity prices. Nevertheless, as 2016 showed, emerging economies are threatened by a broad range of dangerous rocks, led by rising corporate and public debt, currency depreciation for the most vulnerable countries, the continued global trade slowdown and intensifying geopolitical risks. On the horizon, US captain Trump's policies could increase worries and nervousness across the straits between emerging economies.

> "According to the degree of reliance on commodity imports, their current-account balances tended to improve. Moreover, some countries – importers and exporters alike – took the opportunity to reduce fuel subsidies, which led to an improvement in public finances."

1. LOW COMMODITY PRICES HIT COMMODITY EXPORTERS HARD

Commodity prices remained low in 2016 and should stay so for an extended period. After reaching a 10-year bottom in January 2016, oil prices progressively rebounded and were further supported at the end of the year by a deal between OPEC and non-OPEC members to cut oil production. However, prices were still weak compared to their average level of the past decade.

Commodity exporters were hit hard by these patterns, highlights Pascaline della Faille, Country and Sector Risk Coordinator at Credendo – Export Credit Agency. "This negative external shock affected their real GDP growth, external balances (current-account balance, external debt and foreign-exchange reserves) and public finances. However, not all countries were affected the same way. Indeed, the shock impact and the capacity to withstand it largely depend on the degree of diversification of current-account and public revenues, macroeconomic fundamentals and policies and external buffers," she explains. For instance, in the Republic of Congo (MLT political risk in category 6) and Kuwait (MLT political risk in category 3), oil accounts for more than 75% of current-account receipts, and so their public and external balances inevitably deteriorated. "Nevertheless, Kuwait kept its current account in surplus and strong public finances whereas the Republic of Congo saw its current-account deficit further deteriorate and its public debt surge to a high level," Pascaline della Faille observes.

In this context, 2016 was marked by a historical high level of downgrades of MLT political risk by Credendo. Among commodity exporters, Algeria, Angola, Azerbaijan, Bahrain, Brazil, Republic of Congo, Ecuador, Kazakhstan, Kuwait, Kyrgyzstan, Mongolia, Mauritania, Nigeria, Oman, Papua New Guinea, Qatar, South Africa, Trinidad and Tobago, the United Arab Emirates and Uzbekistan suffered downgrades.

Despite a second consecutive GDP annual contraction, the MLT political risk of Russia, an oil exporter, remained stable. "In fact its short-term political risk was actually upgraded to reflect strong liquidity and the lower likelihood that western sanctions will strengthen," says Pascaline della Faille. Elsewhere, to protect their dwindling foreign-exchange reserves and avoid exchange-rate devaluation, Nigeria and Angola introduced foreign-exchange restrictions that led to increased payment delays. Faced with a deep fiscal deficit, Saudi authorities accumulated payment delays and issued record volumes of sovereign bonds. The effects of delayed payments and cuts to public expenses rippled through to companies that transact with the Saudi state, and the public-debt-to-GDP ratio more than tripled, but is still considered low by emerging-market standards.

Within the Commonwealth of Independent States (CIS) region, low commodity prices had a severe impact on the current-account balance and public finances of oil-reliant exporting countries such as Azerbaijan, Kazakhstan and Turkmenistan. "Furthermore most CIS countries have important trade and financial linkages with Russia, via exports, remittances and investment, and thus continued to be hit by the Russian economic crisis," notes Pascaline della Faille. "Last but not least, China's importance in Central Asia is growing rapidly. As a result, those countries were not immune from the effects of the Chinese economic slowdown," she adds.

Another commodity exporter, Argentina, saw its ST and MLT political risk improve. Since taking office in December 2015, President Macri's government has acted quickly to dismantle interventionist policies and undo macroeconomic imbalances. These actions allowed Argentina renewed access to international capital markets and alleviated pressure on international reserves, but led to a peso depreciation.

"For commodity importers, the fact that commodity prices remained low was good news," stresses Pascaline della Faille. "According to the degree of reliance on commodity imports, their current-account balances tended to improve. Moreover, some countries – importers and exporters alike – took the opportunity to reduce fuel subsidies, which led to an improvement in public finances, as happened in India and Morocco. However, commodity importers also suffered from the spillover effects of lower economic activity in commodity-exporting countries, in particular a lowering of trade, remittances and financial flows."

Another positive pattern, on the back of improved liquidity, saw ST political risk upgrades exceed downgrades in 2016, for the first time since 2010. Aside from the Middle East and North Africa, where short-term external debt rose and foreign-exchange reserves fell, all regions experienced improvements in their ST political risk. The CIS region enjoyed the highest number of upgrades, partly reversing a large number of downgrades over the 2014-15 period. A key driver here was the adoption by various countries of more flexible exchange rates, which lowered pressures on foreign-exchange reserves but led to sharp exchange-rate depreciations. Despite the unresolved conflict in Eastern Ukraine, Credendo upgraded its ST political risk to category 6 from category 7 and resumed cover for obligors outside the country's disputed regions.

2. DEBT ON THE RISE IN EMERGING COUNTRIES

Rising debt in emerging-market economies is a source of concern. Pascaline della Faille comments: “Over the past few years, in a context of abundant liquidity at favourable costs and rising financial needs, corporate debt in emerging countries has increased rapidly, especially in China, where overcapacity in industries such as coal, steel, construction and shipbuilding has impacted sectoral creditworthiness.” Other markets to note in this respect, she indicates, include Chile, Turkey, Saudi Arabia, Colombia, Russia, Mexico and Malaysia, and to a lesser extent Thailand and India. “Corporate indebtedness is often denominated in foreign currency, which makes companies with currency mismatches vulnerable to exchange-rate depreciation. In Turkey, for instance, corporate debt is often denominated in foreign currency and is mainly financed by domestic banks, and has climbed sharply in recent years, while the Turkish lira depreciated by nearly 20% in 2016. This put pressure on corporate creditworthiness and hence the asset quality of the banking sector,” she says.

> “Asia was again the most robust region, with India standing out as the best performer among the large economies and China settling into a stabilisation mode.”

Public debt also lifted again in 2016, after a decline at the beginning of the century driven by multilateral debt relief measures and sharp increases in commodity prices. The regions to watch are led by the Middle East and North Africa, where the sharp drop in oil prices since mid-2014 has triggered deep fiscal imbalances. Since 2008, public debt in Sub-Saharan Africa has also been on an upward trend on the back of infrastructure investment and lower commodity prices.

Pascaline della Faille concludes: “All in all, past experience suggests that a rapid pace of debt accumulation in both the public and private sectors, combined with high overall indebtedness and currency mismatches, often gives rise to debt repayment problems. This is particularly true in a global context of rising interest rates, capital outflows and currency depreciation.”

3. TRUMP’S POLICIES CLOUDING THE GLOBAL ECONOMY

Credendo’s Trade Forum held in November occurred at a perfect time to provide an initial assessment of the economic risks related to the newly elected US President, Donald Trump. According to Raphaël Cecchi, Country and Sector Risk Analyst at Credendo – Export Credit Agency, “the policy plans emerging from Washington, principally trade and fiscal protectionism in a context of monetary policy normalisation, cloud the outlook, bringing more risks and uncertainty for an emerging world already faced with multiple downside risks.”

Global GDP growth trod water in 2016, held back by the combination of low commodity prices and a volatile environment in which emerging countries were hit throughout the year by large capital outflows fuelled by expected US developments. As a result, notes Raphaël Cecchi, currencies “were down by a significant magnitude in Turkey and Mexico.” Currencies suffered in countries with weaker macroeconomic fundamentals, such as Egypt, Nigeria and Mongolia and also in markets experiencing political instability, including Turkey, Venezuela and the Democratic Republic of Congo (DRC), he adds.

“Emerging economies were hit in differing ways by these external shocks,” underlines Raphaël Cecchi. “Asia was again the most robust region, with India standing out as the best performer among the large economies and China settling into a stabilisation mode. However Asia, together with Latin America, is the most exposed to Mr Trump’s trade protectionism plans, which were evidenced by the US withdrawal from the Trans-Pacific Partnership, and could deepen the global trade slowdown.” He points out that South-East and East Asia are both very dependent, directly or indirectly, on US imports of manufactured goods. “Strongly performing economies such as Vietnam and the Philippines could suffer via trade barriers on export, lower remittances from expatriates and US limits to outsourcing business. Risks are nonetheless mitigated by high intra-Asian trade and strong domestic demand which ensure higher resilience.”

In Latin America, where GDP growth slowed for a 6th consecutive year, Mexico is likely to feel the greatest impact, says Raphaël Cecchi, in view of its high reliance on US imports and foreign direct investment. “Although several countries were upgraded for ST political risk due to improved liquidity, Central America has much to lose, notably from a stricter US migration policy, which threatens to harm its large worker remittances.” He adds: “South America could also see its trade links with the US weaken, at a time of low commodity prices and with Brazil still in recession in 2016. To reduce this risk could require economic diversification and imply further increasing economic and financial ties with Chinese partners.”

4. GEOPOLITICAL DEVELOPMENTS

Rising political risks worldwide were epitomised by two significant polling events in advanced economies: the UK's Brexit decision and Mr Trump's election. "These choices signalled outbreaks of populism on the back of a rising anti-immigration sentiment and manufacturing job losses blamed on globalisation," explains Raphaël Cecchi. "The forthcoming elections in large EU countries could unravel more uncertainties, as the contagion of nationalism spreads, and could in turn impact hopes of joining the EU held by several Balkan countries."

> "Given that China will continue to affirm itself as a global power, particularly if the US becomes somewhat isolationist, any adverse US measure against it would trigger retaliations, dangerously weaken regional security and could undermine the world economy."

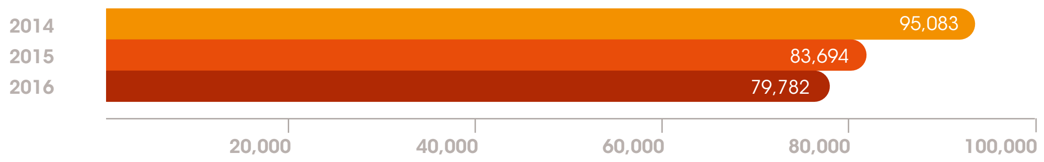
Meanwhile, in a world characterised by a decades-high number of conflicts, the world's geopolitical heat remains most strongly mirrored by the unresolved Russia-Ukrainian face-off and tensions in the South China Sea, plus persistent and ongoing conflicts in the Middle East and North Africa, notably in Syria, Iraq, Libya and Yemen. And while MLT cover has resumed on Iran following the 2015 nuclear agreement, "progress may be hindered by the new US administration's intention to contest the nuclear deal and introduce new sanctions, with the risk of starting a new conflict in a very unstable region," warns Raphaël Cecchi.

He continues: "The Middle East geopolitical picture is a powder keg involving multiple actors. Russia saw its regional status rise significantly in 2016 as President Obama's mandate ended. With regional powers now split between cooperation on fighting IS and wars of influence, the situation is terrible for regional security. Many economies are affected, such as Turkey, where the important tourism sector has been hard hit by terrorist attacks. Sub-Saharan Africa is another region of destabilising insecurity. This is particularly the case within the Sahel region, which encompasses fragile states suffering from Islamist terrorism inflicted by Boko Haram and Al Qaeda offshoots. Central Africa is also highly unstable, with the political crisis in the DRC posing a serious risk for the region."

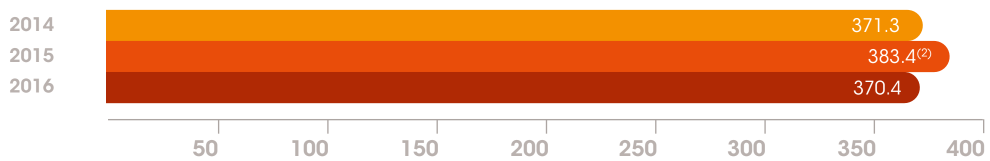
More encouragingly, Raphaël Cecchi speaks of the "welcome landmark positive achievement" with the first-ever Credendo upgrade of Myanmar, rewarding its democratically elected government and ongoing reforms. Nonetheless, another major geopolitical risk might be brewing as a result of Mr Trump's policy towards the ASEAN, China, North Korea and Taiwan, he says. "Trade tensions are feared as China is a designated target from potential US import tariffs. Beijing could also face a more contentious US stance against its territorial assertiveness in the South China Sea." Despite an unfavourable international ruling against China's sovereignty claims in July 2016, regional tensions remain "contained thanks to China's improved ties with Vietnam and the Philippines," emphasises Raphaël Cecchi. "Given that China will continue to affirm itself as a global power, particularly if the US becomes somewhat isolationist, any adverse US measure against it would trigger retaliations, dangerously weaken regional security and could undermine the world economy," he cautions.

KEY FIGURES

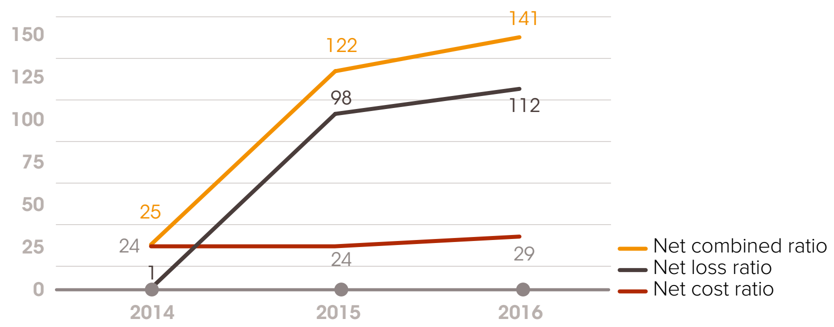
VALUE OF TRANSACTIONS INSURED[1] (IN MILLION EUR)



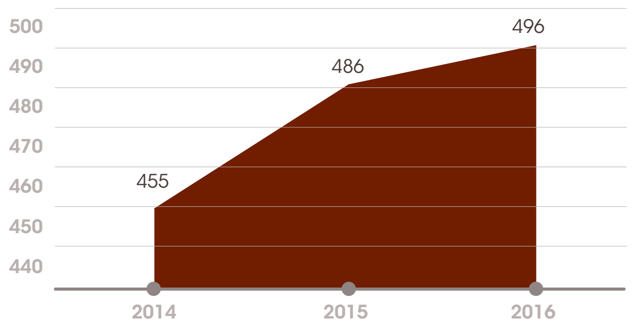
INSURANCE PREMIUM REVENUE[1] (IN MILLION EUR)



OPERATIONAL RATIOS (IN %)



STAFF (IN UNITS)

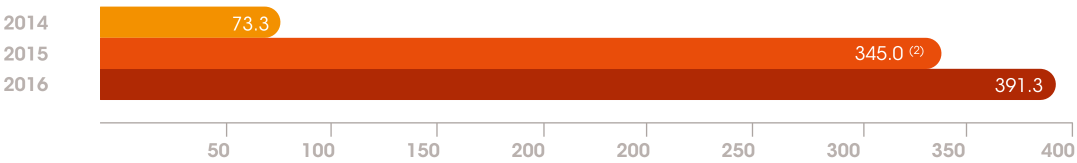


EUR **2,391.5** MILLION
TOTAL EQUITY

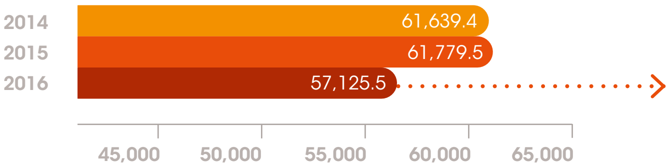
EUR **370.4** MILLION
INSURANCE PREMIUM REVENUE

EUR **0.0** MILLION
OUTSTANDING LOANS

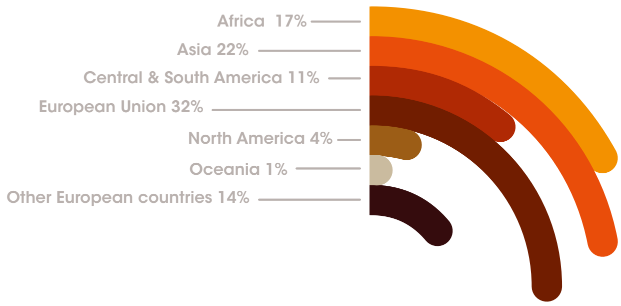
INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES(1) (IN MILLION EUR)



TOTAL POTENTIAL EXPOSURE (IN MILLION EUR)



GEOGRAPHICAL SPREAD OF RISK EXPOSURE



ACTIVITIES AND RESULTS

IN MILLION EUR	2016	2015	2014
Value of transactions insured during the financial year(1)	79,782.2	83,694.0	95,082.6
Total potential exposure	57,125.5	61,779.5	61,639.4
Insurance premium revenue(1)	370.4	383.4 (2)	371.3
Insurance claims and loss adjustment expenses(1)	391.3	345.0 (2)	73.3
Total profit/(loss)	20.5	8.9	352.6
Total comprehensive income	22.0	7.2	343.5
Total equity	2,391.5	2,375.7	2,368.4
Staff	496	486	455
RATIOS (IN %)			
Net loss ratio(3)	112.48%	97.84%	0.76%
Net cost ratio(4)	28.81%	24.21%	24.01%

(1) Before cession to reinsurers.
(2) Foreign-exchange gains and losses related to premium provisions impacting net insurance premium revenue have been reclassified from ‘Net insurance claims and loss adjustment expenses’ to ‘Net insurance premium revenue’ as from 2016. Comparative figures for 2015 have been restated. The presentation now better reflects the economic reality of Credendo.
(3) Net insurance claims and loss adjustment expenses / net insurance premium revenue.
(4) (Operating expenses 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 2015-2016.

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.

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 average deal size of around EUR 250,000, which is common to SMEs and allows for a more simplified and hence faster risk analysis process. The team grew substantially in 2016, to accommodate even more SMEs.

"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, Manager in the Underwriting Department. "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, in February 2016 Credendo – Export Credit Agency 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 five 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 was initially only offered to creditworthy corporates in four key trading markets – China, India, Mexico and Brazil – but this scope has been enlarged in the meanwhile. The Buyer Credit targets transactions within the EUR 2-5 million bracket. The first contracts have already been signed.

> "2015 and 2016 brought a raft of new support for Belgian companies"

TAILORING OF POLITICAL RISK INSURANCE FOR INVESTMENTS

Driven by an increasing demand for protection against political risks, Credendo – 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. "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. The updated policy came fully into force in 2016.

AVAILABLE PRODUCTS: CREDENDO GOES BEYOND TRADITIONAL EXPORT CREDIT INSURANCE

TRADE CREDIT INSURANCE
Private credit insurance
Comprehensive policy (whole turnover)
Single risk
Prefinancing
XOL - Excess of loss
XOL Partners
Top up
Public credit insurance
(Special) Cash transactions
Buyer credit
Supplier credit
Contract guarantees (unfair calling of bonds)
Contracting equipment
Import prefinancing
FINANCING
Forfaiting
Buyer Credit Credendo
BONDING
Contract surety bonds
Legal surety bonds
INVESTMENT INSURANCE
Political risk insurance for investments abroad
Political risk insurance for Belgian investments abroad
FINANCIAL GUARANTEES
Financial guarantee for bank credits
Financial guarantee for bond issues (private placements)
RISK PARTICIPATION
Unfunded risk participation
Participation in insurance syndicates (Credendo – Export Credit Agency)
Participation in insurance syndicates (Credendo – Single Risk)
Participation in L/C confirmations
REINSURANCE
Reinsurance of trade credit and surety

	BELGIAN EXPORTER		FOREIGN EXPORTER	FINANCING		BELGIAN STATE GUARANTEE	TENOR	
	SME	LARGE COMPANY		BANK	CREDENDO		< 2 YEAR	≥ 2 YEAR
	x	x	x				x	
	x	x	x	x			x	x
	x	x	x				x	x
		x	x				x	
	x		x				x	
	x	x	x				x	
	x	x				x	x	x
		x		x		x		x
	x	x				x		x
	x	x		x		x	x	x
	x	x				x	x	x
	x	x				x	x	x
	x				x	x		x
	x	x			x	x		x
	x	x	x				x	x
	x	x	x				x	x
			x					x
	x	x				x		x
	x	x		x		x	x	x
	x	x				x		x
				x		x	x	x
			x	x		x		x
			x	x			x	x
				x		x	x	x
						x	x	x

BUYER CREDITS FILL FINANCING GAP

CREDENDO'S BUYER FINANCING REMOVES CAPITAL GOODS PAYMENT RISK

HOW CAN A BELGIAN EXPORTER EXPEDITE POTENTIAL SALES TO A FOREIGN MARKET WHERE BUYERS PREFER LONGER-TERM CREDIT TERMS, BUT WHERE LOCAL FINANCIAL MARKETS ARE INADEQUATE?

One answer is to use Credendo – Export Credit Agency's Buyer Credit product, launched in 2016 to fill a market gap in commercial financing by facilitating capital goods exports within the EUR 2-5 million bracket. This allows the exporter to be paid up front, and the buyer to obtain a financing facility from a reliable partner. Alongside the financing, Credendo can optionally cover the exporter against the termination risk.

Credendo mobilised its first-ever Buyer Credit when Ypres-based Picanol, a long-time customer and a renowned producer of high-tech weaving machinery, was lining up an export of forty machines to a regular Mexican client. "Mexico is one of our top ten markets, where we compete at the very top end with Italian and Japanese suppliers," says Yvan Jonckheere, Picanol's Credit and Trade Finance Manager. "But we have often experienced a reluctance among Mexican banks to give medium-term credits to textile companies, which has forced many of our customers to ask Picanol for help to arrange the financing for the machines they were purchasing from us."

Yvan Jonckheere depicts a background where Credendo has supported a wide range of Picanol sales across the world in the last half-century, more recently by providing credit insurance and forfaiting facilities. "When Credendo added the Buyer Credit to its product portfolio, we compared it to their usual EUR 2 million forfaiting limit and immediately saw an opportunity for some of our customers," he says. "The Mexican transaction was perfectly suited to the product, and our buyer's balance sheet was strong enough to convince Credendo to step forward with its Buyer Credit, which financed 85% of the contract, leaving the buyer to make only a 15% cash down payment. This certainly accelerated the decision process of the customer in favour of our company," he explains.

He adds: "One of the big advantages of Credendo's Buyer Credit product is that it can be considered as a 'one-stop shop'. One credit agreement covers all the details and the time between application and disbursement is relatively short, just a matter of weeks." Indeed, Picanol has already signed a second Credendo Buyer Credit for a customer in Turkey, due for drawdown in May 2017, which "was concluded even faster than the Mexican equivalent," Yvan Jonckheere notes. "We do see more potential for this Credendo Buyer Credit in other markets as well, where more and more customers are interested in concluding a complete commercial and financial package. Based on the two positive experiences we had, we expect more of these types of projects in the coming months."

> "We appreciate their solutions to each new problem, and the creativity of their products"

Picanol's lengthy relationship with Credendo has always hinged around the risks presented by many countries to which it exports. "We are more than happy to cooperate with Credendo to share those risks, which can be political or simple non-payment risks," says Yvan Jonckheere. "Whenever we have a new capital goods project, Credendo always receives the opportunity to explore the file. We appreciate the way they think aloud with us in finding solutions to each new problem, and the creativity of their new products in helping Belgian exporters sell more goods."

Credendo, for its part, views Picanol as a loyal partner, says Marleen Van De Weghe, Underwriting and Account Management Analyst with Credendo. "This is a company the products of which are of high quality. Knowing the high collateral value of their machinery mitigates the credit risk, if needed, when we accompany them into the emerging markets where we specialise."

RISK COVER IN FRONTIER MARKETS

BY FOLLOWING ITS CLIENT, CREDENDO FACILITATED A KEY ENVIRONMENTAL CONTRACT

WHEN TENDERING FOR IMPORTANT CONTRACTS IN AFRICA, EUROPEAN CONTRACTORS REQUIRE AN EDGE TO CHALLENGE THE PERENNIALLY STRONG OVERSEAS COMPETITION.

In the case of Belgian exporter Denys, Credendo – Export Credit Agency's willingness to follow it across the continent and provide commercial and political risk protection helped it to secure a notable contract win in Zambia, beating off East Asian bidders. The end result is a high-quality, sustainable investment that is set to bring major social and environmental benefits to the capital city of Lusaka.

When the Wondelgem-based engineer Denys signed its first project in Zambia, in December 2015, it had already built a 15-year exporting record in Africa, leveraging its expertise in water and sewage systems. "Under our organic growth model, 60% of our turnover is in export markets, 30% of this in Africa. We are doing our best to mount a challenge to the Chinese, who tend to have lower-quality equipment but very persuasive financing techniques," says Johan Van Wassenhove, Denys Chief Executive.

He adds: "Credendo has helped over the years by following us completely into several higher-risk markets such as Mali and the Democratic Republic of Congo, where they trusted our track record in overcoming political, logistical and other difficulties. Because we are Belgian first, they act as a sustainable partner, almost a stakeholder."

> "It is part of our risk management to request Credendo's support, even if there are no obvious problems"

The two-year Zambian contract, worth just under EUR 45 million, is being financed by US foreign aid from the Millennium Challenge Corporation, and involves Denys (Zambia) improving Lusaka's water sanitation infrastructure and water distribution networks. "When we tendered for the Zambian work, Credendo was a first port of call. When exporting to Africa and the Middle East, it is part and parcel of our risk management to request their support, even if there are no obvious problems," notes Denys' Chief Financial Officer Jan Van Bergeijk. "Knowing that we could access insurance gave us comfort and helped win the tender against East Asian competitors, who are providing around 80% of Africa's new infrastructure through a certain shrewdness in their financing."

Credendo has covered the project's commercial and political risks, which include non-payment, unfair bond calling, equipment confiscation and termination of the contract by Zambian public company Millennium Challenge Account Zambia. "So far there have been no problems, and the project's environment and social benefits are huge," highlights Johan Van Wassenhove. As well as widening access to clean and safe water supply and improved sanitation, the project meets local and World Bank environmental and social standards, aligning with Denys' own quality and safety norms. Johan Van Wassenhove points out that "local people are being employed, and trained, and positive discrimination means that 30% of the workforce on site is female."

Looking ahead, Denys is sounding out Credendo about the potential for support in other politically sensitive countries, where it has fresh work looming. "Risk matrices are typically defined by various institutions and statistics, but Credendo seems to know that sometimes you educate yourself best on risk by operating on the ground, thereby letting your insurer benefit from your local knowledge," underlines Jan Van Bergeijk. "If you compare Credendo with some of its European peers, you can always go a little further with Credendo."

Credendo's Kenneth Verbruggen, Underwriting and Account Management Specialist, says that the partnership with Denys rests on clear foundations. "By knowing that they are insured by Credendo, even in some of the world's higher-risk markets, they are able to do their job of getting the equipment in, often under difficult circumstances, and then managing the project logistics in a way that chimes with the best social and environmental practices," he affirms.

CREDENDO FACILITATES EXPANSION FOR BELGIAN CONSTRUCTION GROUP

COMBINED CREDENDO PRODUCTS COVER MOROCCO PROJECT

WHEN THE LARGEST FAMILY-OWNED CONSTRUCTION GROUP IN BELGIUM, WILLEMEN GROEP, SOUGHT TO EXPAND OVERSEAS, IT PERCEIVED THAT AFRICA OFFERED A HUGE POTENTIAL.

However, when Willemen won its first big job outside Belgium, a major Moroccan port contract, it became necessary to cover a range of risks. This triggered an approach to Credendo – Export Credit Agency in late 2016 for financial guarantees and export credit insurance. The outcome has been a deepening relationship with Credendo, auguring well for further project opportunities in Africa and elsewhere.

Having reached its limits for growth in Belgium, and encountering very tough competition for construction business across Europe, Willemen Groep considered that Africa offered significant prospects for growth. "Belgium and Europe is a red ocean, but Africa looked to be a blue one – to me it is the building site of this century," says Johan Willemen, Chairman of Willemen Groep.

After winning work in the Democratic Republic of Congo in 2012 for the construction of the Belgian embassy, on which Credendo provided a financial guarantee on bonding facilities, and subsequently several small industrial building jobs in Morocco, Willemen achieved a major milestone in November 2016. Four Willemen companies – Aswebo, Aannemingen Van Wellen, Franki Construct and Cosimco – were awarded a very big contract by the Moroccan subsidiary of Dutch company APM Terminals, belonging to Maersk, to build them Africa's first automated container terminal. The project, in Tangier, involves the construction of a new container terminal over a quay length of 1,200 metres.

Credendo was approached due to the potential risks, observes Johan Willemen. "Although Morocco's political situation is relatively stable, the African continent has an overall history of political instability. Of course this varies by country, and Morocco is one of the better risks, but 'Arab Spring'-type events could strike again. Credendo insures commercial and political risks outside Belgium, and knows the precise nature of these risks."

> "Morocco is one of Africa's better risks, but 'Arab Spring'-type events could strike again"

Anne Spreuwers, Credendo Underwriting and Account Management Analyst, recounts the sequence of events. "Willemen first contacted us in the last quarter of 2016, when they were fairly well advanced in their negotiations. Our major challenge was the project profile, given that this was a relatively new client for us. But we took comfort from the size of the end-client, Maersk, and Willemen Groep's demonstration of its technical capabilities at one of their large projects, which it had completed in Antwerp."

As soon as the Tangier contract was signed, Credendo stepped in to provide a EUR 9.3 million financial guarantee to cover one-third of Willemen Groep's total bank guarantee exposure in the context of this project (an advance payment bond, a retention bond and a performance bond needed to be issued).

Some two months later, Credendo then directly insured the contract for the work in Tangier against the commercial and political risks. "The negotiations were very smooth and very fast," notes Johan Willemen. Adding to its involvement, Credendo has also been working on another financial guarantee for a working-capital line to support the same project in Tangier, which Willemen Groep aims to complete by the end of 2018.

Johan Willemen concludes: "The Tangier project marks our first large cover transaction with Credendo, and we will certainly work together again. We are currently involved in negotiations for a project in Zambia and we are looking into a new opportunity with the Belgian government which is planning to construct a new embassy in South Africa. Generally speaking, we are interested in big infrastructure developments in Africa such as roads, railways, dams and hospitals."

WHOLE TURNOVER INSURANCE WITH LONG PAYMENT TENORS

CREDENDO PROVIDES SPECIFIC SOLUTION TO 'LONG AND LARGE' BUYER RISKS

HOW DOES AN EXPORTER SELLING IN SIGNIFICANT VOLUMES ON LONGER-THAN-AVERAGE CREDIT TERMS ENSURE THAT THE SIZE OF ITS CREDIT LIMITS DOES NOT ENDANGER ITS BALANCE SHEET?

The complex risk environment posed by the foreign clients of Belgium's Utexbel led the Ronse-based textile manufacturer to switch its whole turnover policy to Credendo – Short-Term Non-EU Risks in 2012. The reward has been a close relationship, which has evolved in response to Utexbel's specific need for flexible credit insurance and sizeable credit limits, and Credendo's capacity to listen to and understand those requirements.

> "They think wider, take into account what we explain to them, and then find solutions"

Founded in 1929, Utexbel is a producer of technical textiles that currently exports around 80% of its EUR 105 million turnover, mainly to Europe – France, Germany, Italy and the Netherlands – but also to developing countries in Africa and Asia. While this spread of business works well to diversify risk, the range of markets and buyers with which Utexbel deals, brings some unique challenges, most notably the discomfort of regularly being paid months after shipment.

Utexbel elected to switch to Credendo's whole turnover cover for both OECD and non-OECD payment risks five years ago, dissatisfied with rival insurers' inability to match its demanding requirements. "We have big contracts, often with long payment terms, and can run into huge increases in our needs," explains Didier Everaert, Utexbel's Chief Financial Officer. "Credendo now covers the 80% or so of our business which is not low risk, in a flexible way that lets us provide big credit limits," he says.

Didier Everaert adds: "For those public tenders where the administration buys the fabrics directly, the risk varies from country to country. Whereas Germany pays in 30 days, payments from the Italian administration can take up to 360 days, and shipments to Algeria can be held up in customs for weeks on end before being released to the state buyer." Where a sale proceeds indirectly, via a local garment manufacturer, "we have to wait for payment to flow through from the ministry which is the end-buyer," he says. Even when the buyer is a private business, these can take up to 120 or even 150 days to pay if based in southern European countries. "For the biggest end-customers, such as Total and EDF, we need a big credit limit on the manufacturer at the start of contracts, and often additional limits as we proceed, and we have to compete with large European rivals which are all credit-insured."

Didier Everaert emphasises Credendo's empathy to these circumstances. "They have shown they can think wider, taking into account what we explain to them about the contract, the customers, and the end-customers, and then finding better solutions than other insurers. And this makes a big difference for us. We have regular meetings to discuss limits, where we combine information and expertise, which often helps them to take the risk on the manufacturer which is our buyer risk, and taking into consideration the end-customer as well. Of course, if Credendo has paid a claim on a potential customer, or has particular insights on the country risk, we may acknowledge that this is not for us."

Credendo Account Manager Michel Huyskens stresses the mutual trust at work. "There is some real teamwork going on, with lots of input from both sides, because the figures never tell the whole story. This has helped us build a very good track record."

WHOLE TURNOVER INSURANCE IN EASTERN EUROPE

CREDENDO SHORT-TERM SUPPORT UNDERPINS EASTERN EUROPEAN BUSINESS EXPANSION

HOW DOES A MULTI-BILLION DOLLAR BUSINESS ENSURE THAT IT GETS PAID BY DISTRIBUTORS OPERATING IN EASTERN EUROPE AND THE COMMONWEALTH OF INDEPENDENT STATES (CIS), WHICH CONTAIN SOME OF THE WORLD'S HIGHEST-RISK MARKETS?

In the case of Prague-headquartered MMD, which exclusively markets and sells Philips-branded LCD displays worldwide, the solution chosen to address a complex risk environment was to purchase whole turnover credit insurance policies both from Credendo – Short-Term EU Risks and Credendo – Short-Term Non-EU Risks. A subsequent 7-year partnership with Credendo has allowed MMD to lift turnover significantly across the region.

MMD was established in 2009, as a wholly owned company of Hong Kong-based TPV, which is the biggest manufacturer of LCD displays worldwide, leveraging its brand license agreement with Philips and operating from major regional offices around the world to sell its breadth of displays, monitors and digital signage solutions. "Export business accounts for around 93% of our activity, and 2016 was one of our best years ever," says Jakub Grosman, MMD's Eastern Europe Managing Director.

MMD's Prague office serves Eastern European and CIS markets, and has built a turnover of about USD 130 million, with the highest revenue generated by sales in Russia, followed by Poland, the Czech Republic, Ukraine and Israel. "We started insuring our payment risks with Credendo seven years ago, when we began the business, at a time when credit insurers were generally unwilling to grant us the credit lines we needed," notes Jakub Grosman.

In Eastern Europe, MMD buys whole turnover cover from Credendo – Short-Term EU Risks. "They have been instrumental in helping us to grow the business in Eastern Europe, where there is still some political and economic instability in certain EU member countries," says Jakub Grosman. In the CIS, which he describes as 'far riskier', Credendo – Short-Term Non-EU Risks issues the policies.

He comments: "Because we sell to markets such as Ukraine and all of the 'Stan' countries, we have to be very cautious in selecting the right partners to distribute our products. While Credendo is not always able to provide 100% cover in places like Russia and Ukraine, it has acted as an enabler, allowing us to build long-lasting track records with a range of major IT distributors and resellers."

> "Credendo has acted as an enabler, allowing us to build long-lasting track records with a range of distributors in high-risk markets"

Jakub Grosman stresses the depth of relationships MMD has forged with Credendo. "The main interface is with the team in Prague, but we also visit Brussels to seal the renewal agreements. Credendo's management, key accounts staff and underwriters all involve themselves in our business, and have shown that they understand the perils and pitfalls that accompany the opportunities when trading in Eastern Europe and the CIS. We have had some cheaper offers from other credit insurers, but the quality of the service is the key, not just the cost. Having dealt with the same underwriters for many years, we really value the fact that they know the customer history and the payment terms, which can sometimes stretch out to 75 days. That has been crucial for us."

The relationship has worked both ways. Despite Russia's many economic and geopolitical troubles, which lay behind a dip in MMD's 2015 turnover, "we have yet to experience any big distributor bankruptcies and have not filed any significant claims to Credendo," Jakub Grosman emphasises.

At Credendo, "our attitude is very much to let MMD run their business with minimal interference," says Robert Hausman, Director of the Commercial Department at Credendo – Short-Term EU Risks. "Eastern Europe and the CIS are complex markets, but MMD's ability to select sound business partners shows through in its track record," he underlines.

EXCESS-OF-LOSS COVER PROVIDES CREDIT LIMIT AUTONOMY

CREDENDO POLICY SHIELDS AGAINST CATASTROPHIC RISKS

WHERE CAN AN EFFICIENT CREDIT INSURANCE SOLUTION BE FOUND FOR A LARGE COMPANY WITH EXTENSIVE CREDIT MANAGEMENT SKILLS, PROFICIENT IN DETERMINING CREDIT LIMITS FOR ITS SMALLER BUYERS BUT WARY OF EXCEPTIONALLY LARGE PAYMENT DEFAULTS WHICH MIGHT JEOPARDISE ITS FINANCIAL SOLIDITY?

For one internationally active Italian company, a bespoke policy written by Credendo – Excess & Surety's Milan office has offered a solution that allowed it to continue with its commercial strategies through an often volatile economic climate. In particular, it could determine where external protection was required against high losses, especially during seasonal business peaks.

Founded in 1978 in Milan, the Giochi Preziosi Group has become the Italian leader in the children's toy sector, establishing subsidiaries in Austria, Benelux, France, Germany, Greece, Portugal, Spain, Turkey and the UK. Group turnover has built to around EUR 900 million, as the company has broadened its distribution into multiple toy retail stores, while also expanding into other child and teenage consumer markets.

"Our business trends are fairly typical for a toy distributor," says Paolo Pennati, Giochi Preziosi's Credit Manager. "The same patterns have occurred every year for the past few decades, with business usually low during the first quarter, but increasing in preparation for the Christmas season during April, May and June. We work in a relatively low-risk market with a fairly small number of steady customers, merchandising players such as Auchan and Carrefour, whose behaviour rarely changes."

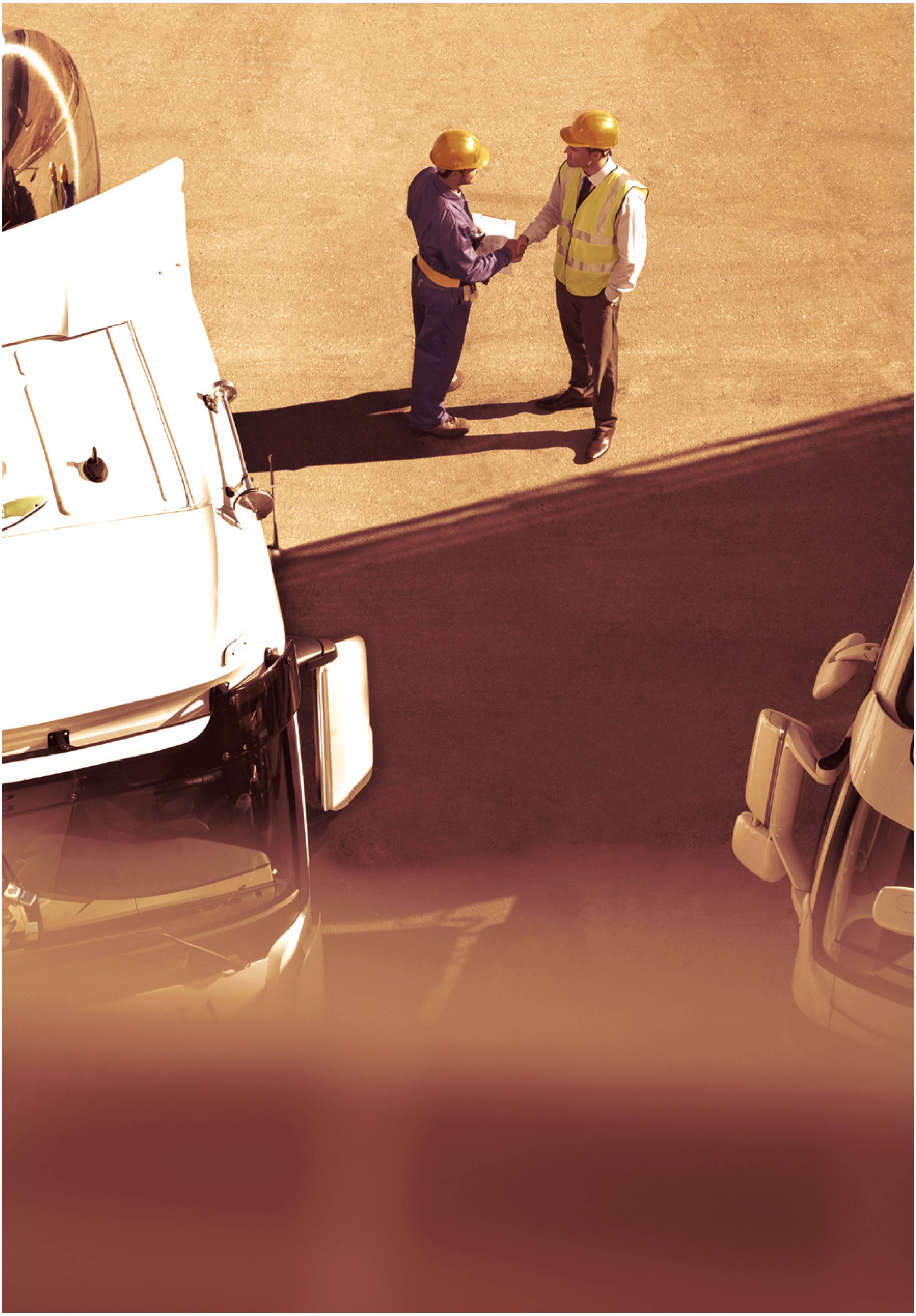
He continues: "However, there is a general sectoral problem with payment delays, most notably during the January to March period, when we manage a lot of payment plans as we start to collect invoices from the Christmas season. It is absolutely critical for us to close on debts before 90 days, and so we operate a very strong credit department, staffed by highly-skilled collectors and analysts, and have become extremely adept, independent and flexible in managing our credit limits, payment plans and legal actions."

Because this operating mode is incompatible with a traditional trade credit policy, Giochi Preziosi started to buy excess-of-loss coverage from Credendo for its business in 2005. "It would be very difficult for us to cope with a big loss, so our real need was to cover catastrophic risk, and we chose an excess-of-loss structure as the most suitable credit product," says Paolo Pennati. "These policies let us mix our payment experiences with our analysis of customers' balance sheets, and to ascertain a correct credit limit for those smaller buyers where we might have to accept a lower credit limit on a traditional policy."

> "We chose an excess-of-loss structure to cover our biggest risks and to ascertain suitable credit limits for our smaller buyers"

After three years with another provider, Giochi Preziosi returned to Credendo in 2011, protecting itself against a number of sizeable payment defaults in the 2011-12 period. "The two years of claims payments were influenced heavily by the economic climate in Italy," notes Marco Censi, Credendo's Milan-based Country Manager, commercialising excess of loss, bonding and top up. "Subsequently, there have been a few payment delays, but Giochi Preziosi has managed these impeccably and our partnership has been very good."

"We have experienced a few small surprises, but no extraordinary amounts in recent years," concurs Rocco Caruso, Giochi Preziosi's Finance and Treasury Director. "The excellent collaboration with Credendo means that we are looking to renew our policy for a further three years."



SURETIES GUARANTEEING PAYMENT

CREDENDO SURETY COVER FACILITATES CAR DEALERSHIP GROWTH

HOW CAN AN EXPANDING GROUP OF CAR DEALERSHIPS ENSURE THAT SUPPLIERS TRUST ITS ABILITY TO PAY ON CREDIT FOR VEHICLE DELIVERIES?

Is it possible to locate a flexible source of surety bond provision to backstop receivables outstanding to a range of leading car manufacturers? Groupe Pericaud, a family-owned French group, has turned extensively to Credendo – Excess & Surety for such types of support in its drive to continue growth at a sustainable pace, and anticipates increasing its bonding line as it extends its franchise across France.

Based in Limoges, in west-central France, Groupe Pericaud has been continually expanding since its inception in 1990. Its concessions now cover over 13 sites in 7 departments, distributing several of the world's leading car brands, and generating an annual EUR 115 million turnover. However the "market is very competitive and fast-moving, and requires that distributors work with strong financial groups if they are to succeed," says Pascal Pericaud, the company's General Manager.

Groupe Pericaud began using Credendo in 2009, for additional support within a French car market where dealers generally need to provide bonds to guarantee that they honour extended payment terms for vehicles and spare parts. The technicalities are explained by Pascal Pericaud. "When a manufacturer sells to Groupe Pericaud, they get a receivable, and typically factor this, usually through their financial subsidiary, as happens with Volkswagen, but sometimes through other third parties, such as Cetelem Finance for Volvo. Credendo then issues a bond in favour of the factoring company, protecting against any non-payment from Pericaud at the maturity date. Around 60% of car manufacturers require these sureties, with the amount depending on Pericaud's ratings with those companies, particularly its solvency ratio."

With a multi-million euro Credendo bonding line now in place, this arrangement allows Groupe Pericaud to avoid calling on banks for these bonds, says Pascal Pericaud, thus keeping open its credit lines. "It makes sense to use a range of financial providers for differing requirements. We call on banks for funding, we use CGI Finance for working capital, and go to Credendo for bonds." Only where on-demand bonds are required, for example in favour of Fiat, does Groupe Pericaud work with the banks.

Of great advantage, he underlines, is Credendo's consistent yet relaxed approach. "The relationships with Credendo are excellent because they speak the same 'business' language as us, and ask the correct questions without being too aggressive. Banks can be very demanding, whereas Credendo gets the key information it requires, and the process is complete. They are always contactable by e-mail and phone, and have demonstrated their loyalty to us over a long period."

> "Credendo's surety solution allows us to avoid calling further on banks "

Having taken over four new dealerships in 2016, and with similar projects ahead in 2017, Groupe Pericaud is anticipating additional use of Credendo's bonding line. "It is currently utilised to the tune of about 65%, and we are sure to use more of the remaining capacity," envisages Pascal Pericaud. "Ford is our most recent supplier, so we will need more bonds, but it is too early to tell the amount."

Credendo's stance in this respect is extremely helpful, he stresses. "If no room is left on the line, and they know the business, they can respond very quickly to get more bonds. If the supplier is a new manufacturer, then it takes ten days at the maximum."

Groupe Pericaud's steady market growth "has been very satisfying to witness," says Eric Georgy, Surety Underwriter at Credendo. "Our role is to ensure that sufficient bonding capacity is available to keep this group following its sustainable path."

SINGLE-RISK INSURANCE

CREDENDO EXTENDS STRONG DISTRIBUTION SUPPORT TO LONDON BROKERAGE

FOR AN INSURANCE BROKER SEEKING TO DISTRIBUTE CREDIT AND POLITICAL RISK TRANSACTIONS INTO UNDERWRITING MARKETS, CREDENDO – SINGLE RISK COMES ARMED WITH A DEEP KNOWLEDGE AND EXPERIENCE OF DEVELOPING COUNTRY RISKS, A LONG GROUP TRADITION IN TRADE CREDIT, AND A WILLINGNESS TO EMBRACE NEW MARKET TRENDS.

These attributes have proved increasingly attractive to the London-based RKH Specialty brokerage, which has steadily built a first-class commercial relationship with Credendo over a 14-year period when the single-risk underwriting market has undergone significant changes.

Based in Geneva and Vienna, Credendo – Single Risk has carved a specialist niche in emerging-market credit and political risk underwriting. This has aligned neatly with a key remit of RKH Specialty, to transfer single risks held mainly by banks and commodity traders into the insurance market. "We have enjoyed a relationship with the former Garant for fourteen years, but when Credendo took a majority stake in the company in 2010 it gave its full support, facilitating bigger credit lines and more approvals," says Neil Galletti, Director of the Political Risks and Credit Division of RKH Specialty, independent London insurance brokers, part of the Hyperion Insurance Group. "We have written lots of transactions together in the last five years, when our mutual business has grown by around 25% annually. Clients often come to us with difficult requests, and Credendo is very supportive whenever possible."

A trigger point here, he emphasises, was a change in approach at Credendo, in January 2014, to a 'one face, one market' stance. This focused on building relationships with Credendo – Single Risk's most important clients, the broker community, by allocating a dedicated market for each underwriter. Among the improvements were more face-to-face meetings with insureds, swifter response times and "a dramatic growth in willingness and enthusiasm to support business," Neil Galletti highlights. "Since its culture changed, Credendo is very much on top of our list of underwriters for those particular risks that would suit its capabilities and appetite, in a market which has grown to well over fifty players."

In addition, he says, "Credendo – Single Risk's credit rating is very attractive, as is its parent's very strong short-term trade credit knowledge and sophistication, which will help broaden the single-risk/structured trade credit product." And in terms of claims, "Credendo has performed totally as we would have hoped, at a time when the market has seen a higher incidence of indemnities," notes Neil Galletti. "It was one of the first in an insurance syndicate to sign off on a recently presented claim."

Looking to the future, Credendo has also showed itself willing to embrace technological change, notably regarding what Neil Galletti terms 'the portfolio-isation of risk', where multiple political and structured credit risks are packaged into one placement to gain efficiencies and improve service capability. "Credendo was very supportive, very quickly, on two of these programmes," he says.

> "Clients come to us with difficult transactions, and Credendo is always supportive"

Another progressive form of interface is RKH's TEPFIN platform, for electronically placing and trading requests for single-risk insurance. "We like TEPFIN, and want to support this development," says Christian Hendriks, Credendo – Single Risk's Head of Underwriting. "You simply log on, view requests from insureds, state your line and quote your pricing. TEPFIN automatically syndicates the transaction amongst those quoting insurers."

CORPORATE GOVERNANCE

CREDENDO – EXPORT CREDIT AGENCY (1)

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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 Kriekinge,
Member, representative of the Government of the Brussels-Capital Region

Frederic Convent,
Substitute member

IN MEMORIAM JEAN-PIERRE PAUWELS

On 18/02/2017 Mr Jean-Pierre Pauwels died at the age of 79. He was a civil engineering graduate from the State University of Ghent, and had also obtained a doctorate in economics from the Sorbonne University of Paris. He was Director at the National Bank of Belgium from 1981 until 2006. Mr Jean-Pierre Pauwels was Chairman of the Board of Directors of Credendo – Export Credit Agency from October 1989 until December 2009. Later on, he continued as Chairman of the Board of Directors of Credendo – Short-Term Non-EU Risks until the end of 2013. Under the chairmanship of Mr Jean-Pierre Pauwels, Credendo underwent significant changes, going from a traditional export credit agency to a major international player. On behalf of Credendo and its staff, the Board of Directors and the Executive Committee are particularly grateful to him for making this transformation possible.

(1) Legal name Delcredere I Ducroire

CREDENDO CONSISTS OF CREDENDO – EXPORT CREDIT AGENCY AND ITS SUBSIDIARIES. ITS CORPORATE GOVERNANCE STRUCTURE IS MADE OF DIFFERENT BODIES: BOARD OF DIRECTORS, EXECUTIVE COMMITTEE, AUDIT COMMITTEE AND GROUP COORDINATION COMMITTEE

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

AUDIT COMMITTEE

Ludivine Halbrecq,
Chairman

Thierry Denuit,
Member

Henk Mahieu,
Member

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

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),
General Manager
Credendo – Ingosstrakh Credit Insurance

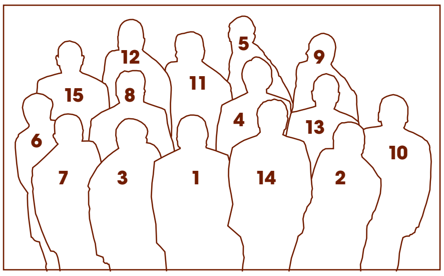
Michael Frank (11),
General Manager
Credendo – Single Risk

Eckhard Horst (12),
General Manager
Credendo – Excess & Surety

Dominique Meessen (13),
Head Underwriter
Credendo – Export Credit Agency

Stefaan Van Boxstael (14),
General Manager
Credendo – Short-Term Non-EU Risks

Michal Veselý (15),
General Manager
Credendo – Short-Term EU Risks



MANAGEMENT REPORT ON THE 2016 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 Credendo – Export Credit Agency we have the honour to report to you on our consolidated activities over the financial year and the consolidated financial statements closed as at 31/12/2016.

These financial statements contain the consolidated results of Credendo – Export Credit Agency, the official Belgian export credit agency, and of its subsidiaries: Credendo – Short-Term Non-EU Risks, Credendo – Short-Term EU Risks, Credendo – Single Risk, Credendo – Ingosstrakh Credit Insurance (held through Holding CIS), Credendo – Excess & Surety and Immo Montoyer (together **Credendo**).

These consolidated financial statements of Credendo are presented based on the International Financial Reporting Standards (IFRS) as applicable per 31/12/2016, and as adopted by the European Union.

In July 2014 the IASB published IFRS 9, a new standard for financial instruments, which will have a significant impact on the way Credendo reports the performance of its investment strategies. The standard was endorsed by the European Union in November 2016. Since the reporting of Credendo's financial investment results is linked to the reporting of its insurance obligations, it is important that Credendo applies both standards, i.e. IFRS 9 'Financial instruments' and IFRS 17 'Insurance contracts' simultaneously. IFRS 17 is expected to be published by the IASB in May 2017. In this regard, Credendo has decided to take an option proposed by the IASB to defer the application of IFRS 9 until 2021 when IFRS 17 will also become effective. Simultaneous application of both the financial instruments and insurance contracts standards will increase the ability of our ALM management to minimise any potential accounting mismatches that would otherwise arise if the new standards would be applied at different dates.

As a result of that deferral, we have currently set up a project that will prepare Credendo for the implementation of the new standards. The project is expected to be completed in 2021. The full effect of the impact of these standards will not be known until significant progress has been made on the implementation project. We will keep you informed of the progress of the implementation project.

2. KEY EVENTS OF THE REPORTING PERIOD

In November 2016 Credendo – Short-Term Non-EU Risks acquired the remaining 34% of the share capital of Credendo – Short-Term EU Risks from Exportní garanční a pojišťovací společnost a.s. Shortly after this acquisition the total 100% ownership interest in Credendo – Short-Term EU Risks was transferred to Credendo – Export Credit Agency. Both transactions were accounted for at group level as a single transaction under IFRS. As a result of this transaction Credendo – Short-Term Non-EU Risks ceases to prepare IFRS Consolidated Financial Statements, since it no longer has a subsidiary.

Furthermore Trade Credit Re Carré, which was already classified as a 'held-for-sale' transaction in the 2015 IFRS Consolidated Financial Statements, has effectively been disposed of on 24/05/2016.

3. FINANCIALS

The 2016 Consolidated Statement of Financial Position shows a balance total of EUR 4,048.3 million compared to EUR 3,992.5 million at the end of 2015. 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, thus increasing the cash-and-cash-equivalents position from EUR 309.0 million in 2015 to EUR 381.5 million at the end of 2016. The financial investment portfolio remains stable at EUR 2,539.4 million at the end of 2016 compared to EUR 2,536.5 million in 2015.

The Consolidated Income Statement shows a small profit of EUR 20.5 million for the year 2016, slightly up from the EUR 8.9 million profit in 2015. A few important insurance claims on emerging markets risk weighed heavily on the 2016 results.

The 2015 loss from operating activities of EUR 58.5 million deepened further to a EUR 109.1 million loss in 2016. The insurance premium revenues, including variance in unearned premium reserve, decreased from EUR 383.4 million in 2015 (restated for foreign-exchange gains and losses) to EUR 370.4 million in 2016 and after the cession of premium to reinsurance, the net insurance premium revenue remains stable at EUR 264.3 million in 2016 compared to EUR 265.4 million in 2015 (restated for foreign-exchange gains and losses).

The 2016 other operating income of EUR 41.1 million contains commissions received from reinsurers, recharges of investigation costs and other recoveries of expenses (EUR 60.9 million in 2015). The crises in the commodities sector and the emerging markets continued to severely impact the 2016 net insurance claims and loss adjustment expenses, increasing to EUR 297.3 million compared to EUR 259.7 million in 2015 (restated for foreign-exchange gains and losses).

The operating expenses other than claims decrease from EUR 125.1 million in 2015 to EUR 117.2 million in 2016 mainly because of other operating expenses, more specifically lower write-offs on trade receivables.

The volatility in the financial markets continued throughout 2016, yet the net financial income remains very positive at EUR 135.9 million in 2016, up by 124.2% from the EUR 60.6 million previous-year results. The 2015 income tax credit of EUR 6.9 million turned into a EUR 6.3 million income tax expense in 2016 because of the deferred tax assets' usage.

The 2015 remeasurement gain on defined benefit pension plans of EUR 3.8 million (net of deferred tax thereon) has turned into a net remeasurement loss of EUR 1.7 million for 2016 mainly due to the negative impact of the lower 2016 discount rate (1.40% in 2016 against 2.00% in 2015 for the Belgian plans; the 2.00% in 2015 for the Austrian plan remains at 2.00% in 2016).

For 2016 the fair-value changes on available-for-sale financial assets including foreign-exchange differences explain the positive change of EUR 1.9 million (net of deferred tax thereon) whilst in 2015 the recycled unrealised capital gains from other comprehensive income to financial income amounted to a loss of EUR 5.6 million. The 2016 exchange-rate differences on the translation of foreign operations contributed positively to the result for an amount of EUR 1.3 million (EUR 0.1 million in 2015). The total other comprehensive income for the year 2016 is a small profit of EUR 1.5 million compared to a EUR 1.7 million loss in 2015. This brings the total comprehensive income to EUR 22.0 million for 2016 (EUR 7.2 million in 2015).

In 2016 the operating activities generated EUR 19.3 million net cash compared to the EUR 117.6 million generated in 2015. Together with the EUR 43.7 million cash generated by investing and financing activities in 2016 (net EUR 168.8 million used in 2015) this resulted in an increase of the 2016 cash-and-cash-equivalents position by EUR 63.0 million excluding the exchange gains on cash and cash equivalents of EUR 0.8 million, compared to last year's decrease of EUR 51.3 million.

Finally the Consolidated Statement of Changes in Equity explains 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 2016 consolidated audit fees of our statutory auditor PwC Belgium amount to EUR 213,510. The non-audit fees amount to EUR 73,500 (EUR 69,500 for other attestation missions and EUR 4,000 for other missions external to the audit). The 2016 fees for our statutory auditor's network include audit fees of EUR 139,183 and non-audit fees for a total value of EUR 188,259 (EUR 2,900 for tax consultancy and EUR 185,359 for other missions external to the audit).

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 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 and equity price), the risks on credit, liquidity and capital management including the fair-value hierarchy of the financial instruments.

Credendo's capital management framework considers the interaction between the available and required capital on the one hand, and the risk profile and its expected and stressed evolution on the other.

Credendo entities relate risk tolerance to risk-based capital concepts, relevant for different stakeholders. Credendo entities subject to the EU-wide Solvency II insurance regulation, that is all entities except Russia-based Credendo – Ingosstrakh Credit Insurance and parent company Credendo – Export Credit Agency, 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**. Their actual Solvency II capital adequacy is disclosed in their Solvency & Financial Condition Report. During the period under review, all Credendo entities have met the capital requirement thresholds as imposed by their respective jurisdictions. Two entities within Credendo (Credendo – Single Risk and Credendo – Export Credit Agency) currently hold ratings from recognised rating agencies.

The structure and quality of the own funds are managed so as to optimise the mix of available resources, taking into account that capital requirements are to be covered by own funds but also that different metrics are applied according to regulatory, rating agencies' or shareholders' views. The own funds management aims to maximise available resources that provide full absorption of losses on a going-concern basis.

The capital planning strategy aligns the internal capital demand (based on projections of capital requirements taking account of the risk appetite and longer-term business strategy) and the internal capital supply (own funds) over the business planning period, identifying possible needs to raise additional resources. Medium-term capital planning and the projection of risk-based capital metrics should reduce volatility in the capital position and support the capital buffer, ensure access to capital in the future and increase capital efficiency. Optimising capital management includes assessing whether to retain or transfer risks, taking the projection of capital required into account.

5. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There are no events occurring after the reporting period that could have resulted in a material impact on the reported figures as at 31/12/2016.

The 2016 IFRS Consolidated Financial Statements have been established on the basis of going concern. We commend these IFRS Consolidated Financial Statements to the Board.

EUR **4** BILLION
BALANCE SHEET TOTAL

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31/12/2016

PwC Réviseurs d'Entreprises - Bedrijfsrevisoren, has audited Credendo's annual accounts (statutory accounts, as well as consolidated accounts presented by applying the IFRS standards) as of and for the year ended 31/12/2016, 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)

IN THOUSANDS EUR	NOTE	31/12/2016	31/12/2015
ASSETS			
Intangible assets	5	25,103	22,888
Property, plant and equipment	6	22,531	21,301
Other financial assets	7	382	337
Financial investments	8	2,539,381	2,536,520
Deferred income tax assets	9	13,183	16,456
Reinsurance assets	10-16	242,636	252,144
Loans and receivables including reinsurance receivables	11	812,403	813,212
Other assets	12	10,207	9,583
Current income tax assets		950	2,332
Cash and cash equivalents	13	381,476	309,045
Assets held for sale and discontinued operations		-	8,642
TOTAL ASSETS		**4,048,252**	**3,992,459**

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IN THOUSANDS EUR	NOTE	31/12/2016	31/12/2015
EQUITY AND LIABILITIES			
Equity			
Endowment	14	297,472	297,472
Consolidated reserves	15	2,092,581	2,073,012
Total other comprehensive income	15	-1,976	-2,816
Total equity excluding non-controlling interests		2,388,077	2,367,668
Non-controlling interests		3,417	7,984
Total equity		**2,391,494**	**2,375,652**
Liabilities			
Liabilities arising from insurance contracts	16	1,422,321	1,388,740
Deferred income tax liabilities	9	2,954	871
Provisions for other liabilities and charges	17	227	393
Employee benefit liabilities	18	11,634	8,994
Payables	19	189,991	193,499
Other liabilities	20	27,745	21,974
Current income tax liabilities		1,886	351
Liabilities held for sale and discontinued operations		-	1,985
Total liabilities		**1,656,758**	**1,616,807**
TOTAL EQUITY AND LIABILITIES		**4,048,252**	**3,992,459**

(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.

CONSOLIDATED INCOME STATEMENT (1)(2)

IN THOUSANDS EUR	NOTE	31/12/2016	31/12/2015
Insurance premium revenue		370,401	383,387
Insurance premium ceded to reinsurers		-106,134	-117,973
Net insurance premium revenue	**21**	**264,267**	**265,414**(3)
Other operating income	22	41,078	60,864
Net income		**305,345**	**326,278**
Insurance claims and loss adjustment expenses		-391,264	-345,049
Insurance claims and loss adjustment expenses recovered from reinsurers		94,011	85,368
Net insurance claims and loss adjustment expenses	**23**	**-297,253**	**-259,681**(3)
Employee benefit expenses	24	-42,933	-39,668
Services and other goods	25	-57,874	-61,266
Depreciation and amortisation	26	-4,760	-4,598
Other operating expenses	22	-11,652	-19,601
Operating expenses (other than claims)		**-117,219**	**-125,133**
Expenses		**-414,472**	**-384,814**
Profit/(loss) from operating activities		**-109,127**	**-58,537**
Finance income	27	159,269	93,621
Finance expense	27	-23,409	-33,012
Net financial income		**135,860**	**60,609**

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IN THOUSANDS EUR	NOTE	31/12/2016	31/12/2015
Profit/(loss) of the year before tax		**26,733**	**2,072**
Income tax credit/(expense)	29	-6,260	6,871
Profit/(loss) of the year		**20,473**	**8,943**
Profit/(loss) attributable to:			
Owners of the parent		21,053	10,805
Non-controlling interest		-580	-1,862
TOTAL PROFIT/(LOSS) OF THE YEAR		**20,473**	**8,943**

(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) Foreign-exchange gains and losses related to premium provisions impacting net insurance premium revenue have been reclassified from 'Net insurance claims and loss adjustment expenses' to 'Net insurance premium revenue' as from 2016. Comparative figures for 2015 have been restated. The presentation now better reflects the economic reality of Credendo.

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

IN THOUSANDS EUR	NOTE	31/12/2016	31/12/2015
Profit/(loss) of the year		**20,473**	**8,943**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements on defined benefit pension plans	18	-2,009	4,369
Deferred tax on remeasurements on defined benefit pension plans	9	340	-613
Subtotal of other comprehensive income that will not be reclassified to profit or loss		**-1,669**	**3,756**
Items that may be subsequently reclassified to profit or loss			
Change in value of available-for-sale financial investments		3,201	-8,554
Deferred taxes thereon	9	-1,311	3,000
		1,890	**-5,554**
Exchange differences on translating foreign operations		1,292	80
Subtotal of other comprehensive income for the year that may be subsequently reclassified to profit or loss		**3,182**	**-5,474**
Total other comprehensive income for the year		**1,513**	**-1,718**
Total comprehensive income for the year		**21,986**	**7,225**
Attributable to:			
Owners of the parent		22,133	8,993
Non-controlling interest		-147	-1,768
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**21,986**	**7,225**

(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						
	NOTE	ENDOWMENT	CONSOLIDATED RESERVES	TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR	TOTAL	NON-CONTROLLING INTEREST IN EQUITY	TOTAL EQUITY
BALANCE AT 01/01/2016		**297,472**	**2,073,012**	**-2,816**	**2,367,668**	**7,984**	**2,375,652**
Profit/(loss) of the year		**-**	**21,053**	**-**	**21,053**	**-580**	**20,473**
Other comprehensive income:							
Remeasurements on defined benefit pension plans	9-18	-	-	-1,669	-1,669	-	-1,669
Change in value of available-for-sale financial investments		-	-	1,884	1,884	6	1,890
Exchange differences on translating foreign operations		-	-	865	865	427	1,292
Total other comprehensive income for the year		**-**	**-**	**1,080**	**1,080**	**433**	**1,513**
Total comprehensive income for the year		**-**	**21,053**	**1,080**	**22,133**	**-147**	**21,986**
Total transactions with owners							
Changes in ownership interest in subsidiaries that do not result in a change in control	32		-1,484	-240	-1,724	-4,420	-6,144
Total equity movement for the year		**-**	**19,569**	**840**	**20,409**	**-4,567**	**15,842**
BALANCE AT 31/12/2016		**297,472**	**2,092,581**	**-1,976**	**2,388,077**	**3,417**	**2,391,494**

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(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.

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IN THOUSANDS EUR	ATTRIBUTABLE TO OWNERS OF THE PARENT						
	NOTE	ENDOWMENT	CONSOLIDATED RESERVES	TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR	TOTAL	NON-CONTROLLING INTEREST IN EQUITY	TOTAL EQUITY
BALANCE AT 01/01/2015		297,472	2,062,166	-1,004	2,358,634	9,743	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	9-18	-	-	3,712	3,712	44	3,756
Change in value of available-for-sale financial investments		-	-	-5,573	-5,573	19	5,554
Exchange differences on translating foreign operations		-	-	49	49	31	80
Total other comprehensive income for the year		-	-	-1,812	-1,812	94	-1,718
Total comprehensive income for the year		-	10,805	-1,812	8,993	-1,768	7,225
Other equity movements		-	41	-	41	9	50
Total equity movement for the year		-	10,846	-1,812	9,034	-1,759	7,275
BALANCE AT 31/12/2015		**297,472**	**2,073,012**	**-2,816**	**2,367,668**	**7,984**	**2,375,652**

CONSOLIDATED STATEMENT OF CASH FLOWS (1)(2)(3)

IN THOUSANDS EUR	NOTE	31/12/2016	31/12/2015
CASH FLOWS FROM OPERATING ACTIVITIES			
PROFIT / (LOSS) BEFORE INCOME TAX		**26,733**	**2,072**
Adjustments for:			
Depreciation and amortisation	26	4,760	4,598
Movement of provisions	17	-165	152
Write-offs on trade receivables	22	5,311	11,098
Impairment charges	27	-	1,705
Fair value gains/losses on financial assets at FVTPL	27	-53,471	-14,615
Gains on sale of available-for-sale financial investments	27	-814	-6,999
Other non-cash items		-	404
Finance income (Net)		-79,429	-33,066
Gain on disposal of subsidiaries	22	-869	-
Net of unrealised exchange-rate differences		43,532	18,065
Subtotal (profit + adjustments)		**-54,412**	**-16,585**
Changes in working capital assets and liabilities (excluding the effect of exchange differences on consolidation):			
Liabilities arising from insurance contracts		-18,162	313,365
Employee benefits (excluding remeasurements through OCI)		631	-125
Payables		-6,144	50,691
Other liabilities		7,304	-7,032
Reinsurance assets		17,199	-49,932
Changes in receivables		74,180	-168,398
Changes in other financial assets		-46	-136
Changes in other assets		-506	-3,275
Other equity movements		-	50
Cash (used in)/generated from operations		**20,044**	**118,624**
Income tax paid		-701	-1,050
Net cash (used in)/generated by operating activities		**19,343**	**117,574**

IN THOUSANDS EUR	NOTE	31/12/2016	31/12/2015
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	-2,426	-782
Sale of property, plant and equipment	6	9	69
Purchase of intangible assets	5	-5,806	-8,873
Purchase of financial investments		-426,435	-493,784
Proceeds from sale of financial investments		484,266	300,290
Net cash flows from disposal of subsidiaries		-1,076	-
Interests and dividends received on financial assets		5,268	19,058
Realised exchange gains/(losses) on financial assets		-716	17,587
Other movements		-	18
Net cash (used in)/generated by investing activities		**53,084**	**-166,417**
CASH FLOWS FROM FINANCING ACTIVITIES			
Acquisition of non-controlling interests	32	-6,144	-
Financial charges and interest costs paid		-3,279	-2,431
Net cash (used in)/generated by financing activities		**-9,423**	**-2,431**
CHANGES IN CASH AND CASH EQUIVALENTS			
Net (decrease)/increase in cash and cash equivalents		63,004	-51,273
Cash and cash equivalents at the beginning of the year		317,647	363,722
Exchange gains/(losses) on cash and cash equivalents		825	5,197
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**13**	**381,476**	**317,647**

(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.
(3) Cash and cash equivalents 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 8,602

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

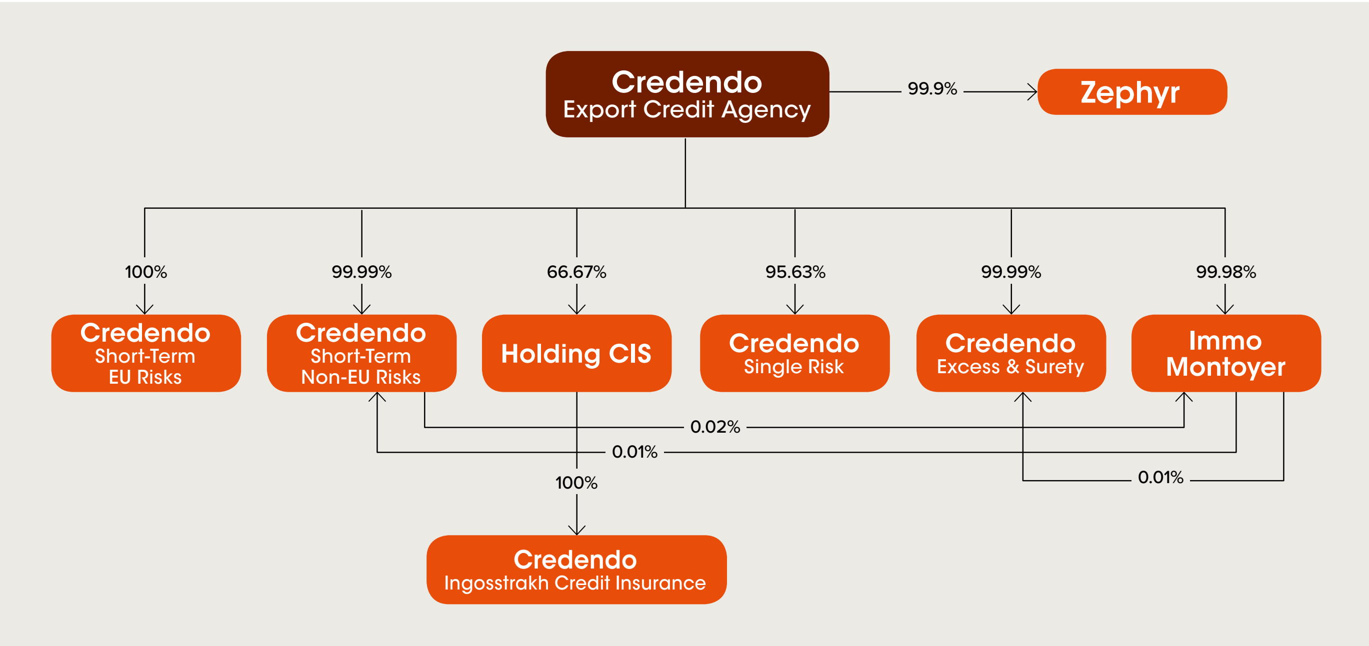
Credendo – Export Credit Agency (commercial name of Delcredere | Ducroire) and its subsidiaries form Credendo.

Credendo – Export Credit Agency is the official Belgian Export Credit Agency.

Credendo – Export Credit Agency 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, Credendo – Export Credit Agency can also work alongside banks through risk-sharing schemes. Credendo – Export Credit Agency also insures against political risks relating to foreign direct investments and directly finances commercial transactions of limited proportion.

The skills of Credendo – Export Credit Agency are complemented by those of its subsidiaries (together 'Credendo'): Credendo – Short-Term Non-EU Risks (formerly known as Credimundi), Credendo – Short-Term EU Risks (formerly known as KUPEG), Credendo – Single Risk (formerly known as Garant), Credendo – Ingosstrakh Credit Insurance (formerly known as INGO-ONDD) and Credendo – Excess & Surety (formerly known as Trade Credit).

Credendo – Export Credit Agency 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 provides insurance cover for companies within Europe, while the risks covered encompass the whole world. The company operates in Belgium, Austria, the Czech Republic, France, Germany, Italy, Luxembourg, the Netherlands, Poland, Russia, Slovakia, Spain, Switzerland and the United Kingdom.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL PRINCIPLES

The consolidated financial statements of Credendo – Export Credit Agency (hereinafter referred to as Credendo) per 31/12/2016 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 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 (FVTPL) and financial instruments available for sale (AFS)). These financial statements are prepared on an accrual basis and on the assumption that the entity is a going concern and will continue in operation in the foreseeable future.

The following new amendments to standards are mandatory for the first time for the financial year beginning 01/01/2016:

> Amendment to IFRS 11 'Joint arrangements' on the acquisition of an interest in a joint operation, effective for annual periods beginning on or after 01/01/2016. This amendment provides guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.

> 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 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 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.

> 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 grape vines, 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.

> 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 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.

> Annual improvements 2012-2014 (effective and endorsed for 01/01/2016). This set of amendments impacts 4 standards: IFRS 5 'Non-current assets held for sale and discontinued operations' regarding methods of disposal; IFRS 7 'Financial instruments: Disclosures' (with consequential amendments to IFRS 1) regarding servicing contracts; IAS 19 'Employee benefits' regarding discount rates; IAS 34 'Interim financial reporting' regarding the disclosure of information.

None of the above-mentioned amendments to standards are expected to have an effect on the consolidated financial statements of Credendo at the date of initial application. The amendments to IAS 1 will not materially affect the presentation and disclosures of the financial statements of Credendo upon initial application.

The following new standards have been issued, but are not mandatory for the first time for the financial year beginning 01/01/2016 and have been endorsed by the European Union:

> IFRS 15 'Revenue from contracts with customers'. The standard will improve the 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. No significant impact of the application of the standard is expected as Credendo does not hold any significant operations which fall within the scope of IFRS 15.

> IFRS 9 'Financial instruments', effective for annual periods beginning on or after 01/01/2018. The standard addresses the classification, measurement, and derecognition of financial assets and financial liabilities and general hedge accounting.

Credendo intends to postpone the application of IFRS 9 to 2021 in accordance with an amendment to IFRS 4 (see below) in order to apply IFRS 9 at the same time as the future IFRS 17 'Insurance contracts'. Since the two standards are closely linked, the qualitative and quantitative analysis of the impact of IFRS 9 will be performed as soon as the future IFRS 17 is published.

The following new standards, amendments to standards and interpretation have been issued, but are not mandatory for the first time for the financial year beginning 01/01/2016 and have not been endorsed by the European Union:

> Annual improvements 2014-2016. This set of amendments impacts three standards: IFRS 1 'First-time adoption of International Financial Reporting Standards' regarding short-term exemptions for first-time adopters (effective 01/01/2018), IFRS 12 'Disclosure of interests in other entities' regarding the scope of the standard (effective 01/01/2017), and IAS 28 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value (effective 01/01/2018).

> 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. The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.

> IFRS 16 'Leases'. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. Under IFRS 16, a contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
No significant impact of the application of the standard is expected as the volume of Credendo's operations falling within the scope of the standard (operating leases) is very limited.

> Amendments to IFRS 10 'Consolidated financial statements' and IAS 28 'Investments in associates and joint ventures', for which the effective date still has to be determined. 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 IAS 12 'Income taxes' on the recognition of deferred tax assets for unrealised losses (effective 01/01/2017). These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

> Amendments to IAS 7 'Statement of cash flows' (effective 01/01/2017). These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

> Amendments to IFRS 15 'Revenue from contracts with customers' – Clarifications (effective 01/01/2018). These amendments comprise clarification guidance on identifying performance obligations, accounting for licences of intellectual property and the principal-versus-agent assessment. The amendment also includes more illustrative examples.

> Amendments to IFRS 2 'Share-based payments' (effective 01/01/2018). The amendment clarifies the measurement basis for cash-settled payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and to pay the amount to the tax authorities.

> IAS 40 'Investment property' (effective 01/01/2018). These amendments clarify requirements related to transfers to or from investment property. The transfer should be recorded as a result of a change in the use of the asset, which should be supported by evidence, not by management's intentions in isolation.

> IFRIC 22 'Foreign-currency transactions and advance considerations' (effective 01/01/2018). This interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or liability arising from the payment or receipt of advance consideration in a foreign currency.

> Amendments to IFRS 4: Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (effective 01/01/2018). The amendments provide two options for entities that issue insurance contracts within the scope of IFRS 4:
  - an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets (the 'overlay approach'); and
  - an optional temporary exemption from applying IFRS 9 for entities, the predominant activity of which is issuing contracts within the scope of IFRS 4 (the 'deferral approach').

2.2. CONSOLIDATION

A. SUBSIDIARIES

Credendo 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 has control. Credendo controls an entity when Credendo is exposed to, or has rights to, variable returns from its involvement with 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. 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.

The non-controlling interests in the net assets and net results of consolidated subsidiaries are presented separately in the consolidated statement of financial position, the consolidated income statement and the 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 has significant influence but no control, generally through a shareholding of 20% to 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 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'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's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, Credendo 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 determines whether there is any objective evidence that the investment in the associate is impaired. If this is the case, Credendo 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 and its associates are recognised in the Credendo 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.

2.3. BUSINESS COMBINATIONS

Credendo 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 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 recognises any non-controlling interest 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, in the statement of financial position and in the income statement respectively.

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 of 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's previously held equity interest in the acquired entity is remeasured to fair value at the acquisition date (i.e. the date Credendo obtains control) and the resulting gain or loss, if any, is recognised in the profit or loss account.

When Credendo 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 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 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 the Credendo 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 is the euro except for Credendo – Short-Term EU Risks, for which the functional currency is the Czech crown, and Credendo – Ingosstrakh Credit Insurance, for which the functional currency is the Russian rouble.

The consolidated financial statements are presented in thousands of euros, which is Credendo – Export Credit Agency'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 'Net financial income'. All other foreign-exchange gains and losses are presented in the income statement within 'Net insurance premium revenue' or 'Net insurance claims and loss adjustment 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 positions of all Credendo 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 losing control over a subsidiary that includes a foreign operation, the proportionate share of cumulative amount of exchange differences is reattributed to non-controlling interests in that foreign operation and is 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 is 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 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 an item's cost to its residual values over its estimated useful life, 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'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 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 LICENCES

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 licences 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 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's loans and receivables also comprise 'Loans and receivables including reinsurance receivables', 'Expected recoveries on claims paid', and 'Cash and cash equivalents'.

AVAILABLE-FOR-SALE FINANCIAL INVESTMENTS (FVOCI)

Available-for-sale investments or at fair value through other comprehensive income (FVOCI) 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).

B. RECOGNITION AND MEASUREMENT

Regular purchases and sales of financial assets are recognised on the trade date, i.e. the date on which Credendo 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 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'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'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 input 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 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 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 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 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 is 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 first assesses whether objective evidence of impairment exists individually for financial investments that are individually significant. If Credendo 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 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 time that 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 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 by 20% or more is regarded as significant, and a period of one year or longer is considered as 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 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 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 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 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 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 re-measured at their fair value. Derivative financial instruments are only used within Credendo 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 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

Credendo – Export Credit Agency 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 issues insurance contracts and takes up the risks of the insured by insuring them. Insurance contracts are those contracts under which Credendo 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 defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% higher than the benefits payable if the insured event did not occur.

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

None of the insurance contracts of Credendo contain a discretionary participation feature (DPF), nor embedded derivatives. Credendo 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. The foreign exchange risk can be included.
- **Investment insurance contracts:** insurance contracts for foreign direct investments (FDI) whereby the investor or bank is insured against the 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 bondholder.

> **Surety contracts:** also known as 'bonding contracts', these are contracts that provide compensation to the beneficiary of the contract if Credendo'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 also issues legal bonds, e.g. in favour of the VAT or customs administration.

> **Forfaiting 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. Credendo 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 has a direct risk of non-payment of claims on the debtor. Credit insurance, investment insurance, financial guarantees, surety business and forfaiting are commonly referred to as direct business activity. Part of the risk of these insurance activities – financial guarantees and forfaiting excepted – is ceded to reinsurers.

> **Inward reinsurance contracts:** contracts that reinsure similar risks as the direct business, but are 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 has thus continued to apply the insurance regulations of Belgium for Credendo – Export Credit Agency, Credendo – Short-Term Non-EU Risks and Credendo – Excess & Surety, of the Czech Republic for Credendo – Short-Term EU Risks, of Austria for Credendo – Single Risk, and of Russia for Credendo – Ingosstrakh Credit Insurance. These are all 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 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 has chosen to continue the policy of not discounting its insurance liabilities and technical provisions.

Credendo 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 Credendo – Export Credit Agency, Credendo – Short-Term Non-EU Risks and Credendo – Excess & Surety 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, 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 Credendo – Export Credit Agency, Credendo – Short-Term Non-EU Risks and Credendo – Excess & Surety 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 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 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 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 at the moment of notification of non-payment. This is also valid for Credendo – Ingosstrakh Credit Insurance's IFRS figures contrary to the local RuGAAP in which the RBNS provision is accounted for at the end of the waiting period, determined on a contract-per-contract basis.

F. THE PROVISION FOR CLAIMS HANDLING EXPENSES

The provision for claims handling expenses at Credendo – Export Credit Agency and Credendo – Short-Term Non-EU Risks 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 Credendo – Excess & Surety only internal handling costs are taken into account. The provision amounts to 2% of the IBNR and RBNS provisions.

For Credendo – Single Risk and Credendo – Short-Term EU Risks, only external handling costs are taken into account for provisioning. For Credendo – Short-Term EU Risks, 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 Credendo – Ingosstrakh Credit Insurance 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 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 performs an impairment test on its reinsurance recoverables. If there is objective evidence that the reinsurance-related assets need to be impaired, Credendo 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 in case 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's 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 Credendo – Export Credit Agency 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 the 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 operates various pension schemes, including both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which Credendo pays fixed contributions into a separate entity. Credendo has theoretically no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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. In countries where there is no deep market in such bonds the market rates on government bonds are used.

Actuarial gains and losses 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 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 before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Credendo recognises termination benefits at the earlier of the following dates: when Credendo 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 recognises a liability and an expense for bonuses. Credendo 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 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 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;

> forfaiting;

> 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.

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's right to receive payment is established, which, in the case of quoted securities, is the ex-dividend date.

Investment expenses (included under 'Finance expenses' in the income statement) comprise decreases in the fair value of financial investments at fair value through profit or loss, impairment losses recognised on financial investments recognised in the income statement.

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 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. DIVIDEND INCOME

Dividend income is recognised when the right to receive payment is established.

2.20. LEASES

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 leases certain property, plant and equipment. The leases of property, plant and equipment where Credendo 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.

2.21. ASSETS AND LIABILITIES HELD FOR SALE & 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 a sale is considered highly probable. They are measured at the lower of their carrying amount 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 exempt 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 a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of 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 a resale. The results of discontinued operations are presented separately in the statement of comprehensive income.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Credendo 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's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that Credendo 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 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 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 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 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 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'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 operates. Given the various uncertainties described above, a time horizon of three years is used by Credendo in its analysis. The underlying assumptions of this analysis are reviewed annually.

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

Credendo recognises the importance of effective risk management and internal control systems. In this regard, Credendo 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 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.

Credendo – Export Credit Agency's Board of Directors lays out the Credendo risk management strategy to implement a consistent group-wide risk management framework, applicable for the different subsidiaries that are part of Credendo. 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 is structured and how it should operate in practice, in order to balance control, risk management and transparency, while supporting Credendo'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.

Credendo – Export Credit Agency's Board of Directors, responsible for risk management and internal control at Credendo level, has, without affecting this responsibility in any way, delegated its authority to take decisions in this context to Credendo – Export Credit Agency'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 Credendo – Export Credit Agency'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 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 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'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 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 entities insure non-payment risks attached to international and domestic sales of goods, prefinancing and delivery of services. Losses may arise from debtor insolvency or 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 the 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 Credendo – Export Credit Agency and the PRI product of Credendo – Single Risk. 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 entities Credendo – Excess & Surety and Credendo – Short-Term EU Risks 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 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 Credendo – Excess & Surety 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 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. Credendo – Short-Term Non-EU Risks 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'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 by EUR 26.4 million (2015: EUR 26.9 million). A 10% rise in claims expenses would lower the pre-tax income by EUR 39.1 million (2015: EUR 35.3 million).

4.1.5 CHANGE IN ASSUMPTIONS

No assumption changes with material impact have occurred since 01/01/2016.

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 BY TOP 10 DEBTOR COUNTRIES (IN MILLION EUR)

	31/12/2016			31/12/2015	
COUNTRY	TOTAL POTENTIAL EXPOSURE	%	COUNTRY	TOTAL POTENTIAL EXPOSURE	%
Russia	3,483	6.3%	Russia	3,524	5.9%
United States	2,204	4.0%	Turkey	2,483	4.1%
Turkey	2,087	3.8%	Belgium	2,423	4.0%
Brazil	2,046	3.7%	France	2,311	3.9%
Belgium	1,926	3.5%	Germany	2,281	3.8%
Italy	1,903	3.5%	United States	2,152	3.6%
Germany	1,812	3.3%	Brazil	2,089	3.5%
France	1,684	3.1%	Italy	1,832	3.1%
Poland	1,668	3.0%	Saudi Arabia	1,716	2.9%
Saudi Arabia	1,494	2.7%	China	1,664	2.8%
Other countries	34,798	63.1%	Other countries	37,521	62.5%
TOTAL POTENTIAL EXPOSURE	**55,104**	**100%**	**TOTAL POTENTIAL EXPOSURE**	**59,996**	**100%**

4.1.7 CLAIMS DEVELOPMENT TABLES

In addition to scenario testing, the development of insurance liabilities provides a measure of Credendo'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 entities' estimates of total claims outstanding for each occurrence/underwriting year have changed at successive year-ends.

Amounts are gross of any intragroup 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 Credendo – Export Credit Agency'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:

CREDENDO – EXPORT CREDIT AGENCY – DIRECT MLT BUSINESS								
	REPORTED CLAIMS, GROSS (IN MILLION EUR)							
OCCURRENCE YEAR	2010	2011	2012	2013	2014	2015	2016	TOTAL
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	263.5	153.2	196.9	108.9	54.5	143.4	285.6	
One year later	235.0	167.5	172.9	101.9	93.4	43.7		
Two years later	130.3	174.3	103.2	119.9	106.8			
Three years later	120.2	197.7	108.6	136.5				
Four years later	137.9	168.6	81.1					
Five years later	151.8	181.5						
Six years later	83.0							
Current estimate of cumulative claims	83.0	181.5	81.1	136.5	106.8	43.7	285.6	918.3
Cumulative payments to date	82.2	156.2	53.9	73.7	35.9	10.7	51.9	464.6
Liability in respect to prior years								15.3
TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2016								**469.0**

CREDENDO – EXPORT CREDIT AGENCY – DIRECT MLT BUSINESS								
	REPORTED CLAIMS, NET (IN MILLION EUR)							
OCCURRENCE YEAR	2010	2011	2012	2013	2014	2015	2016	TOTAL
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	251.8	139.5	177.2	98.2	50.8	132.8	244.5	
One year later	228.9	153.7	150.9	85.2	67.1	35.8		
Two years later	118.6	164.1	60.8	94.7	94.2			
Three years later	109.3	104.8	66.0	105.6				
Four years later	49.0	75.7	46.8					
Five years later	58.9	92.6						
Six years later	-8.2							
Current estimate of cumulative claims	-8.2	92.6	46.8	105.6	94.2	35.8	244.5	611.3
Cumulative payments to date	-8.7	67.2	23.5	45.4	27.4	4.1	45.9	204.7
Liability in respect to prior years								12.5
TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2016								**419.1**

Most Credendo 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 Credendo – Export Credit Agency's ST and Credendo – Short-Term Non-EU Risks' direct business, the accident or risk occurrence year is defined in terms of the (first) maturity date for credit insurance and, for Credendo – Short-Term Non-EU Risks' small surety contracts business, in terms of the date of bond calling:

CREDENDO – EXPORT CREDIT AGENCY – DIRECT ST BUSINESS & CREDENDO – SHORT-TERM NON-EU RISKS	REPORTED CLAIMS, GROSS (IN MILLION EUR)							
OCCURRENCE YEAR	2010	2011	2012	2013	2014	2015	2016	TOTAL
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	36.0	43.7	31.9	49.7	74.9	113.5	83.3	
One year later	35.3	34.1	34.7	66.6	108.1	131.7		
Two years later	33.4	30.2	32.0	68.9	130.4			
Three years later	26.3	28.9	32.0	66.1				
Four years later	23.1	28.7	30.2					
Five years later	22.9	28.6						
Six years later	22.6							
Current estimate of cumulative claims	22.6	28.6	30.2	66.1	130.4	131.7	83.3	492.9
Cumulative payments to date	21.4	25.7	29.9	61.1	115.4	92.4	14.9	360.8
Liability in respect to prior years								29.2
TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2016								**161.3**

CREDENDO – EXPORT CREDIT AGENCY – DIRECT ST BUSINESS & CREDENDO – SHORT-TERM NON-EU RISKS	REPORTED CLAIMS, NET (IN MILLION EUR)							
OCCURRENCE YEAR	2010	2011	2012	2013	2014	2015	2016	TOTAL
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	27.3	32.9	21.4	35.6	46.1	73.7	68.1	
One year later	25.9	23.0	22.5	42.9	67.0	87.5		
Two years later	23.8	19.9	19.7	45.3	78.0			
Three years later	17.0	18.5	19.8	42.7				
Four years later	13.8	18.5	18.5					
Five years later	13.6	18.5						
Six years later	13.4							
Current estimate of cumulative claims	13.4	18.5	18.5	42.7	78.0	87.5	68.1	326.6
Cumulative payments to date	12.7	16.0	18.1	38.8	67.5	59.0	8.7	220.8
Liability in respect to prior years								17.5
TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2016								**123.3**

In the following claims development tables for Credendo – Short-Term EU Risks and Credendo – Ingosstrakh Credit Insurance (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:

CREDENDO – SHORT-TERM EU RISKS & CREDENDO – INGOSSTRAKH CREDIT INSURANCE	INCURRED LOSSES, GROSS (IN MILLION EUR)							
OCCURRENCE YEAR	2010	2011	2012	2013	2014	2015	2016	TOTAL
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	9.8	12.9	35.0	15.2	14.7	27.5	17.8	
One year later	8.3	11.9	34.9	15.8	16.8	23.7		
Two years later	7.4	10.9	34.6	15.4	15.6			
Three years later	7.1	10.7	33.2	25.0				
Four years later	6.9	10.7	33.1					
Five years later	6.7	10.6						
Six years later	6.6							
Current estimate of cumulative claims	6.6	10.6	33.1	25.0	15.6	23.7	17.8	132.5
Cumulative payments to date	6.6	10.6	9.3	15.1	15.5	14.1	6.4	77.6
Liability in respect to prior years								0.2
TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2016								**55.1**

CREDENDO – SHORT-TERM EU RISKS & CREDENDO – INGOSSTRAKH CREDIT INSURANCE	INCURRED LOSSES, NET (IN MILLION EUR)							
OCCURRENCE YEAR	2010	2011	2012	2013	2014	2015	2016	TOTAL
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	4.9	5.5	5.8	5.6	5.3	12.0	7.3	
One year later	4.1	4.9	5.2	5.3	6.9	10.1		
Two years later	3.7	4.4	5.1	5.2	6.4			
Three years later	3.6	4.3	4.3	6.4				
Four years later	3.4	4.3	13.2					
Five years later	3.3	4.3						
Six years later	3.3							
Current estimate of cumulative claims	3.3	4.3	13.2	6.4	6.4	10.1	7.3	50.9
Cumulative payments to date	3.3	4.3	3.6	4.1	6.4	5.9	2.5	30.1
Liability in respect to prior years								0.1
TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2016								**20.9**

Finally, the following development tables for the excess-of-loss activity of Credendo – Excess & Surety (gross and net of reinsurance) are defined in underwriting years and for its small surety contracts business, in terms of the date of bond calling:

CREDENDO – EXCESS & SURETY	REPORTED CLAIMS, GROSS (IN MILLION EUR)							
UNDERWRITING YEAR	2010	2011	2012	2013	2014	2015	2016	TOTAL
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	3.5	5.6	2.8	3.8	3.4	4.5	5.2	
One year later	7.7	11.7	10.3	9.4	7.1	10.3		
Two years later	9.7	15.3	15.1	9.0	5.1			
Three years later	11.1	16.5	13.3	6.6				
Four years later	11.1	15.7	12.9					
Five years later	11.8	15.5						
Six years later	11.8							
Current estimate of cumulative claims	11.8	15.5	12.9	6.6	5.1	10.3	5.2	67.3
Cumulative payments to date	10.4	15.4	12.1	5.6	4.0	5.2	0.2	53.0
Liability in respect to prior years								0.7
TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2016								**15.1**

CREDENDO – EXCESS & SURETY	REPORTED CLAIMS, NET (IN MILLION EUR)							
UNDERWRITING YEAR	2010	2011	2012	2013	2014	2015	2016	TOTAL
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	0.9	1.4	0.7	1.0	0.9	1.1	1.3	
One year later	1.9	2.9	2.6	2.3	1.8	2.6		
Two years later	2.4	3.8	3.8	2.2	1.3			
Three years later	2.8	4.1	3.3	1.6				
Four years later	2.8	3.9	3.2					
Five years later	3.0	3.9						
Six years later	3.0							
Current estimate of cumulative claims	3.0	3.9	3.2	1.6	1.3	2.6	1.3	16.8
Cumulative payments to date	2.6	3.8	3.0	1.4	1.0	1.3	0.0	13.2
Liability in respect to prior years								0.2
TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2016								**3.8**

Credendo – Single Risk'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 when historical data will be meaningful.

4.2. FINANCIAL RISK

Credendo 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 entities' risk management framework also covers the unpredictability of financial markets and seeks to minimise potential adverse effects on their 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'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 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 the 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 maximum K EUR 875 (2015: K EUR 935) due to a change in financial income, if interest rates would have been 100 bps lower/ higher respectively.

4.2.1.2 CURRENCY RISK

Credendo 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 are as follows:

CURRENCY RISK EXPOSURES (IN MILLION EUR)	31/12/2016	31/12/2015
ASSETS DENOMINATED IN FOREIGN CURRENCY		
Financial investments		
USD	293.3	214.2
GBP	33.4	21.9
Reinsurers' share of insurance liabilities		
USD	92.9	124.2
GBP	1.7	1.3

CURRENCY RISK EXPOSURES (IN MILLION EUR)	31/12/2016	31/12/2015
LIABILITIES DENOMINATED IN FOREIGN CURRENCY		
Financial liabilities		
USD		
GBP		
Liabilities arising from insurance contracts		
USD	549.9	614.7
GBP	3.3	3.2

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 16.4 million (2015: EUR 27.6 million) and of the net asset position in GBP of EUR 3.2 million (2015: EUR 2.0 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 13.2 million (2015: EUR 25.6 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 2016	1.05	0.85	27.02	64.30
% fluctuation since the end of 2015	-3.5%	16.9%	0.0%	-20.3%
Average 2016	1.11	0.82	27.04	73.31

4.2.1.3 EQUITY PRICE RISK

Equity represents a significant percentage in the consolidated Credendo 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 1.0 million higher/lower (2015: EUR 1.2 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 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 & CASH (EQUIVALENTS) AT 31/12/2016							
Government bonds	117	515	58	94	5	51	840
Funds invested in debt/security instruments	19	56	490	256	13	71	905
Funds invested in equity instruments						706	706
Fixed-term deposits	-	-	10	9	-	-	19
Cash and cash equivalents	-	5	359	15	1	71	451
TOTAL	**136**	**576**	**917**	**374**	**19**	**899**	**2,921**

CREDIT RISK EXPOSURES (IN MILLION EUR)	AAA	AA	A	BBB	<BBB	Non-rated	TOTAL
FINANCIAL INVESTMENTS & 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						618	618
Fixed-term deposits	-	5	19	5	2	145	175
Cash and cash equivalents	-	-	139	15	2	153	309
TOTAL	**213**	**545**	**582**	**341**	**27**	**1,138**	**2,846**

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 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 (IN MILLION EUR)	AAA	AA	A	BBB	<BBB	Non-rated	TOTAL
Reinsurers' share of insurance liabilities							
31/12/2016	0.0	70.1	133.9	-	-	38.8	242.7
31/12/2015	0.1	56.5	183.5	-	-	11.9	252.1

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 entities' principal cash outflow commitments are related to their insurance liabilities. Credendo's (non-)derivative financial liabilities equal close to zero.

The insurance liabilities of most of Credendo'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'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 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 has no borrowings or significant financial liabilities the liquidity risk is assessed to be low.

4.2.4 CAPITAL MANAGEMENT

The capital management framework considers the interaction between the available and required capital on the one hand, the risk profile and its expected and stressed evolution on the other.

Credendo entities relate risk tolerance to risk-based capital concepts, relevant for different stakeholders.

The following capital concepts are used within Credendo:

> Solvency II Capital Requirement (SCR): the regulatory SCR corresponds to a value-at-risk (VaR) of the basic own funds subject to a confidence level of 99.5% to meet the obligations to policyholders over the following 12 months.

> Rating capital: rating agencies also use risk-based capital models that indicate the VaR amount of own funds corresponding to varying confidence intervals commensurate with a target rating category.

> Economic capital: amount of own funds needed according to an internal model and a defined measure (value-at-risk, tail-value-at-risk,…) and confidence level.

Regarding the external regulation, all Credendo entities met the minimum capital requirement thresholds in 2016 as imposed by their respective jurisdictions.

Credendo entities subject to the EU-wide Solvency II insurance regulation, that is all entities except Russia-based Credendo – Ingosstrakh Credit Insurance and parent company Credendo – Export Credit Agency, 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. Their actual Solvency II capital adequacy is disclosed in their Solvency & Financial Condition Report.

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

> Credendo – Single Risk holds an AM Best financial strength rating and Fitch IFS rating of A-;

> parent company Credendo – Export Credit Agency is rated AA by S&P.

The structure and quality of the own funds are managed so as to optimise the mix of available resources, taking into account that capital requirements are to be covered by own funds but also that different metrics are applied according to regulatory, rating agencies' or shareholders' views. The own funds management aims to maximise available resources that provide full absorption of losses on a going-concern basis.

The capital planning strategy aligns the internal capital demand (based on projections of capital requirements taking account of the risk appetite and longer-term business strategy) and the internal capital supply (own funds) over the business planning period, identifying possible needs to raise additional resources. Medium-term capital planning and the projection of risk-based capital metrics should reduce volatility in the capital position and support the capital buffer, ensure access to capital in the future and increase capital efficiency. Optimising capital management includes assessing whether to retain or transfer risks, taking the projection of capital required into account.

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);

> input other than quoted prices included within level 1 that is observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2);

> input for the asset or liability that is not based on observable market data (unobservable input) (Level 3).

The following tables present Credendo's assets and liabilities measured at fair value at 31/12/2016 and 2015. 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.

31/12/2016	LEVEL 1	TOTAL
ASSETS		
Financial assets at fair value through profit or loss	**2,096,688**	**2,096,688**
Government bonds	3,413	3,413
Funds invested in debt instruments	107,480	107,480
Mixed & other funds	1,985,794	1,985,794
Available-for-sale financial assets	**141,499**	**141,499**
Government bonds	21,749	21,749
Funds invested in debt instruments	19,414	19,414
Funds invested in equity instruments	10,256	10,256
Mixed & other funds	90,079	90,079
TOTAL ASSETS	**2,238,187**	**2,238,187**

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 & 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 & other funds	125,792	125,792
TOTAL ASSETS	**2,220,419**	**2,220,419**

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

At 31/12/2016, all financial investments measured at fair value on a recurring basis are classified as level 1 (31/12/2015: 100%). Fair-value measurements classified as level 1 include exchange-traded prices of fixed maturities, equity securities and derivative contracts.

Credendo 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 01/01/2016		5,835	740	12,530	10,902	9,373	39,380
Additions		-	4	550	225	5,027	5,806
Disposals		-	-	-506	-	-	-506
Transfers		-	-	3,919	-	-3,919	-
At cost at 31/12/2016		5,835	744	16,493	11,127	10,481	44,680
Accumulated amortisation and impairments at 01/01/2016		-5,560	-544	-3,722	-5,267	-1,399	-16,492
Amortisation charge	26	-	-89	-1,770	-1,505	-159	-3,523
Amortisation on disposals		-	-	438	-	-	438
Transfers		-	-	-1,488	-	1,488	-
Accumulated amortisation and impairments at 31/12/2016		-5,560	-633	-6,542	-6,772	-69	-19,577
BALANCE AT 01/01/2016		275	196	8,808	5,635	7,974	22,888
BALANCE AT 31/12/2016		275	111	9,951	4,355	10,412	25,103

	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**

The total amortisation expense of K EUR 3,523 (31/12/2015: K EUR 3,443) has been charged in ‘Depreciation and amortisation’ in the income statement.

The 2016 additions (K EUR 5,806) are mainly related to the continuing IT investment projects at Credendo level.

Credendo’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:

31/12/2016	OPENING	IMPAIRMENT	CLOSING
Credendo – Excess & Surety	275		275
TOTAL	**275**	**-**	**275**

31/12/2015	OPENING	IMPAIRMENT	CLOSING
Credendo – Excess & Surety	275		275
TOTAL	**275**	**-**	**275**

During the fourth quarter of 2016, Credendo completed its annual impairment test for goodwill. There was no further impairment of goodwill required.

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 01/01/2016		18,788	10,056	8,160	790	-	816	38,610
Additions		-	2,013	325	39	-	51	2,426
Disposals		-	-1	-32	-	-	-	-33
Transfers		-42	657	262	-615	-	-262	-
Exchange differences		-	-	16	50	-	-	66
At cost at 31/12/2016		18,746	12,724	8,731	264	-	604	41,070
Accumulated depreciation and impairments at 01/01/2016		-1,885	-6,586	-7,625	-581	-	-631	-17,309
Depreciation charge	26	-152	-804	-206	-31	-	-43	-1,237
Depreciation on disposals		-	1	22	-	-	-	24
Transfers		25	-537	-149	512	-	149	-
Exchange differences		-	-	-11	-6	-	-	-16
Accumulated depreciation and impairments at 31/12/2016		-2,013	-7,927	-7,969	-106	-	-525	-18,539
BALANCE AT 01/01/2016		16,902	3,470	535	209	-	185	21,301
BALANCE AT 31/12/2016		16,733	4,798	762	158	-	80	22,531

	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	-
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**

The total depreciation expense of K EUR 1,237 (2015: K EUR 1,154) has been charged in 'Depreciation and amortisation' in the income statement.

The total additions of 2016 amount to K EUR 2,426 (2015: K EUR 782) and are mainly related to the Brussels head office ground floor renovation (K EUR 1,703) and to the acquisition of furniture and hardware (K EUR 551).

Lease rentals amounting to K EUR 2,134 (2015: K EUR 2,221) relating to the lease of offices, cars and office equipment are included in the income statement.

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

7. OTHER FINANCIAL ASSETS

The other financial assets can be detailed as follows:

	2016	2015
Shares in non-consolidated companies	103	103
Cash guarantees	279	234
TOTAL OTHER FINANCIAL ASSETS	**382**	**337**

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 held 100%. Due to its insignificant impact on the consolidated figures, GTS was not consolidated as per 31/12/2016 and 2015. The company was liquidated in April 2017.

8. FINANCIAL INVESTMENTS

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

ANALYSIS BY CLASSES 2016	AVAILABLE FOR SALE	FAIR VALUE THROUGH PROFIT OR LOSS	LOANS AND RECEIVABLES	TOTAL
Government bonds(1)	**21,749**	**3,413**	**297,472**	**322,635**
Quoted	21,749	3,413	-	25,163
Unquoted	-	-	297,472	297,472
Funds invested in debt instruments	**19,414**	**107,480**	**-**	**126,894**
Quoted	19,414	107,480	-	126,894
Funds invested in equity instruments	**10,256**	**-**	**-**	**10,256**
Quoted	10,256	-	-	10,256
Mixed & other funds	**90,079**	**1,985,794**	**-**	**2,075,873**
Quoted	90,079	1,985,794	-	2,075,873
Fixed-term deposits	**-**	**-**	**3,722**	**3,722**
TOTAL FINANCIAL INVESTMENTS	**141,499**	**2,096,688**	**301,194**	**2,539,381**

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

ANALYSIS BY CLASSES 2015	AVAILABLE FOR SALE	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 & 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.

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

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	2016	2015
Current	127,414	170,144
Non-current	2,411,967	2,366,376
TOTAL	**2,539,381**	**2,536,520**

8.1. ZEPHYR

The financial investments as per 31/12/2016 include financial investments in an institutional fund, called Zephyr, for an amount of EUR 2.06 billion (2015: EUR 2.01 billion). These are classified as financial investments at fair value through profit or loss (see table below for more details per asset class). Credendo has elected to designate these financial investments as financial investments at fair value through profit or loss based on the fact that these relate to 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:

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

> three mixed funds for a total amount of EUR 1.04 billion managed by three 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;

> two mixed funds for a total amount of EUR 900 million managed by two 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;

> one fund that contains investments used for the Dynamic Risk Overlay, managed by one 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 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 quarterly 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 31/12/2016 can be detailed as follows:

DETAIL PER ASSET CLASS

ASSET CLASS	MARKET VALUE	
	2016	2015
Government bonds	466,840	451,723
Corporate bonds	779,242	792,492
Equity	545,845	484,523
Cash and cash equivalents	124,810	223,207
Commodities	97,761	40,272
Real estate	47,542	20,419
Forward	-123	-48
TOTAL	**2,061,916**	**2,012,588**

DETAIL PER CURRENCY

CURRENCY	MARKET VALUE	
	2016	2015
EUR	1,747,268	1,741,090
USD	249,904	192,001
JPY	10,722	14,289
GBP	28,867	38,440
CHF	16,908	14,491
SEK	3,505	3,220
KRW	-	1,006
HKD	-	2,214
Other	4,742	5,837
TOTAL	**2,061,916**	**2,012,588**

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

8.2. 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 a 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 31/12/2016 is 4.38 (31/12/2015: 4.20).

The bonds within Zephyr amount to EUR 1,246 million (2015: EUR 1,244 million). An increase (decrease) of 100 bps in interest rates at the reporting date would have decreased (increased) the market value of the bonds by EUR 54.6 million (2015: EUR 52.2 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 of more than 5%.

C. CURRENCY RISK

The main assets in foreign currency within Zephyr are denominated in USD and amount to USD 261 million (EUR 250 million) at 31/12/2016 (31/12/2015: USD 208 million – EUR 192 million).

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

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

8.3. 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 peripheral EU countries such as Italy, Spain and Ireland are allowed as long as they meet all other requirements.

Debt instruments within the target volatility mandates (with limited risk budget) are of high quality as well (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 maximum 180 days.

8.4. LIQUIDITY RISK

The group is exposed to a 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 amounts to EUR 100 million has daily liquidation dates.

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

	NOTE	AVAILABLE FOR SALE	FAIR VALUE THROUGH PROFIT OR LOSS	LOANS AND RECEIVABLES	TOTAL
AT 01/01/2015		**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**
Additions		15,367	410,874	195	426,435
Disposals		-68,625	-398,523	-16,303	-483,452
Net gains/(losses) transfer to equity	15.2	4,106	-	-	4,106
Net gains/(losses) transfer from equity	15.2	-814	-	-	-814
Conversion differences		-7	1,962	1,202	3,157
Net gains/(losses) through profit or loss	27	-	53,471	-	53,471
Other movements		-43	-	-	-43
AT 31/12/2016		**141,499**	**2,096,688**	**301,194**	**2,539,381**

No collateral is held by Credendo 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 2016, no impairment has been booked on the Dynamic Risk Overlay compartment (2015: K EUR 20.8).

During the period from 01/01/2016 till 31/12/2016 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	31/12/2016	31/12/2015
Deferred tax assets to be recovered after more than 12 months	10,762	12,210
Deferred tax assets to be recovered within 12 months	2,421	4,246
Deferred tax assets	**13,183**	**16,456**
Deferred tax liabilities to be recovered after more than 12 months	-2,745	-237
Deferred tax liabilities to be recovered within 12 months	-209	-634
Deferred tax liabilities	**-2,954**	**-871**
NET DEFERRED TAX POSITION	**10,229**	**15,585**

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

DEFERRED TAX ASSETS AND LIABILITIES - SET-OFF	31/12/2016	31/12/2015
Deferred tax assets before set-off	13,415	17,351
Set-off of deferred tax position	-232	-895
Deferred tax assets presented in the statement of financial position	**13,183**	**16,456**
Deferred tax liabilities before set-off	3,186	1,766
Set-off of deferred tax position	-232	-895
Deferred tax liabilities presented in the statement of financial position	**2,954**	**871**

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

GROSS MOVEMENTS DEFERRED TAXES	NOTE	2016	2015
BALANCE AT 01/01		**15,585**	**3,568**
Income statement (charge) /credit	29	-4,681	8,498
Tax (charge)/credit relating to components of other comprehensive income	15.2	-971	2,387
Other movements		94	-531
Transfers to assets held for sale		-	1,908
Exchange differences		202	-245
BALANCE AT 31/12		**10,229**	**15,585**

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsett 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	TOTAL
BALANCE AT 01/01/2016	**14,229**	**641**	**244**	**2,237**	**17,351**
Charged/(credited) to the income statement	-3,592	17	123	-1,062	-4,514
Charged/(credited) to other comprehensive income	-	340	-	-	340
Exchange differences	-	-	-	238	238
BALANCE AT 31/12/2016	**10,637**	**998**	**367**	**1,413**	**13,415**

The deferred tax assets include an amount of K EUR 10,637 which relates to Credendo's tax losses carried forward. 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.

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 01/01/2016	**220**	**553**	**1**	**66**	**926**	**1,766**
Charged/(credited) to the income statement	1	185	7	-11	-15	167
Charged/(credited) to other comprehensive income	1,311			-		1,311
Other movements	-			-	-94	-94
Exchange differences	-			-	36	36
BALANCE AT 31/12/2016	**1,532**	**738**	**8**	**55**	**853**	**3,186**

Deferred income tax liabilities have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of the subsidiaries. Such amounts are permanently reinvested.

10. REINSURANCE ASSETS

REINSURANCE ASSETS	31/12/2016	31/12/2015
REINSURERS' SHARE OF INSURANCE LIABILITIES		
Provision for unearned premium	29,128	30,457
Provision for risk deterioration	7,710	5,539
Provision for IBNR	19,479	25,721
Provision for claims - reported losses - expected claims	183,812	186,828
Provisions profit-sharing and rebates	2,256	3,282
Provision for claims management expenses	206	251
Other technical provisions	44	66
TOTAL	**242,636**	**252,144**

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 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 on the contracts that are reinsured, are included in the receivables (note 11).

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

As a security against potential default by reinsurance counterparties, Credendo retains part of the premium that has to be paid to the reinsurer on a deposit account. Each year, 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	31/12/2016	31/12/2015
RECEIVABLES ON INSURANCE AND REINSURANCE BUSINESS		
Amounts owed by policyholders and direct insurance operations	1,690,130	1,367,639
Receivables arising out of reinsurance	82,728	49,182
Expected recovery on claims paid	248,044	309,667
Provision for impairment	-1,304,044	-980,328
Total receivables related to insurance activity	**716,858**	**746,160**
Other receivables	95,544	67,052
Total other receivables	**95,544**	**67,052**
TOTAL RECEIVABLES	**812,403**	**813,212**

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 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 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 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	2016	2015
BALANCE AT 01/01	**-980,328**	**-937,827**
Final losses on receivables	-	16
Provisions for impairment on receivables	-239	-102
Reversal of provisions for impairment on receivables	68	100
Provisions for impairment on outstanding claims	-598,712	-194,967
Reversal of provisions for impairment on outstanding claims	301,649	214,027
Other movements	-26,481	-61,575
BALANCE AT 31/12	**-1,304,044**	**-980,328**

The creation and release of the provision for impaired receivables of K EUR 5,311 (2015: K EUR 11,098) 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 31/12/2016, total loans and receivables of K EUR 618,338 (31/12/2015: K EUR 439,156) 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 - 31/12/2016	IMPAIRED AND PROVIDED FOR	DUE BUT NOT IMPAIRED	NOT DUE	TOTAL
Gross	1,304,044	618,338	194,065	2,116,446
Impairment	-1,304,044	-	-	-1,304,044
NET	**-**	**618,338**	**194,065**	**812,403**

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**

As of 31/12/2016, K EUR 1,304,044 (2015: K EUR 980,328) of total receivables were impaired.

AGEING ANALYSIS - 31/12/2016	< 3 MONTHS	3 - 6 MONTHS	> 6 MONTHS	TOTAL
Impaired and provided for	-94.712	-17.646	-1.191.687	-1.304.044
% of total	7%	1%	91%	100%
TOTAL	**-94.712**	**-17.646**	**-1.191.687**	**-1.304.044**

AGEING ANALYSIS - 31/12/2015	< 3 MONTHS	3 - 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 - 31/12/2016	< 3 MONTHS	3 - 6 MONTHS	> 6 MONTHS	TOTAL
Due but not impaired	144,109	27,482	446,748	618,338
% of total	23%	4%	72%	100%
TOTAL	**144,109**	**27,482**	**446,748**	**618,338**

AGEING ANALYSIS - 31/12/2015	< 3 MONTHS	3 - 6 MONTHS	> 6 MONTHS	TOTAL
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**

12. OTHER ASSETS

The other assets can be detailed as follows:

	31/12/2016	31/12/2015
Deferred charges	2,601	2,296
Prepaid expenses	1,568	1,430
Accrued interests	1,690	1,792
Accrued revenue on insurance premiums	4,153	3,274
Other accrued income	195	791
TOTAL OTHER ASSETS	**10,207**	**9,583**

13. CASH AND CASH EQUIVALENTS

	31/12/2016	31/12/2015
Cash at bank and in hand	365,489	157,070
Short-term bank deposits	15,987	151,975
CASH AND CASH EQUIVALENTS IN THE STATEMENT OF FINANCIAL POSITION	**381,476**	**309,045**

The effective-interest rate on short-term bank deposits for 2016 amounted to 0.38% (2015: 1.06%).

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

	31/12/2016	31/12/2015
Cash and cash equivalents	381,476	309,045
Bank overdrafts	-	-
CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS	**381,476**	**309,045**

As part of the disposal terms agreed with the acquirer of Trade Credit Re Carré S.A., 20% of the selling price (representing an amount of K EUR 1,505 as at 31/12/2016) was deposited into an escrow account and will be released, subject to the warranties contained in the purchase agreement, on 24/05/2017.

14. ENDOWMENT

	ENDOWMENT	TOTAL
AT 01/01/2015	**297,472**	**297,472**
Change in endowment	-	-
AT 31/12/2015	**297,472**	**297,472**
Change in endowment	-	-
AT 31/12/2016	**297,472**	**297,472**

Credendo – Export Credit Agency 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, the financial assets representing the endowment have been replaced by other financial assets generating a market-conform interest rate. As per 31/12/2016 the endowment is represented by two Euro Medium Term Notes (EMTNs) which will come to maturity in three to five years. These financial assets represent the capital of Credendo – Export Credit Agency 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	2016			2015		
		TOTAL	NCI	SHARE OF PARENT	TOTAL	NCI	SHARE OF PARENT
BALANCE AT 01/01		**2,061,626**	**-11,386**	**2,073,012**	**2,052,633**	**-9,533**	**2,062,166**
Profit/(loss) of the year		20,473	-580	21,053	8,943	-1,862	10,805
Changes in ownership interests in subsidiaries that do not result in a change in control	32	1,362	2,846	-1,484	-	-	-
Other movements		-	-	-	50	9	41
Share in movements consolidated reserves		**21,835**	**2,266**	**19,569**	**8,994**	**-1,853**	**10,846**
BALANCE AT 31/12		**2,083,461**	**-9,120**	**2,092,581**	**2,061,626**	**-11,386**	**2,073,012**

15.2. OTHER COMPREHENSIVE INCOME

	NOTE	2016			2015		
		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	-2,009	-	-2,009	4,369	54	4,315
Deferred tax on actuarial gains/(losses) on defined benefit pension plans	9	340	-	340	-613	-10	-603
Subtotal of items that will not be reclassified to profit or loss		**-1,669**	**-**	**-1,669**	**3,756**	**44**	**3,712**
ITEMS THAT MAY BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS							
Fair-value changes on available-for-sale financial assets	8	3,288	17	3,271	-3,827	-19	-3,808
Foreign-exchange differences on available-for-sale financial assets	8-28	818	35	783	602	7	595
Fair-value changes on available-for-sale financial assets - recycled to profit or loss	8-27	-213	-11	-202	-6,746	17	-6,763
Foreign-exchange differences on available-for-sale financial assets - recycled to profit or loss	8-27-28	-601	-26	-575	-252	20	-272
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 - recycled to profit or loss		-91	-4	-87	-36	-	-36
Deferred taxes thereon	9	-1,311	-5	-1,306	3,000	-6	3,006
		1,890	**6**	**1,884**	**-5,554**	**19**	**-5,573**
Exchange differences on translating foreign operations	28	1,292	427	865	80	31	49
Subtotal of items that may be subsequently reclassified to profit or loss		**3,182**	**433**	**2,749**	**-5,474**	**50**	**-5,524**
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR		**1,513**	**433**	**1,080**	**-1,718**	**94**	**-1,812**

16. LIABILITIES ARISING FROM INSURANCE CONTRACTS AND REINSURANCE ASSETS

	31/12/2016			31/12/2015		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Single risk	1,062,158	-104,681	957,477	973,635	-87,263	886,372
Investment insurance	9,176	-	9,176	4,834	-	4,834
Financial guarantees	8,390	-	8,390	21,229	-	21,229
Sureties	3,178	-1,248	1,930	4,768	-2,373	2,395
Excess of loss & Captives	35,935	-25,865	10,071	51,670	-33,135	18,535
Turnover policies	175,927	-95,938	79,989	225,512	-118,029	107,483
Inward reinsurance	127,557	-14,905	112,652	107,092	-11,344	95,748
LIABILITIES ARISING FROM INSURANCE CONTRACTS PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	**1,422,321**	**-242,636**	**1,179,686**	**1,388,740**	**-252,144**	**1,136,596**

16.1. SINGLE-RISK INSURANCE

	31/12/2016			31/12/2015		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Provision for reported claims and loss adjustment expenses	773,722	-83,044	690,678	698,746	-71,108	627,638
Claims incurred but not reported	13,257	-474	12,783	14,187	-3	14,184
Provision for profit-sharing and rebates	425	-202	223	51	-19	32
Provision for risk deterioration	46,157	-7,619	38,538	26,111	-5,280	20,831
Provision for unearned premiums	216,377	-13,238	203,139	222,226	-10,736	211,490
Provision for claims management expenses	12,128	-77	12,051	12,314	-117	12,197
Other technical provisions	92	-27	65	-	-	-
TOTAL	**1,062,158**	**-104,681**	**957,477**	**973,635**	**-87,263**	**886,372**

16.2. INVESTMENT INSURANCE

	31/12/2016			31/12/2015		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Provision for reported claims and loss adjustment expenses	8,241	-	8,241	4,159	-	4,159
Provision for unearned premiums	796	-	796	597	-	597
Provision for claims management expenses	139	-	139	78	-	78
TOTAL	**9,176**	**-**	**9,176**	**4,834**	**-**	**4,834**

16.3. FINANCIAL GUARANTEES

	31/12/2016			31/12/2015		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Provision for reported claims and loss adjustment expenses	5,527	-	5,527	18,390	-	18,390
Provision for unearned premiums	2,790	-	2,790	2,622	-	2,622
Provision for claims management expenses	73	-	73	216	-	216
TOTAL	**8,390**	**-**	**8,390**	**21,229**	**-**	**21,229**

16.4. SURETIES

	31/12/2016			31/12/2015		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Provision for reported claims and loss adjustment expenses	2,458	-817	1,641	3,346	-1,248	2,099
Claims incurred but not reported	52	-39	13	-	-	-
Provision for unearned premiums	643	-392	251	1,401	-1,125	276
Provision for claims management expenses	25	-	25	20	-	20
TOTAL	**3,178**	**-1,248**	**1,930**	**4,768**	**-2,373**	**2,395**

16.5. EXCESS-OF-LOSS & CAPTIVE INSURANCE

	31/12/2016			31/12/2015		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Provision for reported claims and loss adjustment expenses	14,830	-10,832	3,998	15,824	-11,576	4,248
Claims incurred but not reported	11,882	-8,912	2,971	12,104	-8,753	3,351
Provision for profit-sharing and rebates	831	-623	208	841	-1,589	-748
Provision for unearned premiums	7,856	-5,498	2,358	22,147	-11,150	10,996
Provision for claims management expenses	536	-	536	559	-	559
Other technical provisions	-	-	-	197	-66	131
TOTAL	**35,935**	**-25,865**	**10,071**	**51,670**	**-33,135**	**18,535**

16.6. TURNOVER POLICIES

	31/12/2016			31/12/2015		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Provision for reported claims and loss adjustment expenses	135,153	-77,900	57,253	179,511	-101,786	77,725
Claims incurred but not reported	19,936	-9,081	10,855	29,238	-9,548	19,690
Provision for profit-sharing and rebates	3,197	-1,340	1,857	3,896	-1,591	2,305
Provision for risk deterioration	252	-91	161	654	-259	395
Provision for unearned premiums	14,738	-7,415	7,324	9,686	-4,753	4,933
Provision for claims management expenses	2,491	-110	2,380	2,528	-93	2,435
Other technical provisions	159	-	159	-	-	-
TOTAL	**175,927**	**-95,938**	**79,989**	**225,512**	**-118,029**	**107,483**

16.7. INWARD REINSURANCE

	31/12/2016			31/12/2015		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Provision for reported claims and loss adjustment expenses	62,731	-11,219	51,512	49,057	-1,110	47,947
Claims incurred but not reported	44,869	-974	43,896	38,711	-7,417	31,294
Provision for profit-sharing and rebates	98	-91	6	107	-83	24
Provision for unearned premiums	19,565	-2,586	16,979	19,105	-2,692	16,413
Provision for claims management expenses	241	-18	224	111	-42	69
Other technical provisions	53	-17	36	-	-	-
TOTAL	**127,557**	**-14,905**	**112,652**	**107,092**	**-11,344**	**95,748**

17. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	LITIGATION	OTHER	TOTAL
BALANCE AT 01/01/2016	**231**	**162**	**393**
Charged/(credited) to the income statement:			
Additional provisions	170	-78	92
Unused amounts reversed	-240	-	-240
Used during period	**-17**	**-**	**-17**
BALANCE AT 31/12/2016	**143**	**84**	**227**
Current	143	40	183
Non-current	-	44	44

	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

18. EMPLOYEE BENEFIT OBLIGATIONS

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

	31/12/2016	31/12/2015
Short-term employee benefits	6,013	5,368
Post-employment benefits	5,327	3,322
Other long-term employee benefits	294	304
TOTAL	**11,634**	**8,994**

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

The TOU (Technical Operating Unit) Credendo 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. As a result of a law change in December 2015, the interest rate to be guaranteed is variable starting from 01/01/2016, based on a mechanism linked to the return of the Belgian OLO bond with a minimum of 1.75% and a maximum of 3.75%. For 2016, the minimum return is 1.75%.

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 employment service in the current and prior periods. Therefore these plans are classified and accounted for as defined benefit plans under IAS 19 except for one pension plan. The potential additional liabilities for this pension plan as at 31/12/2016 are, however, assessed as not significant. For your information, some key figures related to the plan are given below:

> employer contributions 2016: K EUR 256 (2015: K EUR 68).

As from 01/10/2014 the TOU Credendo introduced a new defined benefit plan for all new hires, 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 and to the benefits payment to the employee.

The TOU Credendo – Single Risk 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 employees are entitled to a severance payment, the amount of which depends on monthly salary and years of service and which is paid out upon resignation or at the retirement date.

Credendo – Single Risk 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	31/12/2016	31/12/2015
Present value of funded obligations	-46,975	-42,448
Fair value of plan assets	45,076	42,562
Deficit/surplus of funded plans	**-1,899**	**114**
Present value of unfunded obligations	-3,428	-3,436
NET ASSET/(LIABILITY) IN THE STATEMENT OF FINANCIAL POSITION	**-5,327**	**-3,322**

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

DEFINED BENEFIT OBLIGATION	31/12/2016	31/12/2015
DEFINED BENEFIT OBLIGATION AT 01/01	45,884	46,758
Current service cost	2,819	3,447
Interest cost	868	825
Remeasurements:	2,166	-3,900
Remeasurements resulting from changes in demographic assumptions	-	101
Remeasurements resulting from changes in financial assumptions	3,361	-2,073
Remeasurements resulting from experience gains/losses	-1,195	-1,927
Administration expense	-72	-88
Taxes paid	-246	-302
Benefits paid from plan	-1,016	-857
DEFINED BENEFIT OBLIGATION AT 31/12	50,403	45,884

The weighted average duration of the defined benefit obligation in Belgium is 12.8 years. In Austria the average duration of the defined benefit obligation is 21.13 years.

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

FAIR VALUE OF PLAN ASSETS	31/12/2016	31/12/2015
FAIR VALUE OF PLAN ASSETS AT 01/01	42,562	39,213
Interest income	876	711
Remeasurements: return on plan assets excluding interest income	157	469
Employer contributions	2,633	3,230
Administration expense	-72	-88
Taxes paid	-246	-302
Benefits paid from plan	-834	-671
FAIR VALUE OF PLAN ASSETS AT 31/12	45,076	42,562

Plan assets are represented by the following instruments:

PLAN ASSETS	31/12/2016	31/12/2015
Equity instruments	4,821	4,514
Government and corporate bonds	34,673	32,339
Corporate loans	1,181	1,951
Real estate	3,449	2,015
Cash	-	176
Qualifying insurance policies	952	1,567
TOTAL	**45,076**	**42,562**

Pension plan assets include three financing funds at insurance companies. The presentation of plan assets as at 31/12/2015 by instrument type has been corrected. Presentation now better reflects the economic substance of the assets.

The amounts recognised in the income statement are as follows:

INCOME STATEMENT	31/12/2016	31/12/2015
Current service cost	2,819	3,447
Net interest cost	-8	114
EXPENSE RECOGNISED IN INCOME STATEMENT	**2,811**	**3,561**

The total cost of post-employment benefits of K EUR 2,811 (31/12/2015: K EUR 3,561) is included within employee benefit expenses in the income statement.

Remeasurements included in other comprehensive income are as follows:

REMEASUREMENTS OTHER COMPREHENSIVE INCOME	31/12/2016	31/12/2015
Remeasurements:	**-2,166**	**3,900**
Remeasurements resulting from changes in demographic assumptions	-	-101
Remeasurements resulting from changes in financial assumptions	-3,361	2,073
Remeasurements resulting from experience gains/losses	1,195	1,927
Return on plan assets excluding interest income	**157**	**469**
TOTAL REMEASUREMENTS INCLUDED IN OCI	**-2,009**	**4,369**

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

A. FOR THE BELGIAN DEFINED BENEFIT PENSION PLANS

ACTUARIAL ASSUMPTIONS	31/12/2016	31/12/2015
Discount rate	1.40%	2.00%
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 31/12/2016		
Discount rate	0,25%	-3.06%

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. For 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 for 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

	31/12/2016	31/12/2015
Discount rate	2.00%	2.00%
Rate of compensation increase	1.75%	1.70%
Rate of benefit in payment increase	1.75%	1.70%

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

> asset volatility: the plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets are lower than 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 31/12/2017 are K EUR 2,874.

18.3. OTHER LONG-TERM EMPLOYEE BENEFITS

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

19. PAYABLES

The payables are analysed in the table below:

	31/12/2016	31/12/2015
Payables on insurance and reinsurance business		
Amounts due to policyholders	17,164	23,416
Payables arising out of reinsurance operations	172,827	170,083
TOTAL PAYABLES	**189,991**	**193,499**

	31/12/2016	31/12/2015
Current	164,215	192,393
Non-current	25,776	1,106
TOTAL	**189,991**	**193,499**

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 one 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:

	31/12/2016	31/12/2015
Other debts	19,210	13,080
Accrued charges and deferred income	8,535	8,894
TOTAL	**27,745**	**21,974**

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

As per 31/12/2016, total other debts mainly relate to invoices to be received of K EUR 4,766 (31/12/2015: K EUR 4,067), debt towards the Belgian State of K EUR 6,013 (31/12/2015: K EUR 356) and other non-insurance-related supplier debts of K EUR 8,092 (31/12/2015: K EUR 8,653).

The total accrual of K EUR 8,535 as per 31/12/2016 mainly relates to accrued interest of K EUR 88 (31/12/2015: K EUR 177), operating and administration expenses of K EUR 223 (31/12/2015: K EUR 621) and deferred income of K EUR 7,157 (31/12/2015: K EUR 6,340).

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

21. NET INSURANCE PREMIUM REVENUE

	31/12/2016			31/12/2015		
	GROSS	REINSURERS' SHARE	NET	GROSS	REINSURERS' SHARE	NET
SINGLE RISK						
Written premium	161,703	-23,996	137,707	190,734	-27,752	162,982
Change in provision for unearned premium	3,015	2,794	5,809	-13,699	-2,075	-15,774
Net exchange gains/(losses) from operating activities	3,055	-220	2,835	-5,543	685	-4,858
Total	**167,774**	**-21,423**	**146,351**	**171,492**	**-29,142**	**142,350**
INVESTMENT INSURANCE						
Written premium	4,090	-	4,090	2,722	-	2,722
Change in provision for unearned premium	-188	-	-188	263	-	263
Net exchange gains/(losses) from operating activities	-11	-	-11	19	-	19
Total	**3,890**	**-**	**3,890**	**3,004**	**-**	**3,004**
FINANCIAL GUARANTEES						
Written premium	6,418	-	6,418	5,869	-	5,869
Change in provision for unearned premium	-96	-	-96	226	-	226
Net exchange gains/(losses) from operating activities	-72	-	-72	27	-	27
Total	**6,251**	**-**	**6,251**	**6,122**	**-**	**6,122**
SURETIES						
Written premium	1,902	-1,062	840	2,915	-1,661	1,254
Change in provision for unearned premium	759	-732	27	206	302	509
Net exchange gains/(losses) from operating activities	-	-	-	-	-	-
Total	**2,660**	**-1,794**	**867**	**3,121**	**-1,359**	**1,763**
EXCESS OF LOSS & CAPTIVES						
Written premium	31,485	-31,663	-178	33,491	-29,160	4,331
Change in provision for unearned premium	13,762	-5,815	7,947	5,954	-7,215	-1,261
Net exchange gains/(losses) from operating activities	87	-65	21	-	-	-
Total	**45,334**	**-37,543**	**7,791**	**39,445**	**-36,375**	**3,070**

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	31/12/2016			31/12/2015		
	GROSS	REINSURERS' SHARE	NET	GROSS	REINSURERS' SHARE	NET
TURNOVER POLICIES						
Written premium	95,557	-39,631	55,926	103,566	-50,353	53,213
Change in provision for unearned premium	-2,510	1,502	-1,008	-1,194	869	-325
Net exchange gains/(losses) from operating activities	19	-6	13	-62	117	55
Total	**93,066**	**-38,136**	**54,930**	**102,310**	**-49,367**	**52,943**
INWARD REINSURANCE						
Written premium	59,365	-10,963	48,402	67,852	-4,972	62,880
Change in provision for unearned premium	-1,088	-261	-1,349	-2,362	-11	-2,373
Net exchange gains/(losses) from operating activities	66	27	93	-693	-	-693
Total	**58,343**	**-11,196**	**47,147**	**64,797**	**-4,983**	**59,814**
TOTAL WRITTEN PREMIUMS	**360,521**	**-107,315**	**253,205**	**407,150**	**-113,898**	**293,251**
Change in provision for unearned premium	13,654	-2,511	11,142	-10,606	-8,130	-18,736
Net exchange gains/(losses) from operating activities	3,143	-265	2,879	-6,252	802	-5,450
Total profit-sharing and rebates	-6,917	3,957	-2,960	-6,905	3,254	-3,652
NET INSURANCE PREMIUM REVENUE	**370,401**	**-106,134**	**264,267**	**383,387**	**-117,973**	**265,414**

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

	31/12/2016	31/12/2015[1]
Russia	22,642	28,532
Congo Brazzaville	18,167	15,873
Germany	17,545	26,100
Switzerland	16,971	1,689
Belgium	16,319	15,592
Ghana	15,748	2,118
France	14,704	17,623
Italy	14,125	14,679
Turkey	13,673	24,851
Kenya	10,781	1,727
Cameroon	9,878	1,319
Ecuador	8,735	4,980
Brazil	8,564	17,616
China	8,403	13,425
Japan	8,073	11,425
Netherlands	8,032	7,787
Luxembourg	7,912	13,368
United Kingdom	7,321	8,056
Dominican Republic	7,276	827
Czech Republic	7,003	7,188
Other countries	118,649	172,376
TOTAL WRITTEN PREMIUMS	**360,521**	**407,150**

(1) The presentation of written premiums per country for 2015 has been corrected. The presentation now better reflects the economic reality of Credendo.

22. OTHER OPERATING INCOME AND EXPENSE

	31/12/2016	31/12/2015
Commissions from reinsurers	26,132	29,901
Investigation costs recharged	3,726	4,935
Interest received on claims	4,440	6,603
Other recoveries	6,781	19,425
Other operating income	**41,078**	**60,864**
General expenses and acquisition costs	-2,306	-2,907
Investigation costs	-3,604	-4,434
Write-offs on trade receivables	-5,311	-11,098
Other expense	-431	-1,162
Other operating expenses	**-11,652**	**-19,601**

The other recoveries for 2016 include gains on the disposal of Trade Credit Re Carré S.A. (see note 33 for details) amounting to K EUR 869.

23. INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

	31/12/2016			31/12/2015		
	GROSS	REINSURANCE	NET	GROSS	REINSURANCE	NET
SINGLE RISK						
Claims paid in the year	59,186	-14,140	45,046	78,508	-21,359	57,148
Change in provision for outstanding claims	172,559	-19,845	152,714	52,675	1,177	53,852
Net exchange gains/(losses) from operating activities	48,579	-5,162	43,417	19,307	-4,141	15,166
Total	**280,324**	**-39,147**	**241,177**	**150,490**	**-24,324**	**126,166**
INVESTMENT INSURANCE						
Claims paid in the year	-	-	-	204	-	204
Change in provision for outstanding claims	1,789	-	1,789	662	-	662
Net exchange gains/(losses) from operating activities	20	-	20	16	-	16
Total	**1,809**	**-**	**1,809**	**883**	**-**	**883**
FINANCIAL GUARANTEES						
Claims paid in the year	-	-	-	7,900	-	7,900
Change in provision for outstanding claims	-11,722	-	-11,722	-3,569	-	-3,569
Net exchange gains/(losses) from operating activities	-6	-	-6	-9	-	-9
Total	**-11,728**	**-**	**-11,728**	**4,322**	**-**	**4,322**
SURETIES						
Claims paid in the year	2	-11	-9	24	32	56
Change in provision for outstanding claims	154	-343	-188	5,544	-2,164	3,380
Net exchange gains/(losses) from operating activities	-	-	-	-	-	-
Total	**156**	**-354**	**-198**	**5,568**	**-2,132**	**3,436**

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	31/12/2016			31/12/2015		
	GROSS	REINSURANCE	NET	GROSS	REINSURANCE	NET
EXCESS OF LOSS						
Claims paid in the year	3,114	-9,352	-6,238	11,696	-7,145	4,551
Change in provision for outstanding claims	-1,150	-9,399	-10,549	-10,647	6,967	-3,680
Net exchange gains/(losses) from operating activities	956	125	1,081	641	-	641
Total	**2,920**	**-18,625**	**-15,706**	**1,690**	**-178**	**1,512**
TURNOVER POLICIES						
Claims paid in the year	57,536	-25,851	31,686	32,809	-16,515	16,294
Change in provision for outstanding claims	10,213	1,432	11,645	85,060	-36,784	48,276
Net exchange gains/(losses) from operating activities	-2,239	325	-1,914	704	-1,018	-314
Total	**65,511**	**-24,093**	**41,418**	**118,572**	**-54,317**	**64,255**
INWARD REINSURANCE						
Claims paid in the year	42,795	-15,719	27,076	28,767	-61	28,706
Change in provision for outstanding claims	8,004	3,927	11,931	31,842	-3,753	28,088
Net exchange gains/(losses) from operating activities	1,473	-	1,473	2,915	-603	2,312
Total	**52,273**	**-11,792**	**40,480**	**63,524**	**-4,417**	**59,107**
TOTAL CLAIMS PAID IN THE YEAR	**162,633**	**-65,072**	**97,561**	**159,908**	**-45,049**	**114,859**
TOTAL CHANGE IN PROVISION FOR OUTSTANDING CLAIMS	**179,847**	**-24,227**	**155,620**	**161,567**	**-34,558**	**127,009**
TOTAL NET EXCHANGE GAINS/(LOSSES) FROM OPERATING ACTIVITIES	**48,784**	**-4,712**	**44,072**	**23,574**	**-5,762**	**17,813**
TOTAL CLAIMS EXPENSES	**391,264**	**-94,011**	**297,253**	**345,049**	**-85,368**	**259,681**

In 2016 and 2015 there were no changes in provision due to Liability Adequacy Tests.

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

	31/12/2016	31/12/2015[1]
Brazil	162,265	22,638
United States	94,770	3,203
Mongolia	23,803	251
Saudi Arabia	19,337	1,923
Nigeria	15,833	6,379
India	15,101	7,700
Congo Brazzaville	14,395	1,493
Finland	11,072	15
Equatorial Guinea	9,275	-52
Cameroon	8,204	-1,239
China	8,186	1,179
Russia	7,426	12,252
Singapore	7,100	-
Belgium	-7,406	875
Ireland	-8,340	-814
Germany	-12,981	13,313
Australia	-14,108	7,482
Spain	-15,363	101,676
Ghana	-17,507	23,994
Iran	-80,529	-38,936
Other countries	56,720	96,348
TOTAL	**297,253**	**259,681**

(1) The presentation of net insurance claims and loss adjustment expenses per country for 2015 has been corrected. It now better reflects the economic reality of Credendo.

In Brazil, four major claims have been provisioned for a total amount of EUR 125 million. In the United States, the variation between 2015 and 2016 is mainly explained by the downward revision of recovery prospects on claims to be paid while in Iran, the recoveries received from many claims were substantially higher than forecasted.

24. EMPLOYEE BENEFIT EXPENSE

	31/12/2016	31/12/2015
Wages, salaries and other benefits	31,561	28,567
Social security charges	8,305	7,473
Pension costs - defined contribution plans	256	68
Pension costs - defined benefit plans	2,811	3,561
TOTAL EMPLOYEE BENEFIT EXPENSES	**42,933**	**39,668**

The number of employees as per 31/12/2016 (in FTE) amounted to 496 (31/12/2015: 461).

25. SERVICES AND OTHER GOODS

	31/12/2016	31/12/2015
Broker fees	21,377	21,859
Commissions to inward reinsurance	16,245	18,166
Administration costs	19,027	18,800
Other operating costs	1,226	2,442
TOTAL SERVICES AND OTHER GOODS	**57,874**	**61,266**

For 2016, administration costs relate to housing costs of K EUR 3,054 (2015: K EUR 3,417), management services and administration costs of K EUR 1,375 (2015: K EUR 1,555), consultancy and other fees of K EUR 7,231 (2015: K EUR 7,440), marketing expenses of K EUR 2,636 (2015: K EUR 1,897), representation and travel costs of K EUR 1,583 (2015: K EUR 1,762), IT expenses of K EUR 2,701 (2015: K EUR 2,101) and car expenses of K EUR 447 (2015: K EUR 617).

26. DEPRECIATION AND AMORTISATION

	NOTE	31/12/2016	31/12/2015
Amortisation intangible assets	5	3,523	3,443
Depreciation property, plant and equipment	6	1,237	1,154
Exchange differences on amortisation and depreciation		-	-2
Other movements		-	2
TOTAL		**4,760**	**4,598**

27. FINANCE INCOME AND EXPENSE

	NOTE	31/12/2016	31/12/2015
FINANCE INCOME:			
Cash and cash equivalents - interest income		**428**	**694**
Other financial income		**3,950**	**2,181**
Fair value gains/(losses) AFS - Recycled from OCI	15.2	814	6,997
Impairment losses on AFS		-	-1,705
Income from financial investments - AFS		2,832	4,292
Net gains on financial investments - AFS		**3,647**	**9,583**
Fair-value gains/(losses) FVTPL	8	53,471	14,615
Net realised gains on sale of financial investments		70	-164
Income from financial investments - FVTPL		36	171
Net gains on financial investments - FVTPL		**53,578**	**14,622**
Interests on rescheduling agreements		**79,273**	**12,064**
Interest on loans and receivables		**855**	**660**
Dividends and interests		**-**	**30**
Exchange gains on financial assets (other than AFS and FVTPL)	28	**17,538**	**53,787**
		159,269	**93,621**
FINANCE EXPENSE:			
Exchange losses on financial assets (other than AFS and FVTPL)	28	-20,130	-30,580
Charges on financial investments		-96	-261
Financial charges and interest costs		-3,183	-2,170
Net finance cost		**-23,409**	**-33,012**
NET FINANCIAL RESULT		**135,860**	**60,609**

Since 2014 most financial investments of Credendo – Export Credit Agency are held through an institutional fund, called Zephyr, that is accounted for as financial assets with fair-value 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.

In May 2016 an agreement on the restructuring of the debt was concluded between Credendo and a third-party debtor in the framework of the restructuring of debts to the members of the Paris Club.

According to the terms of the agreement, the debt which amounts to a total of EUR 316.7 million, including both the principal amount, regular and late interest accrued, was restructured to be paid in annual instalments during a period of 18 years. As part of the agreement, an amount of EUR 240.4 million was forgiven subject to the third-party debtor respecting the strict annual repayments for the remaining amount of EUR 76.3 million.

Since the above late interest receivable was never recognised on the balance sheet of Credendo due to significant uncertainty surrounding its recovery, the reinstatement of the net amount receivable was recognised at the date of the agreement, with EUR 78.2 million recorded as a finance income, included in the line 'Interests on rescheduling agreements' and EUR 5.4 million recorded as other operating expense. Management has assessed that the new agreement coupled with the significant forbearance provides certainty as to the recoverability of the net amount, since the third-party debtor would be required to repay the total gross amount in case the new agreement was breached.

28. NET FOREIGN-EXCHANGE GAINS AND LOSSES

	NOTE	31/12/2016	31/12/2015
NET EXCHANGE GAINS/(LOSSES) RECOGNISED IN PROFIT OR LOSS		-43,785	-56
Net exchange gains/(losses) from operating activities	21-23	-41,193	-23,263
Net exchange gains/(losses) from financing activities	27	-2,592	23,206
NET EXCHANGE GAINS/(LOSSES) THROUGH OTHER COMPREHENSIVE INCOME		1,509	430
Net exchange gains/(losses) through other comprehensive income	15.2	217	350
Exchange differences on translating foreign operations	15.2	1,292	80
TOTAL		**-42,276**	**373**

Total net exchange losses recognised in the income statement amount to minus K EUR 43,785 (31/12/2015: losses of K EUR 56). For more details relating to the exchange differences from operating activities we refer to notes 21 and 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 1,292 (31/12/2015: K EUR 80).

29. INCOME TAX EXPENSE

	2016	2015
Current taxes on income for the reporting period	-1,186	-2,029
Current taxes referring to previous periods	-393	401
Total current tax	**-1,579**	**-1,627**
Origination and reversal of temporary differences	-4,681	8,498
Total deferred tax	**-4,681**	**8,498**
INCOME TAX (EXPENSE)/CREDIT	**-6,260**	**6,871**

Tax on Credendo's profit before tax differs from the theoretical amount that would arise using the domestic tax rate (tax rate applicable to profits of Credendo – Export Credit Agency: 0%) as follows:

TAX RATE	2016	2015
PROFIT BEFORE INCOME TAXES	**26,733**	**2,072**
Domestic tax rate	**0.00%**	**0.00%**
Income tax (expense)/credit calculated at domestic tax rate	**-**	**-**
Effects of:		
Tax rate effect	-3,781	7,193
Disallowed expenses	-1,023	-255
Dividend received deduction	-	61
Notional interest deduction	-	90
Other permanent differences	-307	-621
Notional tax deduction	313	-
Income not subject to tax	487	-
Utilisation of previously unrecognised tax losses	-	746
Prior year adjustment	-1,683	-401
Other	-266	57
INCOME TAX (EXPENSE)/CREDIT FOR THE YEAR	**-6,260**	**6,871**

The weighted average applicable tax rate amounts to 23% (31/12/2015: -332%). The change is mainly explained by the deferred tax assets that have been recognised for fiscal losses for 2015.

30. CONTINGENCIES

Credendo, like all other insurers, is subject to litigation in the normal course of its business. Credendo does not believe that such type of litigation will have a material effect on its profit or loss and financial condition.

31. COMMITMENTS

Credendo 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 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 2,134 (31/12/2015: K EUR 2,221) 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 payments are included.

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

	31/12/2016	31/12/2015
No later than 1 year	1,679	1,812
Later than 1 year and no later than 5 years	3,352	2,518
Later than 5 years	45	175
TOTAL	**5,076**	**4,505**

32. ACQUISITION OF NON-CONTROLLING INTERESTS

In November 2016, Credendo – Short-Term Non-EU Risks acquired the remaining 34% of the share capital of Credendo – Short-Term EU Risks from the non-controlling shareholder. After this acquisition, the total ownership interest of Credendo in Credendo – Short-Term EU Risks amounted to 100%.

The effect of changes in the ownership interest of Credendo – Short-Term EU Risks on the equity attributable to owners of the company during the year is summarised as follows:

	2016
Carrying amount of non-controlling interests disposed of	4,420
Consideration paid to non-controlling interests	-6,144
EXCESS OF CONSIDERATION PAID RECOGNISED IN PARENT'S EQUITY	**-1,724**

Subsequently, after the acquisition of the remaining non-controlling interest in Credendo – Short-Term EU Risks, Credendo – Short-Term Non-EU Risks transferred 100% of its ownership in Credendo – Short-Term EU Risks to its parent company, Credendo – Export Credit Agency.

33. DISPOSAL OF SUBSIDIARIES

On 24/05/2016, Credendo – Excess & Surety sold its 100% participation in Trade Credit Re Carré S.A. for a total gross consideration of EUR 7.5 million. 80% of the price was paid by bank transfer and the remaining 20% was lodged in an escrow account (see note 13 for more details).

As a result of the sale, Credendo – Excess & Surety recorded a non-recurring gain of K EUR 869, included in other operating income.

34. RELATED-PARTY TRANSACTIONS

The ultimate parent of Credendo – Export Credit Agency 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 Executive Committee.

The compensation paid or payable to key management for employee services is shown below:

	31/12/2016	31/12/2015
Salaries and other short-term employee benefits	8,897	8,131
Post-employment benefits	909	808
Leasing company car	197	154
Other	-	21
TOTAL	**10,002**	**9,114**

34.2. YEAR-END BALANCES FOR RELATED-PARTY TRANSACTIONS

	31/12/2016	31/12/2015
Loans and receivables incl. reinsurance receivables	131	964
Total receivables	**131**	**964**
Payables	6,013	356
Total payables	**6,013**	**356**

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 Credendo – Export Credit Agency.

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 Credendo – Export Credit Agency by the Belgian State for an amount of K EUR 297,472.

35. LIST OF CONSOLIDATED COMPANIES

The subsidiaries of Credendo – Export Credit Agency and Credendo's percentage of ordinary share capital are presented below.

35.1. SUBSIDIARIES

	31/12/2016		31/12/2015		COUNTRY OF INCORPORATION
	% OF INTEREST	% OF CONTROL	% OF INTEREST	% OF CONTROL	
Credendo – Short-Term Non-EU Risks	100%	100%	100%	100%	Belgium
Credendo – Excess & Surety	100%	100%	100%	100%	Belgium
Holding CIS	66.67%	66.67%	66.67%	66.67%	Belgium
Immo Montoyer	100%	100%	100%	100%	Belgium
Credendo – Single Risk	95.63%	95.63%	95.63%	95.63%	Austria
Credendo – Ingosstrakh Credit Insurance	66.67%	66.67%	66.67%	66.67%	Russia
Credendo – Short-Term EU Risks	100%	100%	66%	66%	Czech Republic

Total non-controlling interests as per 31/12/2016 amount to K EUR 3,404 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 Credendo – Ingosstrakh Credit Insurance.

As total non-controlling interests are not material to the consolidated financial statements of Credendo, no further detailed information on the subsidiaries with non-controlling interests are disclosed. There are no statutory, contractual or regulatory restrictions on Credendo'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 31/12/2016 and 2015 due to its insignificant impact on the consolidated figures. The company was liquidated in April 2017.

36. EVENTS AFTER THE REPORTING PERIOD

No event occurred after the reporting period that could have resulted in a material impact on the reported figures as of 31/12/2016.

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