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Government body under State guarantee

**ANNUAL  
REPORT  
2019**

TURNING UNCERTAINTIES  
INTO **OPPORTUNITIES**

# Core values

## Customer intimacy

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

**You get bespoke solutions.**

## Reliability

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

**You can count on us.**

## Respect

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

**You can trust us.**



# 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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# Message of the Chairman and the Chief Executive Officer

A MIXTURE OF CONSERVATIVE UNDERWRITING AND INNOVATION CHARACTERISED CREDENDO'S OPERATIONS IN 2019

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**All of our companies stayed prudent through 2019, when our technical result reflected the benevolent economic cycle.**

**Dirk Terweduwe,**  
Chief Executive Officer



**EUR 46.5 MILLION**  
GROUP'S OPERATIONAL  
RESULT (+22%)



**EUR 229 MILLION**  
NET FINANCIAL RESULT

Prudent underwriting throughout 2019 underpinned a satisfying year for Credendo, when the group's operational result lifted by 22% to EUR 46.5 million. Against the background of a less but still favourable global cycle, a low level of claims, allied to good recoveries, saw our loss ratio fall significantly, while written premium rose by 7%. Buoyant financial markets across the year left us with a net financial result of EUR 229 million, acting as a buffer for the tough challenges of 2020.

Among the subsidiaries, the fastest growth came again at Credendo – Excess & Surety, whose 19% turnover increase supported our decision to inject EUR 50 million in new capital. Another success was the strong demand among Belgian SMEs for Credendo – Export Credit Agency's forfaiting product, which can cater for transactions as low as EUR 25,000. This led us to lift the overall capacity availability for direct financing by 50%, and to significantly increase the per-deal ceiling to EUR 8 million.

Befitting our ranking among Europe's top 4 credit insurers, Credendo maintained its notable progress in Corporate Social Responsibility (CSR) strategy. Having approved a CSR policy and action plan in 2019, we are actively continuing to reduce our carbon footprint in Belgium. To attain overall carbon neutrality, we will participate in overseas projects that involve emissions offsetting. This has begun with a Ghanaian pilot project. Additionally, commercial stakeholders have been brought into the CSR dialogue, and project compliance screening has been tightened as an

integral component of our environmental and social due diligence.

Credendo's drive to innovate was affirmed again in November 2019, when we launched a blockchain-powered application to add a layer of documentary security to surety bonds. This made us the first ECA to leverage blockchain technology, augmenting our growing profile in the surety business. The next manifestation of Credendo's AREA42 innovation vehicle, now operational, will offer new innovative credit insurance solutions.

On the IT side, the detailed investment programme launched in 2017 is bringing us nearer to the long-term ambition to promote and grow the business as a European insurance group. The practical pursuit of that aspiration is backed by 5-year business plans formulated by each Credendo subsidiary.

In the interim, hurdles must be overcome. The fallout from the UK's withdrawal from the European Union will depend upon the outcome of bilateral trade negotiations, but of more immediate concern is the covid-19 health pandemic. Businesses will inevitably suffer interruptions in 2020, impacting credit insurance claims ratios. The hope is that by 2021, when we celebrate our 100<sup>th</sup> year as an ECA, world trade will be in full recovery mode.

**Dirk Terweduwe**  
Chief Executive  
Officer

**Vincent Reuter**  
Chairman of the  
Board of Directors



**Vincent Reuter,**  
Chairman of the Board of Directors

**Dirk Terweduwe,**  
Chief Executive Officer

# Highlights of the year

IN 2019, CREDENDO FURTHER IMPROVED ITS CORPORATE GOVERNANCE STRUCTURE, LED BY A PUSH FOR CARBON NEUTRALITY. IT ALSO BUILT ON EFFORTS TO PURSUE INNOVATIVE MARKET APPROACHES, UPGRADED ITS SME FINANCING SUPPORT AND CARRIED OUT A SIGNIFICANT CAPITAL INCREASE.



## Corporate Social Responsibility

A forward-looking Corporate Social Responsibility (CSR) policy has been endorsed in 2019. This advanced our long-standing determination to promote sustainable and responsible business practices. The new policy takes into consideration the impact by Credendo and all its entities on the environment, on society and on the economy. Now approved by our board, and backed by all stakeholders, this action plan will accelerate and mature a CSR approach which has hitherto focused predominantly on Belgium.

At a practical, proactive level, we are engaging in a 2-pronged thrust: by tackling the direct impact of Credendo's operations, alongside a deeper evaluation of the indirect impact of projects that we support.

Our plan regarding direct impact focuses on reducing energy consumption in our Brussels headquarters, in order to reduce direct emissions. This is supported by

investments in our people, via internal awareness campaigns and well-being programmes. Key here is our push since 2010 to improve our carbon footprint. While Credendo's carbon emissions have been reduced by around a third, to around 3 tonnes equivalent of emissions per annum per FTE – below the financial-sector average of around 6 tonnes – the aim was to be carbon-neutral by the end of 2020. However, because staff travel is an unavoidable carbon generator, we have decided to support several projects that offset emissions, thus achieving carbon neutrality. The first of these, a cookstove project in Ghana, is designed to bring down wood consumption and reduce air pollution.

The new CSR plan also sharpens the assessment of indirect impacts of projects supported by Credendo – Export Credit Agency. This strategy will meet internal guidelines, national and international legislation on the environment, while deepening and strengthening our environmental and social due diligence. It uses 3 clearly defined categorisations for project monitoring, and includes a greater presence on the spot. Further, we will be anchoring more projects in sectors lending themselves to environmental care, such as wind power or solar panel schemes.

To broaden external stakeholder input, the CSR plan has welcomed the commercial business sector into our dialogue, which has until now incorporated NGOs and public-sector bodies. Combatting corruption and bribery and promoting sustainable lending to lower-income countries remain key CSR objectives.

## SME financing

2019 saw Credendo – Export Credit Agency expand its direct financing business, which is aimed primarily at SMEs via 2 products: forfaiting and buyer credits. The ceiling for both solutions was lifted from EUR 5 million to EUR 8 million, in order to fill a market gap where commercial banks are not always available. We also increased the capacity availability by 50%, given the exceptional demand for forfaiting over the past 5 years, and the significant share of exports we have financed in this way. Credendo – Export Credit Agency has the resources to raise the envelope again, if needed.

Although larger companies can also benefit from forfaiting, some of our clients borrow as little as EUR 25,000, and so our SME desk will retain control of this financing activity. A specific communication campaign is accompanying our direct funding support to SMEs.

## Subsidiary capital increases

Credendo increased the capital of Credendo – Excess & Surety by EUR 50 million, lifting the amount to EUR 70 million, after deciding – in 2017 – to ring-fence its surety business within one company, also specialising in excess-of-loss and top-up products. Subsequent growth has been stellar, coming in at about 25% in both 2018 and 2019, and necessitating new capacity.

The move follows capital increases in 2018 for Credendo – Short-Term EU Risks and Credendo – Single Risk, demonstrating that we invest in our affiliates.

## Innovation push

Surety was at the heart of the first product introduced under Credendo's AREA42 initiative, which is innovatively remoulding our business for the digital era. In November 2019, we launched a blockchain-powered application to add layers of security to surety bonds. Delivered online via the Credendo Booster platform, the application enables SMEs to automatically request and receive a surety bond up to EUR 2.5 million. Already available in Germany and Italy, the user-friendly product will be extended to other EU markets, with Belgium as the next step.

In its commitment to innovation, Credendo has also invested in a newly created company, Marjory. The company has become operational in early 2020 and provides solutions for companies building marketplace platforms, bringing together various service providers in areas such as payments, working capital and logistics.



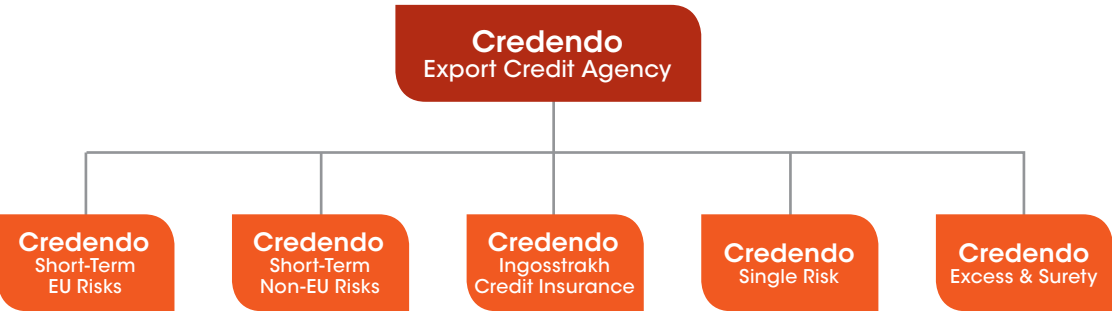
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**In November 2019, we launched a blockchain-powered application to add layers of security to surety bonds.**



# Group structure

THROUGH ITS PARENT COMPANY CREDENDO – EXPORT CREDIT AGENCY AND ITS FIVE SUBSIDIARIES, CREDENDO PROVIDES THE FULL RANGE OF INSURANCE AND FINANCING PRODUCTS REQUIRED TO PROTECT COMPANIES EXPORTING AND INVESTING OVERSEAS.



Where to find which product?

ENTITY	PRODUCTS OFFERED
Credendo – Export Credit Agency	<ul style="list-style-type: none"><li>&gt; ECA products for Belgian companies and banks:<ul style="list-style-type: none"><li>– Single-risk credit insurance</li><li>– Investment insurance (political risk)</li><li>– Financial guarantees</li><li>– Direct financing</li></ul></li><li>&gt; Market Window products:<ul style="list-style-type: none"><li>– Participation in bank and insurance syndicates (unfunded)</li><li>– Cover to banks for trade finance instruments (e.g. confirmation of letters of credit (L/Cs))</li></ul></li><li>&gt; Reinsurance of credit and surety</li></ul>
Credendo – Short-Term Non-EU Risks	<ul style="list-style-type: none"><li>&gt; Whole turnover short-term credit insurance, with focus on non-EU risks</li></ul>
Credendo – Short-Term EU Risks	<ul style="list-style-type: none"><li>&gt; Whole turnover short-term credit insurance, with focus on risks within the EU</li></ul>
Credendo – Ingosstrakh Credit Insurance	<ul style="list-style-type: none"><li>&gt; Whole turnover short-term credit insurance (for clients in Russia and the CIS)</li></ul>
Credendo – Single Risk	<ul style="list-style-type: none"><li>&gt; Single-risk credit insurance</li><li>&gt; Investment insurance (political risk)</li><li>&gt; Unfair calling of bonds</li></ul>
Credendo – Excess & Surety	<ul style="list-style-type: none"><li>&gt; Excess-of-loss insurance</li><li>&gt; Top-up cover</li><li>&gt; Captive reinsurance</li><li>&gt; Surety (incl. Credendo Booster)</li></ul>





# Serving customers for almost a century

CREDENDO IS THE WORLD'S SECOND-OLDEST PUBLIC CREDIT INSURER. SINCE IT WAS FOUNDED IN 1921 OUR COMPANY HAS GROWN TO BECOME THE 4TH EUROPEAN CREDIT INSURANCE GROUP AND COVERS YOUR RISKS WORLDWIDE. SOME OF THE KEY MILESTONES IN OUR HISTORY ARE PRESENTED BELOW:



The Delcredere Committee is transformed into an autonomous public financial body with a state guarantee. It is renamed Nationale Delcredere dienst | Office national du Ducroire, known today as **Credendo – Export Credit Agency**<sup>1</sup>.

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.



Credendo – Export Credit Agency acquires a 50% stake in Austrian insurer **Credendo – Single Risk**. Today Credendo – Export Credit Agency is the sole shareholder in Credendo – Single Risk.

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

Credendo – Export Credit Agency works with the Belgian State guarantee for its own activities. Via its 5 subsidiaries it is also heading a European credit insurance group present in 14 European countries.

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. Today, Credendo – Export Credit Agency has 67% of the shares.

Launch of the Buyer Credit Credendo by Credendo – Export Credit Agency, mainly intended to grant export finance to SMEs.

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

1921 — 1939 — 1996 — 2004 — 2005 — 2006 — 2007 — 2009 — 2013 — 2017 — 2019

The Belgian Ministry of Economic Affairs sets up the Delcredere Committee to guarantee Belgian export transactions.

**Market Window activity** is launched, allowing Credendo – Export Credit Agency to cover risks that represent only a minor Belgian interest. The pricing is in line with market conditions.



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



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



New name for the group: consolidation of the different companies continues as **Credendo Group**, more powerfully articulating their shared values, approach and strength.

Launch of **Credendo Booster**, the blockchain-powered platform offering easily verifiable trust to its stakeholders for surety bonds.

<sup>1</sup> The previous official name 'Nationale Delcredere dienst | 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'. From now on, mainly these commercial names are used.

# Geopolitical and trade tensions start to bite

## Less synchronised economic growth and less favourable conditions

Rising trade and geopolitical tensions increased uncertainty in 2019, taking a toll on business confidence, investment decisions and global trade. Adding to the volatility, some large emerging-market (EM) economies including India, Russia, Mexico, South Africa, Turkey, Argentina, Iran and Saudi Arabia suffered from country-specific shocks. Growth in China slowed down to its lowest rate since 1990, 6.1%, driven by much-needed regulatory efforts to rein in debt and exacerbated by the macroeconomic consequences of increased trade tensions with the US. As a result, in an environment of subdued productivity increases, global real GDP growth decelerated from 3.6% in 2018 to 2.9% in 2019, the lowest level since 2009. Global trade remained broadly constant in 2019. A broad-based deceleration in the manufacturing sector was observed while the services sector and consumption were

more resilient. The car industry, both sales and production, performed poorly amid new emission standards in the EU, a drop in demand in China and major uncertainties led by Brexit and US threats to impose tariffs.

In this gloomy growth environment, central banks in many advanced economies and large emerging markets eased their monetary policy. In a context of abundant liquidity, the largest stock markets performed strongly and capital flowed prolifically to EM economies. Some EM currency exchange rates came under pressure due to country-specific problems, notably in Argentina and Angola. Nonetheless, no sharp currency depreciations occurred across EM economies. Amid the favourable financial conditions, public and external debts continued to increase in some countries while they remained at already high levels in others. Despite the elevated financial risks, no wave of defaults was witnessed in 2019.

## A global economy marred by trade tensions

### US and China

Trade tensions between the US and China escalated further in the course of the year as Washington blamed China for unfair trade practices and intellectual-property theft. The tensions materialised through the imposition of 2 main rounds of tariff increases by both countries in May and September, on the announced USD 325 billion worth of Chinese goods and USD 135 billion worth of US goods. Between September and December, further tariffs loomed as the 2 countries were unable to reach common ground in negotiations. However these were eventually avoided with the signing of a partial agreement at the beginning of 2020. One legacy of the 2-year trade war is that sectors such as agricultural commodities (particularly soybeans), energy commodities (LNG) and plastics have seen significant changes in their global trade flows.



Credendo Trade Forum 2019  
Bertrand Piccard, Solar Impulse Foundation

### US and EU

There was also growing trade hostility between the US and the EU, which led to new US trade restrictions on EU imports. Initially, in the wake of the dispute over state aid granted to Airbus, additional tariffs on imports to the US were imposed on several EU countries and sectors as from last October, impacting especially on agrifood, clothing and textiles, machinery and equipment, and new aircraft. As retaliation against the digital services tax law, extra US levies on French goods were announced last December, albeit with no implementation date. Also in December, President Trump signed into law sanctions on the Nord Stream 2 pipeline, which is likely to affect European companies involved in constructing the project. However, the threat of additional tariffs on the vehicle industry did not materialise in 2019.

### Japan and Korea

Trade tensions were not limited to US, China and the EU. Japan and South Korea, respectively the world's 3<sup>rd</sup> and 11<sup>th</sup> largest economies and major trade partners, imposed mutual export controls (on strategic high-technologies) due to an unresolved historical dispute over wartime forced labour. While these tensions eased at the end of 2019, the strained bilateral relationship was expected to maintain extra uncertainty in global trade and supply chains.

## Rise in geopolitical tensions and social pressure

### In Asia

The competition between superpowers China and the US has become the central feature of the new global order slowly taking shape. The resultant economic and geopolitical tensions showed through in 2019's escalating trade war, detailed above. Military tensions are most likely to crystallise around China's periphery. In the South China Sea, frictions have been reigniting between Beijing and both the Philippines and Vietnam. The chances of an operational code of conduct emerging from continued negotiations between China and ASEAN remain very slim. As the US conducted more frequent military operations in the area to reaffirm the freedom of navigation, China increased military pressures in the Taiwan Strait. The highest probable risk of a clash comes in Taiwan, where the US holds the role of protector, in theory. Given its goal of unifying China by 2049, Beijing has been showing growing impatience with Taiwan, whose autonomist president reflects a waning Chinese sentiment among the population. Elsewhere, on the Korean peninsula, the peace process has stalled and tensions with the US may resurface as North Korea's economic crisis could see a resumption of provocative nuclear missile tests as a means to leverage sanctions relief.



Credendo Trade Forum 2019

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**Amid the favourable financial conditions, public and external debts continued to increase in some countries while they remained at already high levels in others.**



**GLOBAL REAL GDP GROWTH DECELERATED FROM 3.6% IN 2018 TO 2.9% IN 2019 (LOWEST LEVEL SINCE 2009)**



Credendo Trade Forum 2019





Outside East and South East Asia, old India-Pakistan rivalries reached new highs last year. An exchange of missile strikes was followed by the historic abrogation of Kashmir's special constitutional status, contributing to a rise in conflict risk. The disputed Kashmir zone is expected to be the focal point of rising political violence and terrorist attacks in the years to come, exacerbated by a context in which India's large Muslim minority is increasingly feeling marginalised by pro-Hindu policies.

#### In the Middle East

The Middle East remains marred by increased regional tensions, driven by the US campaign of maximum pressure on Iran. Inevitably, investors' regional risk perceptions have lifted. Illustrating the rising tensions between Tehran and the US allies in the GCC was the September 2019 drone attack on Saudi Arabian oil facilities which process 5% of the world's oil production. This incident followed previous attacks in May and June 2019, when ships off the UAE coast were targeted. The long-standing conflicts in Syria, Yemen and Libya also continued, underpinned by wider geopolitics at play. In Syria, Turkey and Russia have become increasingly active on opposite sides of the conflict since the US announced the withdrawal of its troops. In Libya, meanwhile, Egypt, Russia and the UAE continued to support General Haftar while Turkey and various EU countries continued their backing for the government in Tripoli. In Yemen, Saudi Arabia and Iran continued to wage a deadly proxy war. Aside from geopolitical tensions, the year was also marked by large protests in 4 countries in the region, namely Algeria, Iraq, Iran and Lebanon. In

each, protests reflected clear discontent with the economic situation, dissatisfaction over perceived high-level corruption and alienating from ruling political elites. In Algeria, protests led to the unexpected resignation of Abdelaziz Bouteflika, the incumbent president since 1999. In Lebanon, an ongoing economic crisis led to protests over the mismanagement of the country. Coming 8 years after the Arab Spring, these protests showed that social discontent remains high across the region and is likely to remain so for the years to come.

#### Worldwide social protests

The Middle East was not the only region marked by popular discontent. Massive and violent social protests were witnessed in all the regions of the world, especially in Latin America, where citizens in Ecuador, Chile, Colombia, Bolivia, Haiti, Honduras and Nicaragua took to the streets. The trend was also apparent in Europe (France, Serbia, Albania, Romania), Sudan and Hong Kong. The protests were generally country-specific, mirroring local situations. In Hong Kong, for example, the lasting large-scale and violent protests that followed the proposed extradition law are principally aimed at defending the island's special status and basic freedom rights. However, common themes have coloured the dissent: chiefly the accusations of official corruption, bad governance or an elite sticking to power, defending privileges and ignoring the need for reforms. France's 'Yellow Vest' movement epitomised the perception that social discontent had been smouldering in many countries to the point where only small triggers were required for protests to manifest. Examples



of such triggers were a metro tariff hike in Chile and a tax on WhatsApp in Lebanon. Demonstrators' despair has highlighted common features among most countries, particularly wide wealth inequalities, high costs of living, eroded democracies, stagnating middle classes and in some cases the absence of socioeconomic prospects. Social media have been a major contributor to the magnitude of protests, by informing and rapidly mobilising people around social discontent.

Besides social protests, an unprecedented wave of large climate-focused marches spread across the planet, driven by young people, and taking initial hold in Western countries. If the overall growth of popular unrest is symptomatic of a new era of high instability and a deeper questioning of the current economic and political system, this is likely to further harm the globalisation process. One increasingly observed trend has been a rise of more authoritarian forces, fuelled by nationalist and populist sentiments and by the official incapacity to



provide satisfactory solutions to complex problems. As pointed out during the Credendo Trade Forum, which focused on climate change, socioeconomic and climate shocks will increase future political risks in all regions, with emerging and developing countries considered as the most vulnerable.

### Overview of Credendo's political risk classification changes

#### Short-term (ST) political risk

Following a positive trend in 2018, the trend for ST political risk – representing the liquidity of a country – was more neutral in 2019. Indeed, Credendo downgraded 20 countries and upgraded 18 countries. Among the upgrades, which included 1 small economy, 2 countries (Timor Leste and Kuwait) were upgraded by 2 notches. Sub-Saharan Africa recorded 6 upgrades, while the Europe/CIS region registered 3 upgrades. Among the downgrades, which contained 6 very small economies, 2 countries (Zambia and Bolivia) saw their rating raised by 2 notches. Latin America was the only region to record exclusively downgrades (8 notches).

#### A negative year for medium- to long-term (MLT) political risk

13 countries were downgraded for Credendo's MLT political risk category and 8 countries were upgraded – a slightly negative trend. This was influenced, on the one hand, by the downgrade of the MLT political risk of 3 small islands that are very vulnerable to climate change. A key factor in the upgrades was the greater-than-anticipated resilience of various oil-exporting countries in the wake of the 2014-2015 oil price shocks.

#### Risk evolution in Asia

Initial fears expressed in 2018 materialised in 2019 as the Asian region and its large manufacturing sector were directly hit by the escalated US-China trade war, and more generally by a dwindling global economy, demand and trade. Moreover, lower confidence translated into weakened private consumption and tourism. Targeted by the trade war, China was the most impacted and had to rein in corporate deleveraging and provide fiscal support to keep GDP growth above the 6% line. Thanks to trade diversification, Taiwan



**20 COUNTRIES  
DOWNGRADED AND  
18 COUNTRIES  
UPGRADED FOR  
ST POLITICAL RISK**





Credendo Trade Forum 2019



**GROWTH IN CHINA  
SLOWED DOWN TO  
ITS LOWEST RATE  
SINCE 1990,  
6.1%**

and Vietnam were big winners from the trade war, recording significant rises in FDI and exports to the US. Bangladesh benefitted the most in the textile industry. Elsewhere, in a climate of easing inflation and economic slowdown, countries relaxed their monetary and fiscal policies. Independently of the trade war, India's economy slumped. A combination of low credit growth, insufficient private investments, a gloomy car industry, record high unemployment and ill-timed government policies hit confidence, harmed demand and brought economic activity towards a decade low in 2019.

Asia's high political and macroeconomic stability helped to offset a cooling environment. Hence, Credendo made only 2 changes to its MLT political risk classifications. On the one hand, Hong Kong was downgraded (from 1/7 to 2/7) as a result of huge external corporate debt, the negative impact of China's slowdown and trade tensions, and heightened political instability. On the other hand, Malaysia's economic resilience and improved external debt dynamics led to an upgrade from 3/7 to 2/7. In the Pacific, climate change

drove downgrades of MLT political risk ratings to 6/7 for 3 islands (the Solomons, Tonga and Vanuatu). For its ST political risk reclassifications (excluding small Pacific islands), Credendo made more upgrades than downgrades. Once again confirming the region's robustness, Bhutan, Fiji, Papua New Guinea and Timor Leste were upgraded, while Maldives and Mongolia were downgraded.

In Papua New Guinea, the alleviation of long-standing foreign exchange rationing brought a reduction in payment delays. A sharp improvement in the current account balance and strong foreign exchange reserves improved the liquidity position of Timor Leste, where the economic outlook might benefit from a deal reached with Australia about future LNG exploitation. For 2020, the downside risks from rising trade protectionism to a further slowing China and geopolitical tensions were expected to weigh on Asia's regional outlook.



### Risk evolution in Latin America

It was a challenging year in Latin America. The region was the world's worst-performing in terms of economic growth, while unrest rattled many countries. Indeed, Latin America's dependence on a narrow band of exports (commodities, tourism and remittances) and trade partners (China and the US) has traditionally left the region highly exposed to downturns in the global economy. However, trade woes and weaker commodity prices only provide partial explanations. In many economies, elevated public debt levels are a structural problem. In some countries, fiscal consolidation led to violent unrest and recessions, while in others the lack of reforms spooked investors and weighed on the economy. On top of that, 2 regional crises keep dominating South America. Firstly, the severe economic and humanitarian crisis in Venezuela deepened in 2019, pushing large migrant flows to neighbouring countries. Secondly, Argentina – the third-largest Latin American economy – experienced a severe and sudden stop in its capital flows, leading to a balance-of-payment crisis, imposition of exchange controls and a public debt on the brink of default.

Unsurprisingly, the evolution in risk ratings was negative. For MLT political risk, only 2 upgrades (Paraguay and the Caribbean Netherlands) were awarded by Credendo, against 4 downgrades (Aruba, Bahamas, Colombia and Panama). On the upside, Paraguay was upgraded from 5/7 to 4/7 thanks to its economic robustness and a vast improvement in its external debt. On the downside, a surge in external debt stock and service led to downgrades for Panama and Colombia, from 3/7 to 4/7 and 4/7 to 5/7 respectively. As the

massive hurricane Dorian hit a part of the Bahamas at a time when macroeconomic fundamentals were already eroded due to the construction of the Baha Mar mega resort, the Caribbean archipelago was downgraded from 3/7 to 4/7. In terms of ST political risk, Latin America experienced only downgrades. Bolivia (from 2/7 to 4/7) and Haiti (from 4/7 to 5/7) were downgraded as political violence against the president intensified in both countries. The 2-notch downgrade for Bolivia also reflected a quick decline in foreign exchange reserves to a level that could not sustain the peg with the USD. In the Caribbean, the hurricane hits of 2017 have left legacies for Sint Maarten, Antigua and Barbuda and Dominica, all of which have witnessed a fall in foreign exchange reserves and a rise in short-term external debt. Looking forward, the expected economic slowdown in the US and China, harsher anti-migrant policies in the US, elevated public debt levels and large natural disasters are the main downside risks.

### Risk evolution in Sub-Saharan Africa

#### Regional trends

The continent continues to face multiple challenges across its entirety. Security challenges in the Sahel continue to weigh on public finances, leading countries such as Burkina Faso, Mali and Niger to spend around 20% of their fiscal revenues on military expenditures. Another long-standing issue is the high external debt stock held by numerous countries. While Sub-Saharan Africa's average debt burden stabilised in 2019, it remains at a very high level, and continues to impact the MLT political risk outlook of multiple countries. One consequence is a severe restriction of policy space in countries such as Ethiopia, Kenya and Zambia, which affects their ability to deal with exogenous shocks. In the course of 2019, the domestic arrears of governments also remained significant, at an estimated 3% of GDP. The associated payment delays to local companies are negatively impacting the business environment, most prominently in the oil-exporting countries, where they average 8% of GDP. In many Sub-Saharan countries, such as Ethiopia, the liquidity situation also remains impacted by the persisting low level of foreign exchange reserves, which weighs on their short-term political risk classification.

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**Massive and violent social protests were witnessed in all the regions of the world, especially in Latin America.**





Credendo Trade Forum 2019

### Ratings

Despite this difficult context, the net evolution of political risk ratings was positive in the region. In terms of ST political risk, 6 countries were upgraded (Democratic Republic of Congo, Djibouti, Gambia, Madagascar, Senegal and Seychelles) while 4 were downgraded (Cameroon, Comoros, Eswatini, Zambia). Among the former group, a few months after long-awaited presidential elections, the Democratic Republic of Congo was upgraded from 7/7 to 6/7. This highly welcome rating change reflected the reduced risk of civil war and widespread violence at a time of eased liquidity pressures. However, the outlook remained very challenging given political infighting and high financial and economic vulnerabilities. Senegal was also upgraded (from 4/7 to 3/7) on the back of robust liquidity and strong growth, partly driven by large public investments. On the negative side, Cameroon's rating was downgraded from 4/7 to 5/7. Alongside the persisting conflict risk in the Anglophone regions, which harmed national economic activity, Cameroon saw its external financing needs

increase and its ST payment experience deteriorate. The latter was exacerbated by the introduction of new exchange regulations within the CEMAC region introduced to support very low liquidity levels via stricter administrative burdens on local banks. Meanwhile Zambia's 2-notch downgrade followed a quick deterioration in liquidity. Indeed, the copper-exporting country faces extensive external financing needs following 4 years of outsized external borrowing.

Sub-Saharan Africa's MLT political risk evolution was balanced. Cabo Verde (from 5/7 to 6/7) and Namibia (from 4/7 to 5/7) were downgraded while Seychelles and Nigeria were both upgraded from 6/7 to 5/7. The structural deterioration of Namibia's macroeconomic fundamentals since 2015 led to a second MLT risk downgrade in 4 years, as external debt continued to rise to finance the wide current account deficits. On the upside, Nigeria is one of the oil-exporting countries which has shown remarkable resilience despite the mid-2014 oil price shock. The country reinforced its liquidity position

while keeping a low external debt stock. Nevertheless, Nigeria's fragile political situation, interventionist policies (import restrictions, capital controls and exchange-rate misalignment), over-reliance on the volatile oil sector and severe security risks still pose important weaknesses.

### Risk evolution in EM Europe and the Commonwealth of Independent States

Average growth in EM Europe and the CIS decelerated in 2019. The key drivers were a sharp slowdown in Turkey as a result of major financial stress in 2018 and weak growth in Russia amid low domestic demand and cuts in oil production. The region's key risks remain dominated by shifting commodity prices, growth in major trading partners (the EU, Russia and increasingly China) and geopolitical risk in a context of unresolved conflict in the Donbass and the growing regional assertiveness of Turkey.

EM Europe and the CIS continued to enjoy a positive trend for both ST and MLT political risk. The MLT risk evolution

was largely positive and marked by the upgrade of 2 oil exporters (Azerbaijan and Kazakhstan). For the third consecutive year, there were no downgrades. Despite the persisting impact of lower oil prices on Azerbaijan's economy, Credendo decided to upgrade the country's MLT political risk from category 5/7 to 4/7. Public finances and the financial situation have been improving since the oil price shock in mid-2014 and the country is a net external creditor. In Kazakhstan, 2019 was marked by an orderly presidential transition and an upgrade of its MLT political risk from category 6/7 to 5/7 supported by lower financial risk. On the negative front, Kazakhstan's ST political risk was downgraded from category 2/7 to 3/7 against a background of falling gross foreign exchange reserves. Despite this downgrade, the overall trend for ST political risk was largely positive in EM Europe and the CIS, shown by upgraded ratings for Uzbekistan, North Macedonia and Ukraine. In Uzbekistan, the ambitious economic reform undertaken by President Mirziyoyev moved on. As a result, the quality of the data published by Uzbekistan improved and allowed Credendo to better assess the exact level of gross foreign exchange reserves, resulting in an upgrade. In Ukraine, the newly created party of President Zelensky ('Servant of the People') won the majority of parliamentary seats. The appointment of technocrats and former ministers in the newly formed government shows the willingness of the authorities to move forward with reforms such as anti-corruption measures. In this wider context, Credendo upgraded its ST rating to 4/7 to reflect the improving liquidity.

### Risk evolution in the Middle East and North Africa (MENA)

Oil-importing countries in the MENA region continued to face high debt levels, which limited their fiscal space. As a consequence, most of the countries had to implement further fiscal consolidation. An increase in external debt levels explained the downgrade of Credendo's MLT political risk classification of Tunisia (from 5/7 to 6/7), Jordan (from 5/7 to 6/7) and Lebanon (from 6/7 to 7/7). Since Lebanon's downgrade in January 2019, the situation escalated, reaching a full-scale confidence crisis in November. Accordingly, Lebanon's ST political risk rating was also downgraded (from 5/7 to 6/7). Across the region, the need for further fiscal consolidation often involved extra reductions to subsidy schemes, potentially impacting growth. This happened on a positive note in Egypt, where fiscal consolidation implemented in recent years, combined with adherence to the IMF programme, have led to an upgrade of the MLT political risk classification (from 6/7 to 5/7). Nevertheless, in most other countries, this was more challenging. Among many oil-exporting countries, economic diversification remained high on the agenda, but performances were mixed. Saudi Arabia remained committed to implementing its high-profile reform programme, while a continuation of the diversification strategy was also observed in the UAE and in Qatar. Growth in both Saudi Arabia and the UAE slowed further, but was not impacted by the boycott of Qatar, which split GCC nations.

Although pro-cyclical fiscal policies have previously been able to support growth in oil-exporting countries, this is less the case today, indicating clear signs that structural weaknesses need to be dealt with in order to induce growth. In Oman, Bahrain and Algeria, the economic situation continued to deteriorate. A lack of reforms has been leading to debt build-up in Oman and Bahrain and to a continued drawdown of foreign exchange reserves in Algeria. None of the 3 countries has introduced policy reforms since oil prices decreased in mid-2014.

“

**EM Europe and the CIS continued to enjoy a positive trend for both ST and MLT political risk.**



# A global leader

## Activities and results

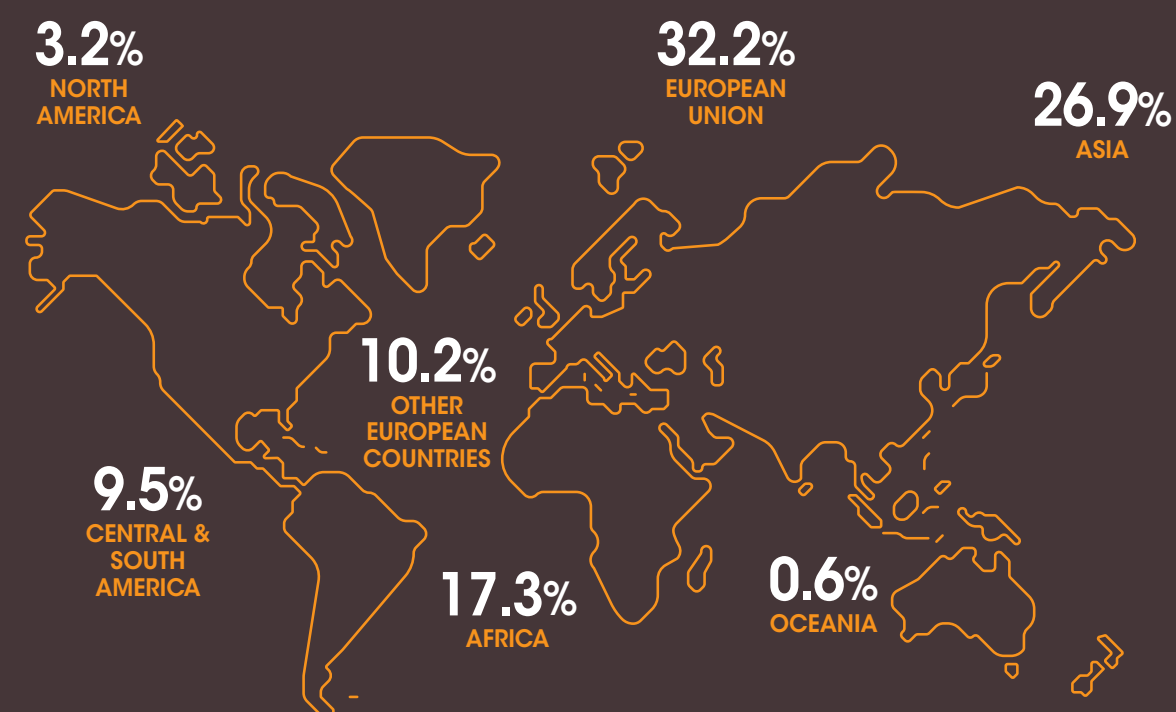
IN MILLION EUR	2019	2018	2017
Value of transactions insured during the financial year <sup>1</sup>	84,634.3	86,722.4	84,955.4
Total potential exposure	65,783.9	64,272.1	55,437
Insurance premium revenue <sup>1</sup>	314.9	329.7	342.4
Insurance claims and loss adjustment expenses <sup>1</sup>	141.0	158.3	153.7
Total profit/(loss)	269.7	-32.1	185.9
Total comprehensive income	276.7	-36.7	187.0
Total equity	2,807.7	2,531.1	2,568.2
Staff	547	520	524
<b>RATIOS (IN %)</b>			
Net loss ratio <sup>2</sup>	40.8%	49.4%	24.9%
Net cost ratio <sup>3</sup>	38.2%	34.3%	29.1%

<sup>1</sup> Before cession to reinsurers.

<sup>2</sup> Net insurance claims and loss adjustment expenses / net insurance premium revenue.

<sup>3</sup> (Operating expenses minus other operating income) / net insurance premium revenue.

## Geographical spread of risk exposure



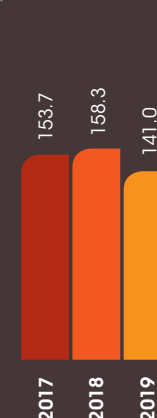
Value of transactions insured<sup>1</sup>  
(in million EUR)



Insurance premium revenue<sup>1</sup>  
(in million EUR)



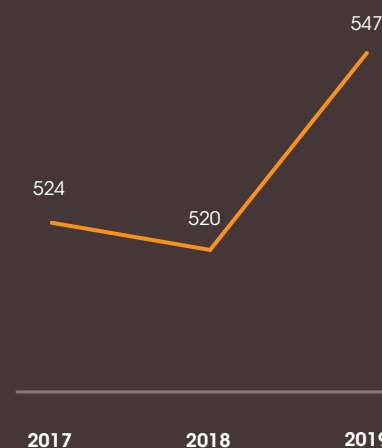
Insurance claims and loss adjustment expenses<sup>1</sup>  
(in million EUR)



Total potential exposure  
(in million EUR)



Staff  
(in units)





# Available products: beyond traditional export credit insurance

CREDENDO GIVES YOU DIRECT ACCESS TO A WHOLE SUITE OF CREDIT INSURANCE SOLUTIONS: FROM TAILOR-MADE RISK COVER TO EASIER ACCESS TO TRADE FINANCING. THAT IS HOW WE IMPLEMENT OUR MISSION OF PROVIDING 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.

Executive Committee  
Credendo – Export Credit Agency  
From left to right:

Nabil Jijakli,  
Deputy Chief Executive Officer

Dirk Terweduwe,  
Chief Executive Officer

Frank Vanwingh,  
Deputy Chief Executive Officer



	BELGIAN EXPORTER		FOREIGN EXPORTER	FINANCING		BELGIAN STATE GUARANTEE	TENOR	
	SME	LARGE COMPANY		BANK	CREDENDO		< 2 YEAR	≥ 2 YEAR
TRADE CREDIT INSURANCE								
Private credit insurance								
Standard comprehensive policy (whole turnover)	●	●	●				●	
Single risk	●	●	●	●			●	●
Import prefinancing	●	●	●				●	●
XOL - Excess of loss		●	●				●	
XOL Partners	●		●				●	
Top up	●	●	●				●	
Public credit insurance								
(Special) Cash transaction	●	●				●	●	●
Buyer credit		●		●		●		●
Supplier credit	●	●				●		●
Contract guarantees	●	●		●		●	●	●
Contracting equipment	●	●				●	●	●
Import prefinancing	●	●				●	●	●
FINANCING								
Forfaiting	●	●			●	●		●
Buyer credit Credendo	●	●			●	●		●
BONDING (INCL. CREDENDO BOOSTER)								
Contract surety bonds	●	●	●				●	●
Legal surety bonds	●	●	●				●	●
INVESTMENT INSURANCE								
Political risk insurance for investments abroad			●					●
Political risk insurance for Belgian investments abroad	●	●				●		●
FINANCIAL GUARANTEES								
Financial guarantees for bank loans	●	●		●		●	●	●
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						●	●	●





“Credendo provides a flexible relationship that allows our issues and problems to be understood and addressed. That is critical for an SME like us.

Bérengère Ménart,  
CEO of Ménart

## Emerging-markets support

MÉNART, A FAMILY-OWNED SME BASED IN DOUR, WEST BELGIUM, HAS MANUFACTURED AND MARKETING ORGANIC WASTE PROCESSING AND COMPOSTING MACHINERY SINCE 1961. IT EXPORTS ITS NICHE TECHNOLOGY TO BUYERS IN A WIDE SPREAD OF REGIONS, AMONG THESE ASIA, NORTH AFRICA, EASTERN EUROPE AND LATIN AMERICA. IN ORDER TO WIN OVER AND SUPPORT EMERGING-MARKET CLIENTS THAT CAN REQUIRE FLEXIBLE FINANCING SOLUTIONS, IT HAS PARTNERED WITH CREDENDO SINCE 2002.



**85%**  
OF MÉNART'S  
TURNOVER  
ACHIEVED ABROAD

### Emerging-market exporter

Credendo has supported Ménart's international sales by extending credit insurance and financing to markets which include Brazil, Bulgaria, Ecuador, Jordan, Romania and Vietnam. Because Ménart achieves around 85% of its turnover abroad, “it is very important that we have support when developing export trade,” says Bérengère Ménart, the company CEO. “Each of our international sales is critical, as clients tend to buy just one machine that will last for 10 to 15 years. To help clinch

deals, we offer advice and training, for up to 6 months, but when it comes to financing support, we cannot rely on most banks and insurers, which tend to focus on bigger companies.”

Ménart and Credendo first came into contact during a Belgian economic mission to Vietnam in 2002. “We decided to work with Credendo both because they can find specific solutions for SMEs, and because they are flexible enough to welcome deep dialogue with our people,” says Bérengère Ménart.

### Brazilian forfailing success

She highlights a recent successful transaction in the Brazilian market, where the large sugar-cane crop generates organic waste that can be recycled for further use. “The potential client desperately wanted one of our composter turners to recycle big amounts of agricultural waste and manure, but it lacked a sufficiently big budget. We could not provide the kind of credit required, so we asked Credendo for help. They found a forfailing solution, which involved discounting our bills of exchange, and structuring a 3-year repayment schedule for the client, with payments every 6 months. We concluded the deal in late 2019.”

Bérengère Ménart adds: “We won the Brazilian contract thanks to Credendo's forfailing solution. The client appreciated the forfailing facility, because its cash flow was insufficient to pay up front. This sometimes makes all the difference, as we work in a niche market, where the competition can be fierce.”

### Versatile support

Credendo's support is enlisted in 2 types of markets, Bérengère Ménart explains. “There are the more difficult markets where fewer exporters go, such as Brazil, Algeria and Pakistan, where Credendo can often support us and find financing solutions. And then there are the more classic markets, where we fight against a greater number of competitors, from countries such as Austria, Germany, Poland and the Netherlands.

In these markets, Ménart needs to make swift deliveries with favourable payment terms, underlines Bérengère Ménart. “Because this is always challenging for an SME, in terms of cash flow, Credendo helps us here as well, with its non-payment cover, allied to fast service. And for a big project, that might take one year to reach completion, we often use Credendo's cover of the termination risk.”



### Ménart

Founded in 1961, Ménart exports equipment to 40 countries from its Belgian base, helping buyers harness added value from their agricultural waste or effluent.



### Risk appetite

In a financing environment where most operators tend to shy away from big risks, Credendo stands out for its risk appetite, according to Bérengère Ménart. “Credendo is typically more flexible, in that it will take risk on younger companies that lack a financial track record over the last few years. Many of our clients are in this situation, but if we go to Credendo, they understand, and can usually find an alternative. It is very rare that they cannot find a solution.”

She emphasises excellent relationships with the Credendo team, including underwriter Arnaud Philippart. “We can call or make contact by e-mail, usually when a project is at the finishing line. We get good, quick, relevant answers from a specialist. This is very important for a small company. We hope to continue in this vein, and increase the cooperation in future years.”



# Trade credit protection for educational projects in Africa

FROM ITS BASE IN IZEGEM, BELGIUM, TELEVIC PROVIDES MARKETS AROUND THE WORLD WITH INNOVATIVE COMMUNICATION TECHNOLOGY IN THE FIELDS OF RAIL, HEALTHCARE, CONFERENCE AND EDUCATION. IN ORDER TO PROTECT AGAINST A GAMUT OF RISKS IN SUB-SAHARAN AFRICA, ITS EDUCATION DIVISION HAS USED CREDENDO FOR TRANSACTIONS IN GHANA AND OTHER MARKETS, STRIKING UP A COLLABORATIVE RELATIONSHIP NOW POISED FOR FURTHER EXPANSION.

## Covering African risk

Televic Education is a provider of niche solutions such as e-learning, smart rooms, digital assessments and blended learning, among other specialisations. According to Dirk Verbeke, Sales Director, the risks that affect the company's business flows are manifold, ranging from the need to understand local languages, laws and cultures, to the requirements to comply with tax and bureaucracy protocols. "We decided to bring in Credendo as a partner in 2009, when we took our first steps in Africa," he recalls. "After looking at the risk in delivering and installing multimedia labs at schools in Kenya, we discussed insurance protection with Credendo – Export Credit Agency, which stepped in to provide political and commercial risk protection on a long-term mixed-credit facility."

In 2015, Televic concluded a second African transaction, similarly supported by Credendo, to deliver and install digital classrooms in Ghana. Dirk Verbeke stresses that Credendo has provided more than just an insurance policy in these two deals. "Televic Education works mainly with governments, so we need to ascertain the relevant country and security risks. In Sub-Saharan Africa, this makes Credendo's input and analysis especially important."

## Prioritising Belgian exports

Even in situations where Credendo has been unable to cover overseas sales by Televic Education, it will make every effort to help find a solution, underlines Dirk Verbeke. "In these situations, we still need to consider whether to go ahead with the project, and what possible alternatives can be looked at. In Georgia, for example, where we had a nice deal lined up with a university, Credendo's analysis was helpful in pinpointing the risks related to the proposed financial structure."

Michel d'Hoop, Credendo's account manager for Televic, takes up the story. "In the end, after considering our remarks, Televic found an alternative. Even if we cannot cover and have to stay on the sidelines, we always try to provide alternatives so that Belgian exports can go ahead."

## Flexible, professional cooperation

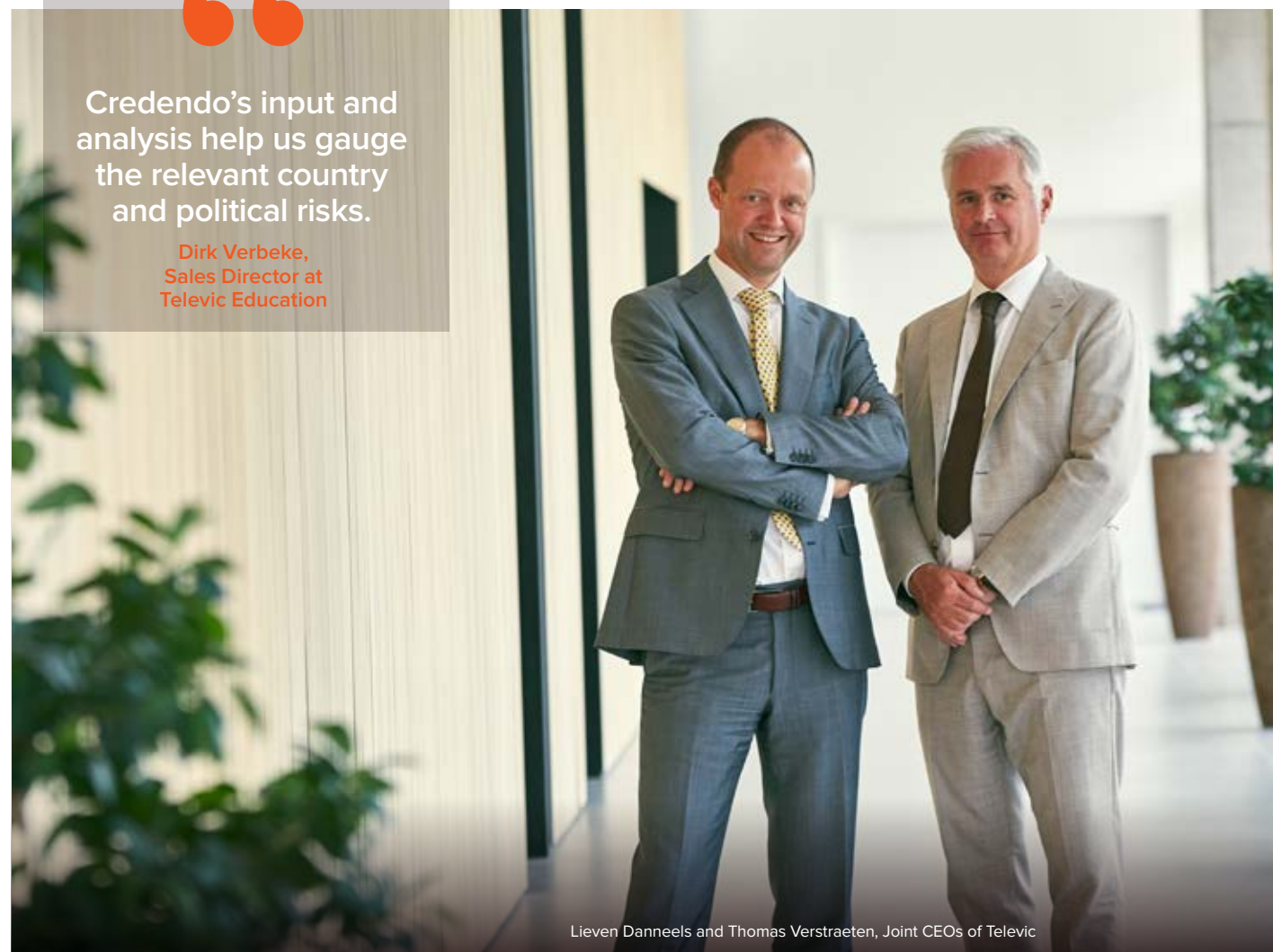
There are other key advantages to working with Credendo, highlights Dirk Verbeke. "We have witnessed that Credendo is very competitive among its peer export credit agencies. Other ECAs have very strict rules, whereas Credendo always shows great flexibility. This is reflected in the comments

and compliments that we hear among the Belgian diplomats and embassy officials that we network with regularly, who praise Credendo for its great help in boosting Belgium."

He continues: "The cooperation is very professional. We sometimes visit Brussels, and they visit us. They take time and listen carefully to our needs, which we deeply appreciate. It is not easy to understand our markets, but they try to come up with advice and suggestions to make things happen. The fact that there have been no claims under our Credendo policies is partially underpinned by the good mutual preparations in the pre-qualification stages of the contracts."

Credendo's input and analysis help us gauge the relevant country and political risks.

Dirk Verbeke,  
Sales Director at  
Televic Education



Lieven Danneels and Thomas Verstraeten, Joint CEOs of Televic

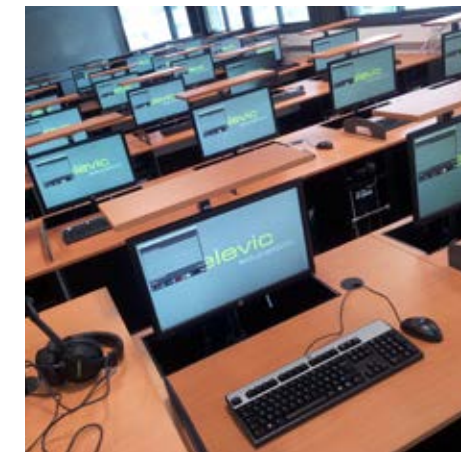
## Future projects in Sub-Saharan Africa

Looking ahead, Dirk Verbeke foresees a wide opportunity to further the partnership with Credendo. "We are working on a number of deals of various sizes in Sub-Saharan Africa, and so we will continue to consult Credendo for advice. If, for instance, this involves a corporate, then we will need to know the financial risk. We might also extend our activities outside Africa, to take in options in other continents."

Michel d'Hoop notes that new Ghanaian deals are in the pipeline, including an insurance promise by Credendo for a project to build 4 campuses and a potential contract for Televic to deliver and install digital classrooms. "So far our partnership has focused on education in Africa, but perhaps we can work with other Televic departments in future," he suggests.

## Televic

Founded in 1946 as a Belgian manufacturer of professional audio systems, Televic is a global leader in high-end communication systems across multiple markets.



4

CAMPUSES TO BE BUILT IN GHANA



## New Valmar

New Valmar BV distributes childcare products from Belgium, across Europe, Central Asia, Africa and the Middle East. It exports over 90% of its production, into 58 foreign markets.

# Flexible risk coverage

SINCE ITS 1992 INCEPTION AS A ONE-MAN COMPANY, EVERGEM-BASED BELGIAN EXPORTER NEW VALMAR HAS BEEN DISTRIBUTING THE WELL-KNOWN RANGE OF NUBY CHILDCARE PRODUCTS TO LARGE PARTS OF EUROPE, THE CIS, AFRICA AND THE MIDDLE EAST. AFTER BEGINNING TO USE CREDENDO'S SHORT-TERM CREDIT INSURANCE IN MID-2019, ALLOWING CLIENTS TO DEFER THEIR PAYMENTS, BUSINESS OUTSIDE THE EUROPEAN UNION HAS GROWN RAPIDLY.

### Establishing client credit

As Nuby's exclusive supplier in the Europe, Middle East and Africa (EMEA) region, New Valmar has exported to 75 countries during the past 28 years, helping cement Nuby's place among the top 3 global baby product brands. However, until recently, its traditional insistence on 100% cash payments from most clients constituted a potential commercial disadvantage, according to Stan Gardin, Export Manager.

"When I joined New Valmar in 2017, company policy was that export clients outside Western Europe must pay immediately. I noticed that lots of customers wanted to defer their payments, especially the big retail chains. Because the cost of money was low in Belgium, I approached our CEO François De Vriendt about using export credit insurance, to facilitate credit

lines, and increase our competitive edge. As an expert in international markets, he had already looked into this in 2014, and had reservations," says Stan Gardin.

He continues: "I suggested that we undertake a survey. So we invited Credendo and 4 other insurers to make offers. Credendo provided the best offer in several respects. They were the most competitive on price, provided the best coverage, and offered a worldwide scope, which was the best approach for an export company like us. We signed a contract with Credendo in summer 2019, after our CEO saw very clearly that Riet Vanderbruggen, our Credendo account manager, understood his needs and could offer him flexible and affordable insurance. As company owner, François was convinced that investing his money became safer with Credendo's protection."



Stan Gardin, Export Manager, and François De Vriendt, Owner of New Valmar

“

We can rely on Credendo's experience and know-how in difficult political and economic situations. For our founder CEO, François De Vriendt, their flexibility is priceless.

Stan Gardin, Export Manager  
at New Valmar BV

### Multiple advantages

Stan Gardin lists a cluster of advantages that have flowed from New Valmar's partnership with Credendo. "Because its premiums are not excessive, we can sell our products at the same price, with deferred payment, which is effectively a customer discount."

He also emphasises Credendo's international reach, which lets it cover around 70-80% of New Valmar's export market needs, including destinations such as Georgia, Armenia, Turkey, Ethiopia, Egypt, Rwanda and Serbia. "Some markets are very difficult. While nobody can expect insurance help in Sudan, Credendo has a very international scope. Where cover is available, political and commercial risks are fully taken care of, depending on the country. For example, our CEO was delighted that Credendo offered a turnkey solution for his business in Russia."

Credendo's flexibility is "another huge advantage", he says. "Credendo granted us USD 40,000 lines for a big pharmacy chain in Mongolia, but was also flexible enough

to offer a USD 10,000 line for the first order from a new affiliate company, before lifting this to USD 20,000. In Ukraine, similarly, after I met pharmacy and retail companies on a mid-2019 Belgian trade mission, Credendo approved 4 out of 5 trading possibilities."

A further benefit for New Valmar has been Credendo's analysis of clients' financial information. "In an African country where our customer had an aversion to sharing his financial data with us, Credendo approved a USD 25,000 limit, using their access to local information," notes Stan Gardin. "Conversely, a company in Eastern Europe asked for credit, and was refused due to its weak financial situation. Without Credendo, these evaluations would have been impossible."

### First-class service

Appraising the partnership with Credendo, Stan Gardin highlights a "very positive first half year, characterised by outstanding service from excellent people." He adds: "Riet and her colleagues have been very professional, in all situations."

The bottom line, he says, is that Credendo has helped New Valmar's evolution into a fully internationalised company with 50+ personnel, participating at international fairs from Spain to Dubai, and with each team member able to speak an average 4 languages. "Last year, we showed a 70% growth in non-EU countries. It would have been substantially lower without Credendo, which may play an even larger role in our future."



**90%**  
OF THE PRODUCTION  
EXPORTED TO  
**58**  
FOREIGN MARKETS



# Domestic credit insurance

SCHNEIDER ELECTRIC RUSSIA PROVIDES A RANGE OF SOLUTIONS FOR ENERGY MANAGEMENT AND INDUSTRIAL AUTOMATION FOR CUSTOMERS ACROSS THE COUNTRY, WHERE IT HAS INVESTED OVER USD 1 BILLION IN FACTORIES DURING THE LAST 10 YEARS TO INTENSIFY ITS LOCAL PRESENCE. WHEN REQUIRING GREATER DOMESTIC CREDIT INSURANCE CAPACITY AND MORE FLEXIBLE COVER, SCHNEIDER ELECTRIC RUSSIA TURNED TO CREDENDO, COMMENCING A MUTUALLY BENEFICIAL PARTNERSHIP.

## Localisation push

Russia is one of Schneider Electric's top 5 global markets, where 60% of the products supplied into the domestic market are locally produced. Increasing localisation is the key to this success, according to Elena Polozkova, the company's Vice President Finance, Russia & CIS. "Using our local presence is a major advantage," she says.

"We try to manage all of our market risk effectively, within Schneider Russia, so that, for example, we use a sanctions committee to analyse all products, checking the customer and the deals for sanction compliance." She adds: "We are in good shape regarding the payments environment, because we pay deep attention to all of our customers, trying to understand those cases where they cannot pay, and, case by case, working out a repayment schedule."

## 2016 turning point

Credit insurance plays a strong role in this regard. Schneider Russia commenced a business relationship with Credendo – Ingosstrakh Credit Insurance in 2016. "We worked with another major credit insurer, but they did not provide enough in terms of cover limits and flexibility. We needed more commercial credit capacity, so decided to invite a new insurer, via a tender in 2016. We saw Credendo as flexible and ready to talk to our clients, which was key," notes Elena Polozkova.

## Risk appetite

By 2018, 3 of the Schneider Electric Russia entities were protecting their local shipments via Credendo, which has gone on to lift its credit limits substantially for the group. "We have a very large credit appetite, so the fact that Credendo generally accepts around 70% of our requests is very positive, and very important for us," highlights Elena Polozkova. "We received very professional support from Credendo from the first day, helping us to assess customers and whether we might take some of their business on open account. That was very much appreciated. After 3 years of collaboration, including regular meetings with the Credendo team, they fully understand the challenging nature of some of our client portfolio."

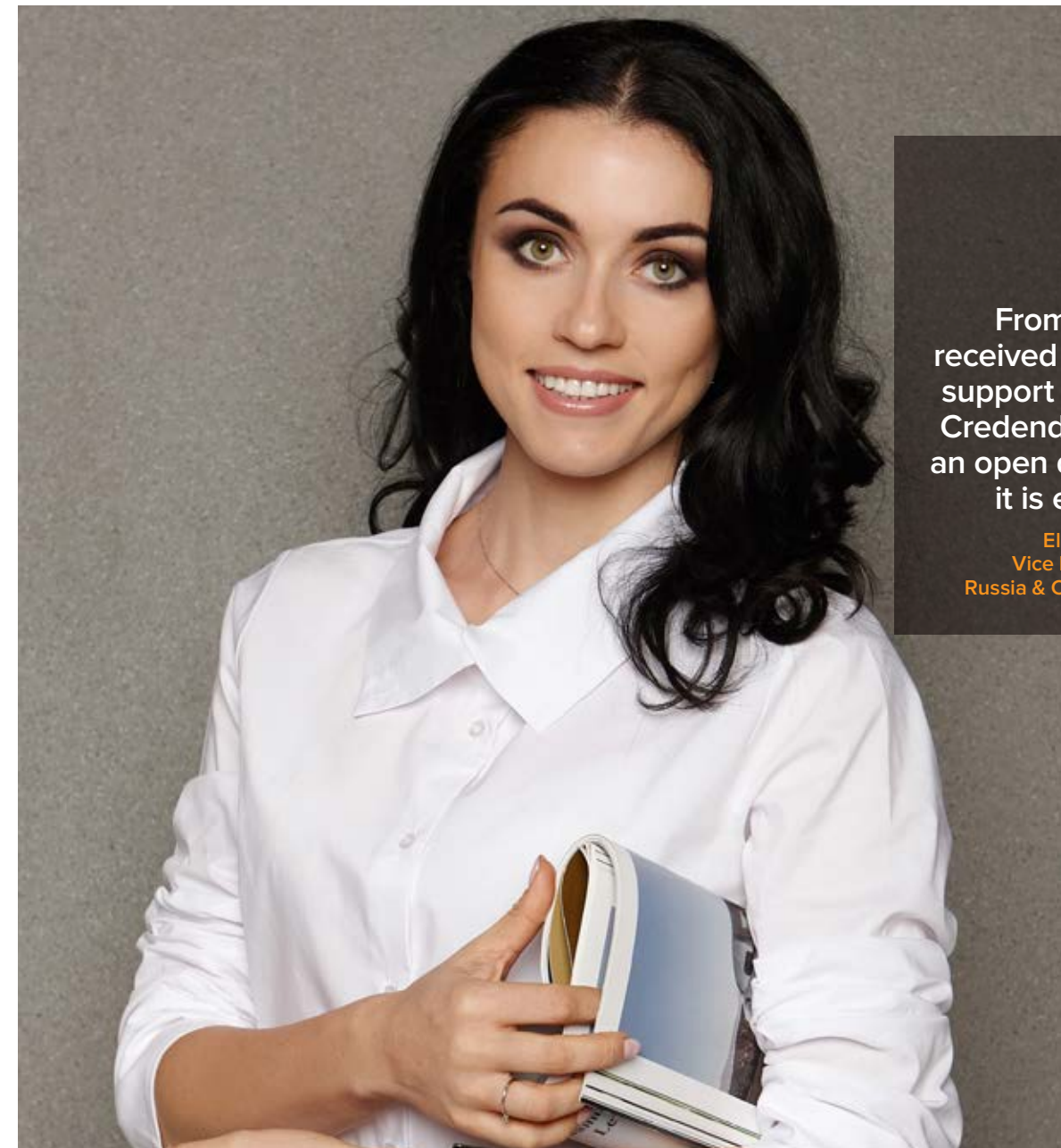
According to Anton Tkachev, the account manager at Credendo, the cooperation has been mutual. "Schneider Electric Russia pays deep attention to its accounts receivable risk. It provides us with all the necessary files on its debtors, some of whom are core players in the industry," he underlines. "And we also appreciate the opportunities to meet with the commercial team of Schneider Electric Russia, which allow us to better assess their needs, aspects of their commercial activities, and their market position. Such cooperation is important for both parties, because the information received allows Credendo to be more precise in its decisions on credit limits."



## Schneider Electric

French multinational Schneider Electric is known globally for digital solutions for energy and industrial automation management, operating in over 100 countries with some 137,000 employees.

So far, just one paid claim has been encountered during the partnership. Other potential cases worth significant amounts cropped up in 2019, says Elena Polozkova, but because Schneider Electric Russia continued to work with the client, underwriters and the legal teams from both sides, all of these were resolved successfully. "The key strategy for us is to try and resolve problems before turning to the insurer," she stresses.



“

From day one, we received very professional support from the Russian Credendo team. We have an open dialogue, in which it is easy to share.

Elena Polozkova,  
Vice President Finance,  
Russia & CIS at Schneider Europe

## Future relationship

Looking ahead, "we plan to continue to work together", says Elena Polozkova. "We mainly use Credendo for Russia, but Schneider Electric is very interested in CIS markets like Kazakhstan and Belarus, which could lead us to new cooperation."

  
**137,000**  
EMPLOYEES IN OVER  
**100**  
COUNTRIES








“When it comes to foreign markets, we’ve never had the situation that the expected security was not granted by Credendo.”

Barbara Łągiewka, Head of Ekoenergetyka-Polska's Legal and Financial Office

# Guaranteeing the eRevolution

EKOENERGETYKA-POLSKA'S ELECTROMOBILITY MARKET BUSINESS HAS SPREAD SO RAPIDLY OVER THE PAST DECADE FROM ITS BASE IN ZIELONA GORA, POLAND, THAT IT NOW SUPPLIES OVER 500 CHARGING STATIONS TO 60 CITIES, WITH A TOTAL CAPACITY OF ALMOST 45,000 KW. TO GUARANTEE CLIENTS THAT ITS CONTRACTS WILL PERFORM SUCCESSFULLY IN DEMANDING MARKETS SUCH AS GERMANY, FRANCE, SPAIN AND SCANDINAVIA, IT HAS ENLISTED THE SUPPORT OF CREDENDO'S SURETY COVER.

  
**500**  
CHARGING  
STATIONS  
SUPPLIED TO  
**60**  
CITIES

## Addressing risk

As Ekoenergetyka-Polska goes about its international business of providing charging solutions for electric buses, it runs a gamut of risks, including the regulatory environment, EU competition law, currency risk and various local conditions. “We see that the EU as a whole and its individual countries are introducing a lot of new policies which have a positive impact on the development of this field. But electromobility usually starts with public transport, therefore much can depend upon decisions that are made by local

politicians – sometimes local conditions can have a significant impact on the implementation process of a specific project,” underlines Bartosz Kubik, Ekoenergetyka-Polska's Chief Executive Officer and Co-founder.

The company elected to use surety support from Credendo – Excess & Surety from November 2019, to boost client comfort that it would fully execute its contracts. “When we chose Credendo, we expected, among other things, that we could count on their understanding of the conditions

imposed on us by our clients. From the beginning it has been a very active cooperation with Credendo,” says Barbara Łągiewka, Head of Ekoenergetyka-Polska's Legal and Financial Office.

She explains that the performance guarantee protection received from Credendo matches the breadth of Ekoenergetyka-Polska's activity throughout Europe, stretching from Spain to Scandinavia, and including the company's domestic market in Poland, where it also sells charging infrastructure for electric cars. “We have a mutual understanding of the difficulties that can occur when we are in the negotiating phase with clients who demand that we look after their interests and secure the proper performance of the contracts,” she stresses.

## German niche

Germany has become a particularly important market, after Ekoenergetyka-Deutschland was established in 2019, headquartered in Berlin. Business has boomed, exemplified by a 1.2 MW charging station which was built for Hamburg operator VHH, and can charge up to 16 buses simultaneously. But Barbara Łągiewka points out that “Germany is considered as a very demanding market by many insurers, due to the local legal restrictions concerning the guarantee of proper contract performance.”

She continues: “Germany is one of those very specific markets where there is a limit on the number of institutions that are able to provide us with the expected level of security. When it comes to foreign countries, we particularly value the cooperation with Credendo on the German market.”

## Needs fulfilled

Looking across the entirety of Ekoenergetyka-Polska's EU business portfolio, Barbara Łągiewka highlights the responsiveness of Credendo – Excess & Surety in always providing the level of surety requested. “We’ve never had the situation that the expected security was not granted,” she says. “We have managed to meet a team that understands the expectations and needs of the market and is able to answer and fulfil these needs.”



## Ekoenergetyka-Polska

Established in 2009, Ekoenergetyka-Polska is a leading manufacturer of electric-vehicle charging infrastructure, operating in 12 countries.



Bartosz Kubik, Chief Executive Officer and Co-founder of Ekoenergetyka-Polska

Looking ahead, Bartosz Kubik describes an e-mobility industry that is increasingly interconnected to climate protection strategies within action plans for specific regions and cities. A current example, he says, is an ongoing project to deliver liquid-cooled charging stations to a modern depot in Munich. “In this project the heat which is generated by our charging stations will be used as one of the heating sources for the building.”

Barbara Łągiewka expresses the hope that the cooperation between Ekoenergetyka-Polska and Credendo “will be a continuation of the existing one in terms of the guarantees”. She concludes: “We can assure Credendo that we will make every effort to finish each contract on time and without any faults. We count on the support of Credendo, alongside other financial institutions, so that we can acquire and execute further contracts successfully.”



# Corporate governance

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

## CREDENDO – EXPORT CREDIT AGENCY\*

### Board of Directors

#### Vincent Reuter (1)

Chairman

#### Michel Delbaere\*\*

Vice-Chairman

#### Ludivine Halbrechq (2)

Member, representative of the Federal Minister of Finance

#### Pieter-Jan Van Steenkiste\*\*\*

Substitute member

#### Thierry Denuit (3)

Member, representative of the Federal Minister for Foreign Affairs

#### Xavier De Cuyper

Substitute member

#### Henk Mahieu (4)

Member, representative of the Federal Minister for Economy

#### Ivan Van den Bergh

Substitute member

#### Els Haelterman (5)

Member, representative of the Federal Minister for Development Cooperation

#### Yves Dricot

Substitute member

#### Claire Tillekaerts (6)

Member, representative of the Flemish Government

#### Thomas Fiers

Substitute member

#### Georges Stienlet (7)

Member, representative of the Flemish Government

#### Annemarie Van de Walle

Substitute member

#### Jean-Jacques Westhof (8)

Member, representative of the Walloon Government

#### Jean-Jacques Gabriel

Substitute member

#### Pascale Delcomminette (9)

Member, representative of the Walloon Government

#### Francis Mullers

Substitute member

#### Frédéric Loncour (10)

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

#### Christopher Kashale Llunga

Substitute member

#### Katrien Van Kriekinghe (11)

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

#### Frédéric Convent

Substitute member

### Audit committee

#### Ludivine Halbrechq

Chair

#### Thierry Denuit

Member

#### Henk Mahieu

Member

### Executive committee

#### Dirk Terweduwe

Chief Executive Officer and Chairman of the Executive Committee

#### Frank Vanwingh

Deputy Chief Executive Officer and Vice-Chairman of the Executive Committee

#### Nabil Jijakli

Deputy Chief Executive Officer and Member of the Executive Committee

### Compliance Officer

#### Geert Goossens

### Chief Internal Auditor

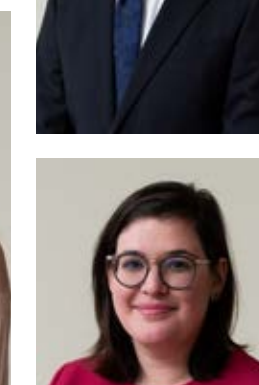
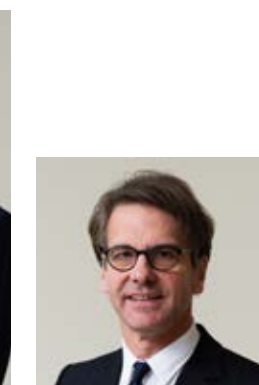
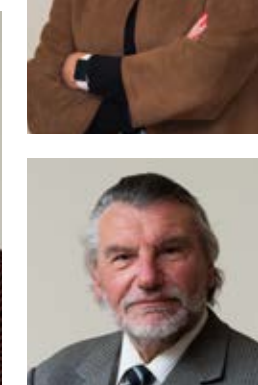
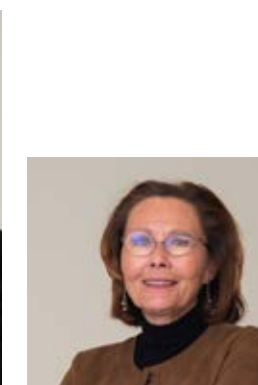
#### Laurent Massin

### Chief Financial Officer

#### Ronny Matton

### Chief Risk Officer

#### Hans Slock



### General Managers subsidiaries

#### Alexey Bezdenezhnykh

General Manager  
Credendo – Ingosstrakh Credit Insurance

#### Michael Frank

General Manager  
Credendo – Single Risk

#### Eckhard Horst

General Manager  
Credendo – Excess & Surety

#### Stefaan Van Boxstael

General Manager  
Credendo – Short-Term Non-EU Risks

#### Christoph Witte

General Manager  
Credendo – Short-Term EU Risks

\* Legal name Delcredere | Ducreire.

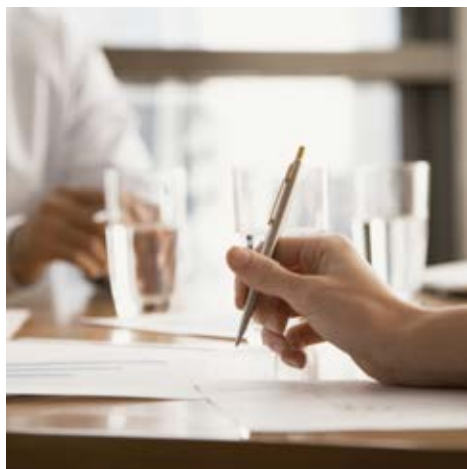
\*\* Resigning on 1/04/2018.

\*\*\* Resigning on 18/10/2019.



# Management report

## on the 2019 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 report on our consolidated activities over the financial year and the consolidated financial statements closed as at 31/12/2019.

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 31/12/2019, and as adopted by the European Union.

In July 2014 the International Accounting Standards Board (IASB) published IFRS 9, a new standard for financial instruments, which will have a significant impact on the way Credendo reports on 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 was published by the IASB in May 2017. In this regard, and as proposed by the IASB, Credendo opted to defer the application of IFRS 9 until 2023 when IFRS 17 will also become effective. Simultaneous application of both the financial instruments and insurance contracts standards will increase the ability of our asset liability management (ALM) to minimise any potential accounting mismatches that would arise if the new standards would be applied at different dates.

In order to ready ourselves for the implementation of these new standards we have set up a Credendo project which is expected to be completed before 2023. 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. Financials

The 2019 Consolidated Statement of Financial Position shows a balance total of EUR 3,386.4 million compared to EUR 3,030.2 million at the end of 2018. The main movements relate to the changes in working capital assets and liabilities and the major increase of the financial investments position resulting from the strong recovery

of the financial markets during 2019. Thus, the financial investment portfolio value grew from EUR 2,449.0 million in 2018 to EUR 2,701.3 at the end of 2019 whilst the cash and cash equivalents position increased from EUR 231.1 million in 2018 to EUR 258.3 million by the end of 2019.

The Consolidated Income Statement is showing a profit of EUR 269.7 million for the year 2019, a substantial improvement on last year's loss of EUR 32.1 million. The 2019 insurance claims stayed at the same low level of 2018, largely offsetting the higher level of operating expenses. Consequently, the 2019 result from operating activities remained positive at EUR 46.5 million up from the EUR 38.0 million operational profit in 2018.

The insurance premium revenues, including variance in unearned premium reserve, reduced from EUR 329.7 million in 2018 to EUR 314.9 million in 2019 mostly due to increased unearned premium provisioning. After the cession of premium to reinsurance the net insurance premium revenue decreased from EUR 233.7 million in 2018 to EUR 221.9 million in 2019.

The 2019 other operating income of EUR 44.5 million contains commissions received from reinsurers, recharges of investigation costs and other recoveries of expenses (EUR 41.7 million in 2018). The net insurance claims and loss adjustment expenses went down from EUR 115.5 million in 2018 to EUR 90.5 million in 2019.

The operating expenses other than claims increased from EUR 121.9 million in 2018 to EUR 129.3 million in 2019 mainly because of services and other goods and more particularly broker fees and higher depreciation on property, plant and equipment including rights-of-use assets under IFRS 16 with an almost equal offset in services and other goods.

With a record-breaking performance of the financial markets the positive 2019 financial result of EUR 228.8 million more than compensated for the 2018 financial loss of EUR 66.9 million. The 2018 income tax expense of EUR 3.2 million further increased to EUR 5.6 million in 2019.

The 2018 positive net remeasurement result on post-employment benefits of EUR 1.9 million (net of deferred tax thereon) turns into a rather negative 2019 result of EUR 5.5 million with strong movements in the main actuarial assumptions (discount rate of 1.60% in 2018 becomes 0.80% in 2019 for the Belgian plans).

The solid performance of the financial markets also had a sizeable positive effect on the other comprehensive income result pertaining to investments with the 2019 fair-value changes on available-for-sale financial assets including foreign-exchange differences making for a profit of EUR 10.7 million (net of deferred tax thereon) contrary to a negative net fair-value change of EUR 5.2 million in 2018.





The 2019 exchange-rate differences on translating foreign operations turned positive with EUR 1.7 million compared to a negative exchange-rate difference of EUR 1.4 million in 2018. The total other comprehensive income for the year 2019 is a profit of EUR 6.9 million compared to the EUR 4.6 million loss in 2018. This brings the total comprehensive income to a profit of EUR 276.7 million for 2019 against a EUR 36.7 million loss in 2018.

In 2019, the operating activities generated EUR 54.6 million net cash, a complete turnaround from the EUR 86.4 million used in 2018. Together with the EUR 32.2 million cash used by investing and financing activities in 2019 (EUR 74.8 million net generated in 2018) this resulted in an increase of the 2019 cash and cash equivalents position by EUR 22.4 million compared to last year's decrease of EUR 11.6 million. The 2019 exchange gains on cash and cash equivalents amount to EUR 4.8 million up from EUR 0.4 million in 2018.

Finally the Consolidated Statement of Changes in Equity is explaining the

movements for each component of the total equity attributable to the owner of the parent, i.e. endowment, consolidated reserves and total other comprehensive income, and for the non-controlling interests in equity. In other words, 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 2019 consolidated audit fees of our statutory auditor PwC Belgium amount to EUR 118,127. The 2019 fees for our statutory auditor's network include audit fees of EUR 218,232 and non-audit fees for other missions external to the audit amount to EUR 1,255,504.

### 3. 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, inward reinsurance contracts, sensitivity analysis, change in assumptions, quantitative concentrations and claims development tables. Similarly the second part on the **financial risk** specifies the market risks (interest rate, currency and equity price risk), the risks on counterparty default and 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 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' view. The own

funds management aims to maximise available resources that provide full absorption of losses on a going-concern basis.

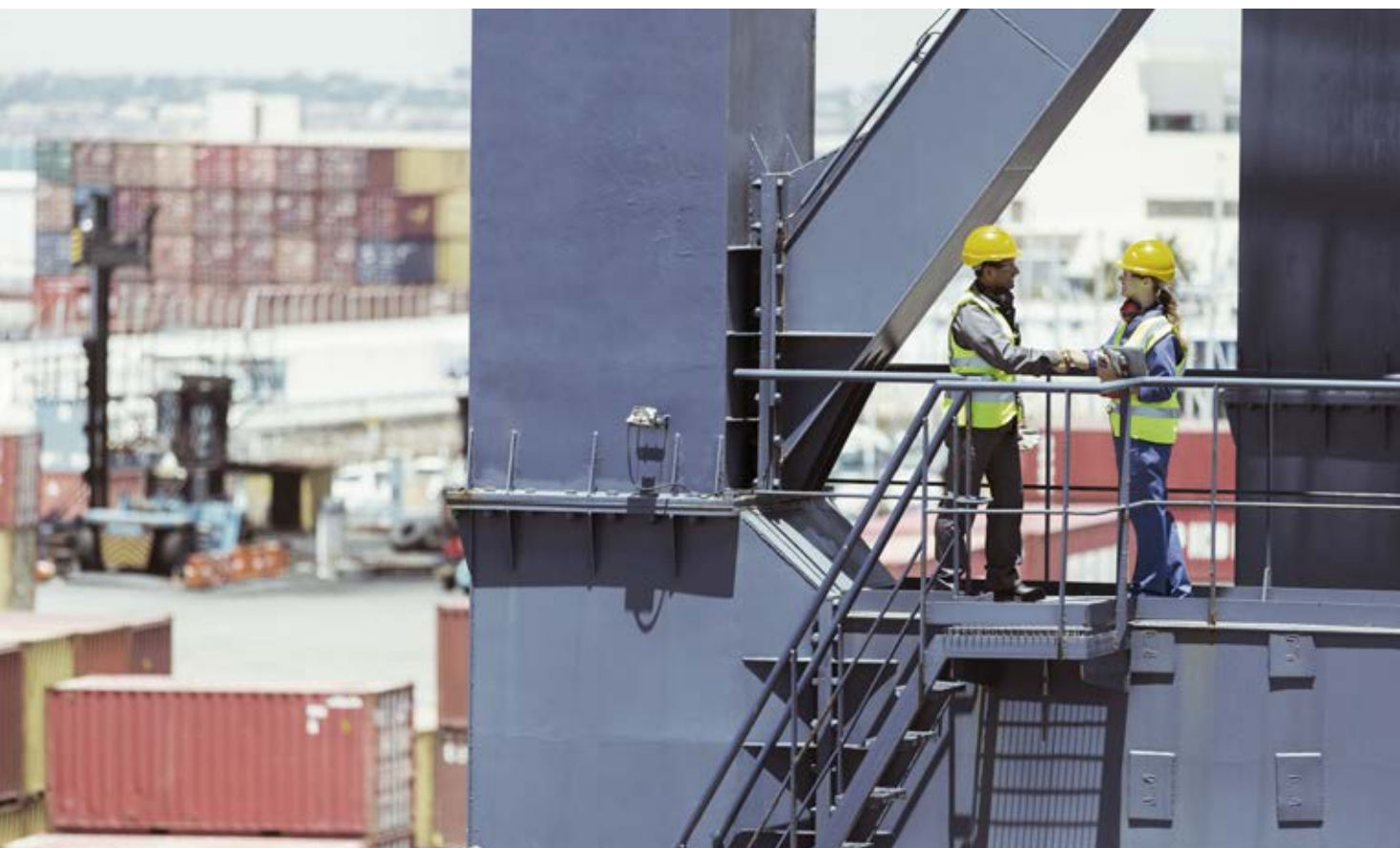
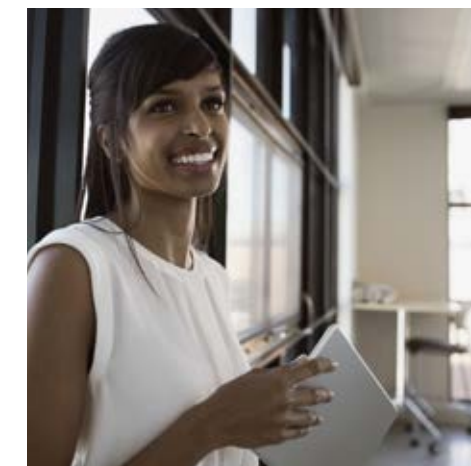
The capital planning strategy aligns the internal capital demand (based on projections of capital requirements taking account of the risk appetite and longer-term business strategy) and the internal capital supply (own funds) over the business planning period, identifying possible needs to raise additional 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. Events occurring after the reporting period

Though the coronavirus disease 2019 pandemic started December 2019, its worldwide spread subsequent to 31/12/2019 is a non-adjusting event as per IAS 10. Further covid-19 developments are not reflected in the Credendo measurement of assets and liabilities at the reporting date.

Despite the potentially considerable impact of this pandemic on the 2020 results and financial position, the equity of Credendo is strong enough to absorb the economic shock caused by covid-19.

Therefore, 2019 IFRS Consolidated Financial Statements have been established on a going-concern basis.







# Consolidated financial statements

## for the year ended 31/12/2019

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financial statements

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 31/12/2019, 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<sup>1,2</sup>

IN THOUSANDS EUR	NOTE	31/12/2019	31/12/2018
<b>ASSETS</b>			
Intangible assets	5	61,649	43,636
Property, plant and equipment	6	27,288	22,024
Other financial assets	7	171	150
Financial investments	8	2,701,312	2,449,018
Deferred income tax assets	9	6,706	10,908
Reinsurance assets	10-16	88,873	78,616
Loans and receivables including reinsurance receivables	11	228,778	182,829
Other assets	12	12,290	11,094
Current tax assets		1,059	830
Cash and cash equivalents	13	258,274	231,067
<b>TOTAL ASSETS</b>		<b>3,386,400</b>	<b>3,030,172</b>

IN THOUSANDS EUR	NOTE	31/12/2019	31/12/2018
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Endowment	14	297,472	297,472
Consolidated reserves	15	2,508,460	2,239,649
Total other comprehensive income	15	-2,543	-9,013
Total equity excluding non-controlling interests		2,803,389	2,528,108
Non-controlling interests		4,323	2,946
<b>Total equity</b>		<b>2,807,712</b>	<b>2,531,054</b>
<b>Liabilities</b>			
Liabilities arising from insurance contracts	16	449,255	416,631
Deferred income tax liabilities	9	1,214	697
Provisions for other liabilities and charges	17	1,735	1,281
Employee benefit liabilities	18	27,151	19,646
Payables	19	67,095	38,100
Other liabilities	20	30,191	21,189
Current tax liabilities		2,047	1,574
<b>Total liabilities</b>		<b>578,688</b>	<b>499,118</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,386,400</b>	<b>3,030,172</b>

<sup>1</sup> The consolidated statement of financial position is presented in thousands of euros, rounded to the nearest thousand using a full stop as decimal separator and a comma as thousands separator.

<sup>2</sup> The notes 1 to 34 are an integral part of these consolidated financial statements.



## Consolidated income statement<sup>1,2</sup>

IN THOUSANDS EUR	NOTE	31/12/2019	31/12/2018
Insurance premium revenue		314,898	329,695
Insurance premium ceded to reinsurers		-93,026	-96,039
<b>Net insurance premium revenue</b>	<b>21</b>	<b>221,872</b>	<b>233,656</b>
Other operating income	22	44,530	41,689
<b>Net income</b>		<b>266,402</b>	<b>275,345</b>
Insurance claims and loss adjustment expenses		-140,956	-158,342
Insurance claims and loss adjustment expenses recovered from reinsurers		50,413	42,873
<b>Net insurance claims and loss adjustment expenses</b>	<b>23</b>	<b>-90,543</b>	<b>-115,469</b>
Employee benefit expenses	24	-49,229	-47,026
Services and other goods	25	-65,650	-62,584
Depreciation and amortisation	26	-6,868	-4,959
Other operating expenses	22	-7,578	-7,309
<b>Operating expenses (other than claims)</b>		<b>-129,325</b>	<b>-121,878</b>
<b>Expenses</b>		<b>-219,868</b>	<b>-237,347</b>
<b>Profit/(loss) from operating activities</b>		<b>46,534</b>	<b>37,998</b>
Finance income	27	253,673	37,110
Finance expense	27	-24,912	-104,011
<b>Net financial income</b>		<b>228,761</b>	<b>-66,901</b>
<b>Profit/(loss) of the year before tax</b>		<b>275,295</b>	<b>-28,903</b>
Income tax credit/(expense)	29	-5,576	-3,175
<b>Profit/(loss) of the year</b>		<b>269,719</b>	<b>-32,078</b>
<b>Profit/(loss) attributable to:</b>			
Owners of the parent		268,811	-32,731
Non-controlling interest		908	653
<b>TOTAL PROFIT/(LOSS) OF THE YEAR</b>		<b>269,719</b>	<b>-32,078</b>

<sup>1</sup> The consolidated income statement is presented in thousands of euros, rounded to the nearest thousand using a full stop as decimal separator and a comma as thousands separator.

<sup>2</sup> The notes 1 to 34 are an integral part of these consolidated financial statements.

## Consolidated statement of other comprehensive income<sup>1,2</sup>

IN THOUSANDS EUR	NOTE	31/12/2019	31/12/2018
<b>Profit/(loss) of the year</b>		<b>269,719</b>	<b>-32,078</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurements on post-employment benefits	18	-6,114	2,116
Deferred tax on remeasurements on post-employment benefits	9	659	-192
<b>Subtotal of other comprehensive income that will not be reclassified to profit or loss</b>		<b>-5,455</b>	<b>1,924</b>
<b>Items that may be subsequently reclassified to profit or loss</b>			
Change in value of available-for-sale financial investments		13,128	-6,102
Deferred taxes thereon	9	-2,431	921
		<b>10,697</b>	<b>-5,181</b>
Exchange differences on translating foreign operations		1,697	-1,358
<b>Subtotal of other comprehensive income for the year that may be subsequently reclassified to profit or loss</b>		<b>12,394</b>	<b>-6,539</b>
<b>Total other comprehensive income for the year</b>		<b>6,939</b>	<b>-4,615</b>
<b>Total comprehensive income for the year</b>		<b>276,658</b>	<b>-36,693</b>
<b>Attributable to:</b>			
Owners of the parent		275,281	-36,930
Non-controlling interest		1,377	237
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>276,658</b>	<b>-36,693</b>

<sup>1</sup> The consolidated statement of comprehensive income is presented in thousands of euros, rounded to the nearest thousand using a full stop as decimal separator and a comma as thousands separator.

<sup>2</sup> The notes 1 to 34 are an integral part of these consolidated financial statements.



## Consolidated statement of changes in equity<sup>1,2</sup>

IN THOUSANDS EUR	ATTRIBUTABLE TO OWNERS OF THE PARENT						TOTAL EQUITY
	NOTE	ENDOWMENT	CONSOLIDATED RESERVES	TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR	TOTAL	NON-CONTROLLING INTEREST IN EQUITY	
<b>BALANCE AT 01/01/2019</b>		297,472	2,239,649	-9,013	2,528,108	2,946	2,531,054
Profit/(loss) of the year		-	268,811	-	268,811	908	269,719
Other comprehensive income:							
Remeasurements on post-employment benefits	9-18	-	-	-5,455	-5,455	-	-5,455
Change in value of available-for-sale financial investments		-	-	10,697	10,697	-	10,697
Exchange differences on translating foreign operations		-	-	1,228	1,228	469	1,697
<b>Total other comprehensive income for the year</b>		-	-	6,470	6,470	469	6,939
<b>Total comprehensive income for the year</b>		-	268,811	6,470	275,281	1,377	276,658
<b>Total equity movement for the year</b>		-	268,811	6,470	275,281	1,377	276,658
<b>BALANCE AT 31/12/2019</b>		297,472	2,508,460	-2,543	2,803,389	4,323	2,807,712

IN THOUSANDS EUR	ATTRIBUTABLE TO OWNERS OF THE PARENT						TOTAL EQUITY
	NOTE	ENDOWMENT	CONSOLIDATED RESERVES	TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR	TOTAL	NON-CONTROLLING INTEREST IN EQUITY	
<b>BALANCE AT 01/01/2018</b>		297,472	2,272,122	-5,300	2,564,294	3,920	2,568,214
Profit/(loss) of the year		-	-32,731	-	-32,731	653	-32,078
Other comprehensive income:							
Remeasurements on post-employment benefits	9-18	-	-	1,924	1,924	-	1,924
Change in value of available-for-sale financial investments		-	-	-5,181	-5,181	-	-5,181
Exchange differences on translating foreign operations		-	-	-942	-942	-416	-1,358
<b>Total other comprehensive income for the year</b>		-	-	-4,199	-4,199	-416	-4,615
<b>Total comprehensive income for the year</b>		-	-32,731	-4,199	-36,930	237	-36,693
<b>Total transactions with owners</b>							
Changes in ownership interest in subsidiaries that do not result in a change in control	32	-	497	-	497	-1,153	-656
<b>Other equity movements</b>		-	-239	486	247	-58	189
<b>Total equity movement for the year</b>		-	-32,473	-3,713	-36,186	-974	-37,160
<b>BALANCE AT 31/12/2018</b>		297,472	2,239,649	-9,013	2,528,108	2,946	2,531,054

<sup>1</sup> The consolidated statement of changes in equity is presented in thousands of euros, rounded to the nearest thousand using a full stop as decimal separator and a comma as thousands separator.

<sup>2</sup> The notes 1 to 34 are an integral part of these consolidated financial statements.



## Consolidated statement of cash flows<sup>1,2</sup>

IN THOUSANDS EUR	NOTE	31/12/2019	31/12/2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>PROFIT/(LOSS) BEFORE INCOME TAX</b>		<b>275,295</b>	<b>-28,903</b>
<b>Adjustments for:</b>			
Depreciation and amortisation	26	6,868	4,959
Movement of provisions	17	454	1,124
Write-offs on trade receivables	22	966	156
Fair value gains/losses on financial assets at FVTPL	27	-103,923	91,969
Gains on sale of available-for-sale financial investments	27	-2,542	-850
Finance income (net)		-115,318	-18,084
Net of unrealised exchange-rate differences		-3,075	-6,267
<b>Subtotal (profit + adjustments)</b>		<b>58,725</b>	<b>44,104</b>
<b>Changes in working capital assets and liabilities (excluding the effect of exchange differences on consolidation):</b>			
Liabilities arising from insurance contracts		29,235	-145,982
Employee benefits (excluding remeasurements through OCI)		1,382	-1,607
Payables		44,336	-9,027
Other liabilities		833	-4,623
Reinsurance assets		-9,288	23,625
Changes in receivables		-67,137	7,163
Changes in other financial assets		-21	-26
Changes in other assets		-1,019	2,176
<b>Cash (used in)/generated from operations</b>		<b>57,046</b>	<b>-84,197</b>
Income tax paid		-2,419	-2,222
<b>Net cash (used in)/generated by operating activities</b>		<b>54,627</b>	<b>-86,419</b>

IN THOUSANDS EUR	NOTE	31/12/2019	31/12/2018
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	6	-976	-1 433
Sale of property, plant and equipment	6	581	77
Purchase of intangible assets	5	-21,114	-14,723
Purchase of financial investments	8	-683,740	-166,707
Proceeds from sale of financial investments		552,716	251,924
Finance income		120,793	7,321
Realised exchange gains/(losses) on financial assets		1,094	1,097
<b>Net cash (used in)/generated by investing activities</b>		<b>-30,646</b>	<b>77,555</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES<sup>3</sup></b>			
Acquisition of non-controlling interests		-	-656
Financial charges and interest costs paid		-1,558	-2,109
<b>Net cash (used in)/generated by financing activities</b>		<b>-1,558</b>	<b>-2,765</b>
<b>CHANGES IN CASH AND CASH EQUIVALENTS</b>			
Net (decrease)/increase in cash and cash equivalents		22,423	-11,629
Cash and cash equivalents at the beginning of the year		231,067	242,268
Exchange gains/(losses) on cash and cash equivalents		4,784	428
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>13</b>	<b>258,274</b>	<b>231,067</b>

<sup>1</sup> The consolidated statement of cash flows is presented in thousands of euros, rounded to the nearest thousand using a full stop as decimal separator and a comma as thousands separator.

<sup>2</sup> The notes 1 to 34 are an integral part of these consolidated financial statements.

<sup>3</sup> Credendo does not have liabilities arising from financing activities that would require a reconciliation under IAS 7 amendments.



# Notes to the consolidated financial statements

## 1. GENERAL INFORMATION

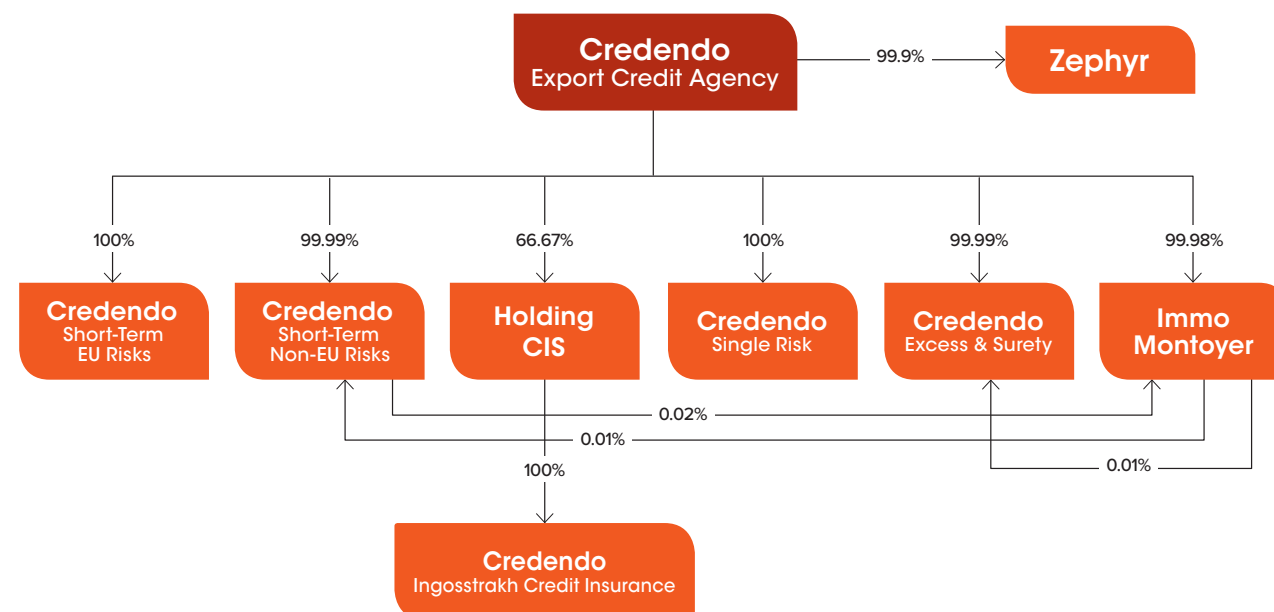
Credendo – Export Credit Agency (commercial name of Delcredere | Ducroire) and its subsidiaries form Credendo.

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, Credendo – Short-Term EU Risks, Credendo – Single Risk, Credendo – Ingosstrakh Credit Insurance and Credendo – Excess & Surety.

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 Montoyerstraat 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 per 31/12/2019 have been prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union and 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 standards and amendments to standards are mandatory for the first time for the financial year beginning 01/01/2019 and have been endorsed by the European Union:

> IFRS 16, 'Leases' (effective 01/01/2019). 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.

Credendo elected to adopt the new rules retrospectively (simplified approach) but recognised the cumulative effect of initially applying the new standard on 01/01/2019. As such, it has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard.

The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 01/01/2019. The new accounting policies are disclosed in note 2.20.

#### OPERATING LEASES

On adoption of IFRS 16, Credendo recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 01/01/2019. As such, the rate applied to the lease liabilities on 01/01/2019 was between 0.32% and 2.53%. For a qualitative description of the approach taken to determine this rate, please refer to note 2.20.

#### PRACTICAL EXPEDIENTS APPLIED

In applying IFRS 16 for the first time, Credendo has used the following practical expedients permitted by the standard:

- > applying a single discount rate to a portfolio of leases with reasonably similar characteristics relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 01/01/2019
- > accounting for operating leases with a remaining lease term of less than 12 months as at 01/01/2019 as short-term leases
- > excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- > using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Credendo has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date Credendo relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a lease.

## MEASUREMENT OF LEASE LIABILITIES

MEASUREMENT OF LEASE LIABILITIES RECOGNISED AT INITIAL APPLICATION	
Operating lease commitments disclosed as at 31/12/2018	7,615
Amounts discounted using the lessee's incremental borrowing rate as at 01/01/2019	7,395
Add/(Less): adjustments as a result of a different treatment of extension and termination options	454
<b>LEASE LIABILITY RECOGNISED AS AT 01/01/2019</b>	<b>7,849</b>
Of which current liabilities	1,905
Of which non-current liabilities	5,944

## MEASUREMENT OF RIGHT-OF-USE ASSETS

Right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31/12/2018.

## ADJUSTMENTS RECOGNISED IN THE BALANCE SHEET ON 01/01/2019

The change in accounting policy resulted in an increase of KEUR 7,849 in property, plant and equipment (right-of-use assets) and other liabilities (lease liabilities) in the balance sheet on 01/01/2019.

- > IFRIC 23 'Uncertainty over income tax treatments' (effective 01/01/2019). This interpretation clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.
- > Amendments to IAS 28 'Long-term interests in associates and joint ventures' (effective 01/01/2019). This narrow-scope amendment provides clarification regarding the accounting for long-term interests in an associate or joint venture, to which the equity method is not applied, under IFRS 9. Specifically, whether the measurement and impairment of such interests should be done using IFRS 9, IAS 28 or a combination of both.
- > Annual improvements to IFRS Standards 2015-2017 cycle (effective 01/01/2019):
  - amendments to IFRS 3 'Business combinations'. The amendments clarify that obtaining control of a business that is a joint operation, is a business combination achieved in stages. The acquirer should remeasure its previously held interest in the joint operation at fair value as at the acquisition date;
  - amendments to IFRS 11 'Joint arrangements'. The amendments clarify that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation;

- amendments to IAS 12 'Income taxes'. The amendments clarify that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. These requirements apply to all income tax consequences of dividends;
- amendments to IAS 23 'Borrowing costs'. The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

- > Amendments to IAS 19 'Plan Amendment, Curtailment or Settlement' (effective 01/01/2019). The amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement. In addition, an entity will have to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling. The amendments will affect any entity that changes the terms or the membership of a defined benefit plan such that there is past service cost or a gain or loss on settlement.

The following new standards and amendments to standards have been issued, but are not mandatory for the first time for the financial year beginning 01/01/2019 and have been endorsed by the European Union:

- > IFRS 9 'Financial Instruments' is effective for annual periods beginning on or after 01/01/2018. The standard addresses the classification, measurement, derecognition of financial assets and financial liabilities and general hedge accounting. However, Credendo has elected to defer the implementation of the standard, until IFRS 17 becomes effective (on 01/01/2023), with additional disclosures provided in Note 4.4 as required by IFRS 4 for the deferrers. This way the deferrers could apply the same effective date for both IFRS 17 and IFRS 9.
- > Amendments to IFRS 9 'Prepayment Features with Negative Compensation' (effective 01/01/2019). This narrow-scope amendment permits more assets to be measured at amortised cost than under the previous version of IFRS 9, in particular some prepayable financial assets. The amendment also deals with accounting for the modification of a financial liability, confirming that most such modifications will result in immediate recognition of a gain or loss. Credendo decided to avail itself of the deferral of IFRS 9 until 01/01/2023.
- > Amendments to IAS 1 and IAS 8 'Definition of Material' (effective 01/01/2020). The amendment gives an amended definition, making further clarifications on relevant interpretations, e.g. in regard of obscuring/omitting information, primary users of general-purpose financial statements.
- > References to the Conceptual Framework in IFRS Standards (effective 01/01/2020). The revised Conceptual Framework includes

a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance – in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

- > Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) (effective 01/01/2020). These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

The following new standards and amendments to standards have been issued, but are not mandatory for the first time for the financial year beginning 01/01/2019 and have not been endorsed by the European Union:

- > IFRS 17 'Insurance contracts' (effective 01/01/2023). This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

Under the general model prescribed by IFRS 17, insurance contracts are to be measured using the business blocks of:

- discounted probability-weighted cash flows (fulfilment cash flows);
- a risk adjustment;
- and a contractual service margin, representing the unearned profit of the contract which is recognised as revenue over the coverage period.

IFRS 17 allows a choice between recognising changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect accounting for financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short-duration contracts, which are often written by non-life insurers.

There is also a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items.

IFRS 17 is a significant development in accounting policy that will have a fundamental impact on the methodology, processes, systems and results across Credendo. Currently, management has started an IFRS 17 implementation project.

On 14/11/2018, the IASB voted for a one-year delay of IFRS 17, which defers its effective date to 01/01/2022. This delay has been incorporated in the Exposure Draft: Amendments to IFRS

17 published 26/06/2019. A further deferral of one year has been decided by IASB during their meeting of 17/03/2020 thus postponing the effective date of IFRS 17 to 01/01/2023. As the mandatory date of IFRS 9 for the deferrers is also delayed by two years, the two standards will be implemented together.

- > Amendment to IFRS 3 'Business Combinations' (effective 01/01/2020), that revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. The changes to the definition of a business will likely result in more acquisitions being accounted for as asset acquisitions.

- > Amendments to IAS 1 Classification of Liabilities as Current or Non-current (effective 01/01/2022). The amendments aim to promote consistency in applying the requirements of IAS 1 by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

## 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's investments in associates include goodwill identified on acquisition.

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

Credendo'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 comprises 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.

Following the first application of IFRS 16 on 1/01/2019, the right-of-use assets are now included in the line 'Property, plant and equipment' in the balance sheet. For more details regarding the accounting for the right-of-use assets please refer to note 2.20.

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' and 'Cash and cash equivalents'.

Recoveries

'Expected recoveries on claims paid' are deducted from related insurance liabilities, to the extent that they do not qualify for recognition as separate assets, which is when Credendo becomes legal owner of the recovered assets. Management assessed that this is a more faithful presentation of the ultimate insurance liabilities and in line with the requirements of the new IFRS 17 standard.

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

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 remeasured 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 bond holder.
- > **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.

- > **Forfeiting contracts:** contracts that are concluded in addition to the credit insurance policy for a medium-term supplier credit whereby the supplier credit is refinanced by Credendo. 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 forfeiting are commonly referred to as direct business activity. Part of the risk of these insurance activities – except financial guarantees and forfeiting – 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 chose 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.

The provisions for claims are net of expected recoveries from salvage and subrogation.

#### 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 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 and is set by estimating on a case-by-case basis the ultimate loss to Credendo. The liability for reported claims is net of expected recoveries on expected and settled claims.

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 except for Credendo – Ingosstrakh Credit Insurance where the RBNS provision is accounted for at the end of the waiting period, determined on a contract-per-contract basis, or at the date of receiving information on bankruptcy of the debtor or on legal expenses paid by the insured for liquidation or minimisation of insured overdue receivables.

#### 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. The provision includes expenses for handling settled losses as well.

For Credendo – Excess & Surety and Credendo – Ingosstrakh Credit Insurance only internal handling costs are taken into account. The provision is calculated as a percentage of the sum of 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 handling of claims which are, based on long-term experience, estimated as a share of that provision.

#### 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 nor 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

Credendo operates various post-employment schemes, including both defined benefit and defined contribution pension plans and other post-employment benefits such as health care granted after completion of the employment.

##### Pension obligations

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.

##### Post-employment health benefit plan

Credendo also operates a post-employment health benefit plan in Belgium.

Credendo provides post-retirement healthcare benefits to its retirees. The entitlement to these benefits is conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

#### 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 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;
- > forfeiting;
- > excess-of-loss policies;
- > captive policies;
- > inward reinsurance.

Accruals for premium refunds are charged against premium written. Premium earned includes an adjustment for the unearned share of premium, matching risks and rewards.

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 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

Credendo leases, predominantly, offices and vehicles. Rental contracts are typically made for fixed periods of 1 to 5 years, but may have extension options.

Contracts may contain both lease and non-lease components. Credendo has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 01/01/2019, leases are recognised as a right-of-use asset under property, plant and equipment (see note 2.5.) and a corresponding liability at the date at which the leased asset is available for use by Credendo.

Assets and liabilities arising from a lease are initially measured on a present-value basis. Lease liabilities include the net present value of the following lease payments:

- > fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- > variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- > amounts expected to be payable by Credendo under residual value guarantees;
- > the exercise price of a purchase option if Credendo is reasonably certain to exercise that option; and
- > payments of penalties for terminating the lease, if the lease term reflects Credendo exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in Credendo, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, Credendo:

- > uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Credendo, which does not have recent third-party financing, and
- > makes adjustments specific to the lease, e.g. term, country, currency and security.

Credendo is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- > the amount of the initial measurement of lease liability;
- > any lease payments made at or before the commencement date less any lease incentives received;
- > any initial direct costs; and
- > restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If Credendo is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Extension and termination options are included in a number of property and equipment leases in different entities of Credendo. These are used to maximise operational flexibility in terms of managing the assets used in Credendo's operations.

## 2.21. ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets (or disposals) are classified as held for sale if their carrying amount will be recovered principally through a sale rather than through continuing use and 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. IMPAIRMENT LOSSES ON LOANS AND RECEIVABLES

Credendo regularly reviews its portfolio of loans and receivables to assess impairment. In determining whether an impairment loss should be recognised in profit or loss for the year, Credendo makes judgements as to whether there is any observable evidence indicating that there is a measurable decrease in the estimated future cash flows from these assets. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

#### 3.3. 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.

#### 3.4. 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.

In July 2017, the Belgian government announced an important corporate tax reform which will decrease the corporate tax rate in Belgium from 33.99% down to 29.58% in 2018 and to 25% as from 2020. The Act affecting the reform has been voted by Parliament in December 2017 which, by virtue of the guidance in IAS 12, is considered as substantively enacted. Therefore, deferred taxes on temporary differences, originated in Belgium, are calculated based both on the new tax rates and the timing of their expected reversals. In this regard, management has exercised judgement in deciding which temporary differences are expected to reverse before 2020, to which the tax rate of 29.58 % will apply, and the temporary differences expected to reverse after 2020, to which the tax rate of 25% will apply.

### 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 entities 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 entities that are part of Credendo. The relevant bodies of the entities 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 entities, 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 entities, 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 and for every product that is offered.

The underwriting process is strictly defined by underwriting guidelines and rules on delegation of authority. 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 delegation of authority in risk underwriting is clearly described and documented. The delegation 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 debtor (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 or reinsurance held 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. Proportional (especially 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.

Other types of risk under the credit insurance cover offered by some entities, concern losses due to contract termination and illicit calling of guarantees. Other ancillary 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 – Excess & Surety is 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 this Credendo entity:

- > 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: 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 or reinsurance issued takes place on a facultative and on a treaty basis and is subject to a similar risk management process as direct business.

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 22.2 million (2018: EUR 23.4 million). A 10% rise in claims expenses would lower the pre-tax income by EUR 14.1 million (2018: EUR 15.8 million).

4.1.5 CHANGE IN ASSUMPTIONS

No assumption changes with material impact have occurred since 01/01/2019.

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)					
COUNTRY	31/12/2019		COUNTRY	31/12/2018	
	TOTAL POTENTIAL EXPOSURE	%		TOTAL POTENTIAL EXPOSURE	%
Russia	4,276	7.0%	Russia	2,866	4.8%
Italy	2,888	4.7%	Italy	2,429	4.1%
China	2,106	3.4%	United States	2,129	3.6%
Poland	2,022	3.3%	Czech Republic	1,901	3.2%
Germany	1,982	3.2%	Poland	1,844	3.1%
Czech Republic	1,900	3.1%	Germany	1,828	3.1%
United States	1,843	3.0%	Belgium	1,809	3.0%
Belgium	1,575	2.6%	China	1,770	3.0%
France	1,543	2.5%	Turkey	1,634	2.8%
Turkey	1,505	2.5%	Brazil	1,595	2.7%
Other countries	39,485	64.6%	Other countries	39,540	66.6%
TOTAL POTENTIAL EXPOSURE	61,125	100%	TOTAL POTENTIAL EXPOSURE	59,345	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 held. 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 gross of expected recoveries on settled claims, 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									
OCCURRENCE YEAR	REPORTED CLAIMS <sup>1</sup> , GROSS OF REINSURANCE (IN MILLION EUR)							TOTAL	
	2013	2014	2015	2016	2017	2018	2019		
ESTIMATE OF CLAIMS INCURRED:									
At the end of the reporting year	108.9	54.5	143.4	285.6	68.2	8.9	59.6		
One year later	101.9	93.4	43.7	251.7	85.8	27.5			
Two years later	119.9	106.8	40.9	291.2	76.2				
Three years later	136.5	102.1	53.8	292.5					
Four years later	106.8	110.6	25.9						
Five years later	52.6	99.0							
Six years later	46.6								
Current estimate of cumulative claims	46.6	99.0	25.9	292.5	76.2	27.5	59.6	627.3	
Cumulative payments to date	40.8	96.3	21.6	244.1	10.7	12.6	40.9	467.0	
Liability in respect to prior years								3.2	
TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2019									163.5

CREDENDO – EXPORT CREDIT AGENCY – DIRECT MLT BUSINESS									
OCCURRENCE YEAR	REPORTED CLAIMS <sup>1</sup> , NET OF REINSURANCE (IN MILLION EUR)							TOTAL	
	2013	2014	2015	2016	2017	2018	2019		
ESTIMATE OF CLAIMS INCURRED:									
At the end of the reporting year	98.2	50.8	132.8	244.5	57.1	7.7	49.9		
One year later	85.2	67.1	35.8	245.3	79.9	24.3			
Two years later	94.7	94.2	44.7	238.9	71.6				
Three years later	105.6	91.1	44.8	236.2					
Four years later	79.6	100.1	17.2						
Five years later	24.9	88.9							
Six years later	20.7								
Current estimate of cumulative claims	20.7	88.9	17.2	236.2	71.6	24.3	49.9	508.8	
Cumulative payments to date	16.6	86.6	13.5	191.0	10.6	10.5	33.4	362.2	
Liability in respect to prior years								2.8	
TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2019									149.4

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:

CREDENDO – EXPORT CREDIT AGENCY – DIRECT ST BUSINESS & CREDENDO – SHORT-TERM NON-EU RISKS								
	REPORTED CLAIMS <sup>1</sup> , GROSS OF REINSURANCE (IN MILLION EUR)							
OCCURRENCE YEAR	2013	2014	2015	2016	2017	2018	2019	TOTAL
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	46.3	74.5	104.2	82.4	69.5	21.4	41.7	
One year later	57.9	107.2	126.3	78.2	149.4	55.6		
Two years later	65.8	130.0	113.3	86.7	155.1			
Three years later	62.9	123.7	124.3	84.0				
Four years later	59.0	175.4	121.3					
Five years later	62.5	143.3						
Six years later	59.1							
Current estimate of cumulative claims	59.1	143.3	121.3	84.0	155.1	55.6	41.7	688.3
Cumulative payments to date	58.3	139.0	109.2	72.0	81.5	37.6	23.0	548.6
Liability in respect to prior years								19.7
TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2019								
								159.3

CREDENDO – EXPORT CREDIT AGENCY – DIRECT ST BUSINESS & CREDENDO – SHORT-TERM NON-EU RISKS								
	REPORTED CLAIMS <sup>1</sup> , NET OF REINSURANCE (IN MILLION EUR)							
OCCURRENCE YEAR	2013	2014	2015	2016	2017	2018	2019	TOTAL
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	33.6	45.9	68.4	67.8	60.1	14.3	18.4	
One year later	37.6	66.4	84.8	60.0	133.2	30.2		
Two years later	43.4	77.8	72.5	65.2	60.4			
Three years later	40.8	72.3	81.0	56.2				
Four years later	35.9	123.4	72.8					
Five years later	40.1	93.8						
Six years later	38.5							
Current estimate of cumulative claims	38.5	93.8	72.8	56.2	60.4	30.2	18.4	387.1
Cumulative payments to date	38.4	91.0	69.0	52.6	59.1	26.5	11.0	364.3
Liability in respect to prior years								6.1
TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2019								
								28.9

<sup>1</sup> Net of expected recoveries on expected claims, gross of expected recoveries on settled claims.

<sup>1</sup> Net of expected recoveries on expected claims, gross of expected recoveries on settled claims. The table does not include the run-off businesses of Credendo – Short-Term Non-EU Risks (Inward Re and Suretyship).

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								
REPORTED CLAIMS <sup>1</sup> , GROSS OF REINSURANCE (IN MILLION EUR)								
OCCURRENCE YEAR	2013	2014	2015	2016	2017	2018	2019	TOTAL
<b>ESTIMATE OF CLAIMS INCURRED:</b>								
At the end of the reporting year	11.2	8.7	9.2	17.9	55.8	19.0	15.6	
One year later	10.2	8.2	21.4	15.4	53.2	14.3		
Two years later	9.5	15.1	20.0	14.7	53.4			
Three years later	24.3	15.8	19.8	14.6				
Four years later	22.3	15.7	20.2					
Five years later	23.5	15.5						
Six years later	23.4							
Current estimate of cumulative claims	23.4	15.5	20.2	14.6	53.4	14.3	15.6	157.0
Cumulative payments to date	23.5	15.6	20.6	14.7	52.2	12.8	4.6	143.9
Liability in respect to prior years								19.7
<b>TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2019</b>								<b>32.7</b>

CREDENDO – SHORT-TERM EU RISKS & CREDENDO – INGOSSTRAKH CREDIT INSURANCE								
REPORTED CLAIMS <sup>1</sup> , NET OF REINSURANCE (IN MILLION EUR)								
OCCURRENCE YEAR	2013	2014	2015	2016	2017	2018	2019	TOTAL
<b>ESTIMATE OF CLAIMS INCURRED:</b>								
At the end of the reporting year	4.5	3.5	3.7	7.3	7.3	7.1	6.5	
One year later	4.1	3.3	9.1	6.1	7.3	5.4		
Two years later	3.8	6.2	8.6	5.7	7.4			
Three years later	7.5	6.5	8.5	5.7				
Four years later	6.5	6.5	8.5					
Five years later	7.1	6.4						
Six years later	7.1							
Current estimate of cumulative claims	7.1	6.4	8.5	5.7	7.4	5.4	6.5	46.9
Cumulative payments to date	7.1	6.4	8.5	5.7	7.3	4.8	4.5	44.3
Liability in respect to prior years								1.5
<b>TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2019</b>								<b>4.1</b>

<sup>1</sup> Net of expected recoveries on expected claims, gross of expected recoveries on settled claims.

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 surety contracts business, in terms of the date of bond calling:

CREDENDO – EXCESS & SURETY								
REPORTED CLAIMS, GROSS OF REINSURANCE (IN MILLION EUR)								
OCCURRENCE YEAR	2013	2014	2015	2016	2017	2018	2019	TOTAL
<b>ESTIMATE OF CLAIMS INCURRED:</b>								
At the end of the reporting year	3.8	3.4	4.5	5.2	5.2	3.2	17.3	
One year later	9.4	7.1	10.1	15.0	8.7	12.4		
Two years later	9.0	5.0	8.0	15.9	9.1			
Three years later	6.6	4.8	8.2	13.8				
Four years later	5.9	4.8	8.0					
Five years later	5.7	4.7						
Six years later	5.7							
Current estimate of cumulative claims	5.7	4.7	8.0	13.8	9.1	12.4	17.3	71.1
Cumulative payments to date	5.6	4.7	7.9	12.2	8.3	6.4	6.8	51.9
Liability in respect to prior years								0.3
<b>TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2019</b>								<b>19.4</b>

CREDENDO – EXCESS & SURETY								
REPORTED CLAIMS, NET OF REINSURANCE (IN MILLION EUR)								
OCCURRENCE YEAR	2013	2014	2015	2016	2017	2018	2019	TOTAL
<b>ESTIMATE OF CLAIMS INCURRED:</b>								
At the end of the reporting year	1.0	0.9	1.1	1.3	1.3	0.8	4.3	
One year later	2.3	1.8	2.5	3.8	2.2	3.1		
Two years later	2.2	1.3	2.0	4.0	2.3			
Three years later	1.6	1.2	2.1	3.5				
Four years later	1.5	1.2	2.0					
Five years later	1.4	1.2						
Six years later	1.4							
Current estimate of cumulative claims	1.4	1.2	2.0	3.5	2.3	3.1	4.3	17.8
Cumulative payments to date	1.4	1.2	2.0	3.1	2.1	1.6	1.7	13.0
Liability in respect to prior years								0.1
<b>TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2019</b>								<b>4.9</b>

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 970 (2018: K EUR 1,004) 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 – note that the insurance liabilities and the reinsurers' share therein are gross of expected recoveries on expected and settled claims:

CURRENCY RISK EXPOSURES (IN MILLION EUR)	31/12/2019	31/12/2018
<b>ASSETS DENOMINATED IN FOREIGN CURRENCY</b>		
<b>Financial investments</b>		
USD	325.9	279.7
GBP	26.3	48.2
<b>Reinsurers' share of insurance liabilities</b>		
USD	50.6	57.7
GBP	0.4	0.6

CURRENCY RISK EXPOSURES (IN MILLION EUR)	31/12/2019	31/12/2018
<b>LIABILITIES DENOMINATED IN FOREIGN CURRENCY</b>		
<b>Lease liabilities</b>		
USD	0.3	
GBP	0.9	
<b>Liabilities arising from insurance contracts</b>		
USD	408.7	490.9
GBP	0.9	0.7

At the end of the reporting period, a sensitivity analysis on the above positions points to an decrease of the net liability position in USD of EUR 3.2 million (2018: EUR 15.4 million) and of the net asset position in GBP of EUR 2.6 million (2018: EUR 4.8 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 0.6 million (2018: EUR 10.6 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 2019	1.12	0.85	25.41	69.96
% fluctuation since the end of 2018	-1.9%	-4.9%	-1.2%	-12.2%
Average 2019	1.12	0.88	25.66	72.22
Exchange rate at the end of 2018	1.15	0.89	25.72	79.72
% fluctuation since the end of 2017	-4.5%	0.8%	0.7%	14.9%
Average 2018	1.18	0.89	25.68	74.17

#### 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 (2018: 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. A total amount of EUR 1,476 million is not rated. It refers to non-rated equity funds (EUR 713 million), to debt instrument funds for which the average rating was not available (EUR 465 million), to cash held in non-rated banks (EUR 118 million) and finally to EUR 181 million of government bonds. These government bonds are held via our investment fund Zephyr, for which no full look through has been made available.

CREDIT RISK EXPOSURES (IN MILLION EUR)	AAA	AA	A	BBB	<BBB	Non-rated	TOTAL
<b>FINANCIAL INVESTMENTS &amp; CASH (EQUIVALENTS) AT 31/12/2019</b>							
Government bonds	183	500	45	28		181	937
Funds invested in debt/security instruments	81	29	132	156	29	465	892
Funds invested in equity instruments						713	713
Fixed-term deposits			48				48
Cash and cash equivalents		29	204	17		118	370
<b>TOTAL</b>	<b>264</b>	<b>558</b>	<b>430</b>	<b>202</b>	<b>29</b>	<b>1,476</b>	<b>2,960</b>

CREDIT RISK EXPOSURES (IN MILLION EUR)	AAA	AA	A	BBB	<BBB	Non-rated	TOTAL
<b>FINANCIAL INVESTMENTS &amp; CASH (EQUIVALENTS) AT 31/12/2018</b>							
Government bonds	117	474	31	68	-	-	691
Funds invested in debt/security instruments	71	120	169	237	12	186	793
Funds invested in equity instruments	-	-	-	-	-	846	846
Fixed-term deposits	-	-	40	-	-	-	40
Cash and cash equivalents	-	5	212	13	-	80	309
<b>TOTAL</b>	<b>187</b>	<b>599</b>	<b>453</b>	<b>318</b>	<b>12</b>	<b>1,112</b>	<b>2,680</b>

While reinsurance agreements help to mitigate and manage 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
<b>Reinsurers' share of insurance liabilities</b>							
31/12/2019	0.0	71.2	78.7	0	-	1.7	151.7
31/12/2018	0.1	67.7	80.4	0		1.4	149.7

Non-rated reinsurers concern especially foreign government-related credit insurers. The above table is gross of expected recoveries on expected and settled claims.

#### 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, 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. 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 2019 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 is rated A-, with a stable outlook by S&P Global, A.M. Best and Fitch;
- > parent company Credendo – Export Credit Agency is rated AA by S&P Global.

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 31/12/2019 and 2018. 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.



31/12/2019	LEVEL 1	TOTAL
<b>ASSETS</b>		
<b>Financial assets at fair value through profit or loss</b>	<b>2,163</b>	<b>2,163</b>
Government bonds	6	6
Funds invested in debt instruments	7	7
Mixed & other funds	2,151	2,151
<b>Available-for-sale financial assets</b>	<b>192</b>	<b>192</b>
Government bonds	5	5
Funds invested in debt instruments	24	24
Funds invested in equity instruments	10	10
Mixed & other funds	153	153
<b>TOTAL ASSETS</b>	<b>2,355</b>	<b>2,355</b>

31/12/2018	LEVEL 1	TOTAL
<b>ASSETS</b>		
<b>Financial assets at fair value through profit or loss</b>	<b>1,922</b>	<b>1,922</b>
Government bonds	4	4
Funds invested in debt instruments	6	6
Mixed & other funds	1,913	1,913
<b>Available-for-sale financial assets</b>	<b>188</b>	<b>188</b>
Government bonds	10	10
Funds invested in debt instruments	32	32
Funds invested in equity instruments	12	12
Mixed & other funds	134	134
<b>TOTAL ASSETS</b>	<b>2,110</b>	<b>2,110</b>

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 31/12/2019, all financial investments measured at fair value on a recurring basis are classified as level 1 (31/12/2018: 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.

#### 4.4. IFRS 9 DEFERRAL DISCLOSURES

The following disclosures provide the information which allows estimating the impact of IFRS 9 on Credendo, as required by IFRS 4.

period for the groups of financial assets that pass the SPPI (solely payment of principal and interest) test and the other financial assets separately.

The table below presents a disclosure of the fair value at the end of the reporting period and the change in fair value during the

ASSET CLASS	GROUP 1 - SPPI FINANCIAL INSTRUMENTS				GROUP 2 - OTHER FINANCIAL INVESTMENTS		
	AFS	LOANS AND RECEIVABLES	CASH AND CASH EQUIVALENTS	TOTAL	FAIR VALUE THROUGH PROFIT OR LOSS	AFS	TOTAL
<b>31/12/2019</b>							
<b>FINANCIAL INVESTMENTS</b>							
Opening balance	42,457	338,705	231,070	612,232	1,922,375	145,482	2,067,857
Additions	7,230	7,602	27,204	42,036	624,995	43,912	668,907
Disposals	-18,601	-230	-	-18,831	-489,644	-41,643	-531,287
Change in fair value	-1,960	78	-	-1 882	105,270	15,284	120,554
Closing balance	29,126	346,155	258,274	633,555	2,162,996	163,035	2,326,031
<b>RECEIVABLES ARISING FROM FUNDING OPERATIONS<sup>1</sup></b>							
Opening balance	-	117,332	-	117,332	-	-	-
Additions	-	9,264	-	9,264	-	-	-
Disposals	-	-	-	-	-	-	-
Change in fair value	-	-	-	-	-	-	-
<b>Closing balance</b>	<b>-</b>	<b>126,596</b>	<b>-</b>	<b>126,596</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1</sup> Receivables from policyholders and assets from reinsurers will be excluded from the scope of IFRS 9.

ASSET CLASS	GROUP 1 - SPPI FINANCIAL INSTRUMENTS				GROUP 2 - OTHER FINANCIAL INVESTMENTS		
	AFS	LOANS AND RECEIVABLES	CASH AND CASH EQUIVALENTS	TOTAL	FAIR VALUE THROUGH PROFIT OR LOSS	AFS	TOTAL
<b>31/12/2018</b>							
<b>FINANCIAL INVESTMENTS</b>							
Opening balance	41,251	301,314	242,268	584,833	2,176,515	113,232	2,289,747
Additions	46,924	73,831	-	120,755	7,731	38,221	45,952
Disposals	-46,939	-36,379	-11,198	-94,516	-168,607	-	-168,607
Change in fair value	1,218	-60	-	1,158	-93,264	-5,970	-99,234
Closing balance	42,456	338,705	231,070	612,231	1,922,375	145,482	2,067,858
<b>RECEIVABLES ARISING FROM FUNDING OPERATIONS<sup>1</sup></b>							
Opening balance	-	113,951	-	113,951	-	-	-
Additions	-	3,381	-	3,381	-	-	-
Disposals	-	-	-	-	-	-	-
Change in fair value	-	-	-	-	-	-	-
Closing balance	-	117,332	-	117,332	-	-	-
<b>TOTAL</b>							

The carrying amount of receivables arising from funding operations represents a reasonable approximation of their fair value.

The following table represents credit risk exposure regarding the assets which meet SPPI test criteria:

CREDIT RISK EXPOSURES (IN MILLION EUR)							
31/12/2019	AAA	AA	A	BBB	<BBB	Non-rated	TOTAL
<b>FINANCIAL INSTRUMENTS INCLUDED IN GROUP 1</b>							
Financial investments	3	342	257	17	-	14	633
Receivables arising from funding operations	-	-	-	-	-	127	127
<b>TOTAL</b>	<b>3</b>	<b>342</b>	<b>257</b>	<b>17</b>	<b>-</b>	<b>141</b>	<b>760</b>

CREDIT RISK EXPOSURES (IN MILLION EUR)							
31/12/2018	AAA	AA	A	BBB	<BBB	Non-rated	TOTAL
<b>FINANCIAL INSTRUMENTS INCLUDED IN GROUP 1</b>							
Financial investments	3	359	227	17	-	6	612
Receivables arising from funding operations	-	-	-	-	-	117	117
<b>TOTAL</b>	<b>3</b>	<b>359</b>	<b>227</b>	<b>17</b>	<b>-</b>	<b>123</b>	<b>729</b>

<sup>1</sup> Receivables from policyholders and assets from reinsurers will be excluded from the scope of IFRS 9.

## 5. INTANGIBLE ASSETS

	NOTE	GOODWILL	EXTERNALLY ACQUIRED SOFTWARE	INTERNALLY GENERATED SOFTWARE DEVELOPMENT COSTS	INTERNALLY GENERATED SOFTWARE IN DEVELOPMENT	CONCESSIONS, PATENTS AND LICENCES	OTHER	TOTAL
<b>At cost at 01/01/2019</b>		<b>5,835</b>	<b>749</b>	<b>18,228</b>	<b>32,245</b>	<b>11,516</b>	<b>277</b>	<b>68,851</b>
Additions		-	-	1,362	19,721	30	-	21,114
Disposals		-	-	-	-	-	-	-
Exchange differences		-	9	-	8	-	-	18
<b>At cost at 31/12/2019</b>		<b>5,835</b>	<b>758</b>	<b>19,590</b>	<b>51,974</b>	<b>11,546</b>	<b>277</b>	<b>89,983</b>
<b>Accumulated amortisation and impairments at 01/01/2019</b>		<b>-5,560</b>	<b>-725</b>	<b>-8,806</b>	<b>-54</b>	<b>-9,889</b>	<b>-180</b>	<b>-25,215</b>
Amortisation charge	26	-	-15	-1,822	-4	-1,205	-55	-3,101
Amortisation on disposals		-	-	-	-	-	-	-
Exchange differences		-	-9	-	-7	-	-	-17
<b>Accumulated amortisation and impairments at 31/12/2019</b>		<b>-5,560</b>	<b>-749</b>	<b>-10,628</b>	<b>-65</b>	<b>-11,094</b>	<b>-236</b>	<b>-28,334</b>
<b>BALANCE AT 01/01/2019</b>		<b>275</b>	<b>24</b>	<b>9,422</b>	<b>32,191</b>	<b>1,627</b>	<b>97</b>	<b>43,636</b>
<b>BALANCE AT 31/12/2019</b>		<b>275</b>	<b>9</b>	<b>8,962</b>	<b>51,909</b>	<b>452</b>	<b>41</b>	<b>61,649</b>

	NOTE	GOODWILL	EXTERNALLY ACQUIRED SOFTWARE	INTERNALLY GENERATED SOFTWARE DEVELOPMENT COSTS	INTERNALLY GENERATED SOFTWARE IN DEVELOPMENT	CONCESSIONS, PATENTS AND LICENCES	OTHER	TOTAL
<b>At cost at 01/01/2018</b>		<b>5,835</b>	<b>754</b>	<b>18,286</b>	<b>18,639</b>	<b>11,418</b>	<b>277</b>	<b>55,209</b>
Additions		-	-	1,011	13,614	98	-	14,723
Disposals		-	-	-1,069	-	-	-	-1,069
Exchange differences		-	-5	-	-8	-	-	-13
<b>At cost at 31/12/2018</b>		<b>5,835</b>	<b>749</b>	<b>18,228</b>	<b>32,245</b>	<b>11,516</b>	<b>277</b>	<b>68,850</b>
<b>Accumulated amortisation and impairments at 01/01/2018</b>		<b>-5,560</b>	<b>-712</b>	<b>-8,151</b>	<b>-26</b>	<b>-8,318</b>	<b>-124</b>	<b>-22,893</b>
Amortisation charge	26	-	-18	-1,724	-34	-1,571	-55	-3,402
Amortisation on disposals		-	-	1,069	-	-	-	1,069
Exchange differences		-	5	-	6	-	-	12
<b>Accumulated amortisation and impairments at 31/12/2018</b>		<b>-5,560</b>	<b>-725</b>	<b>-8,806</b>	<b>-54</b>	<b>-9,889</b>	<b>-180</b>	<b>-25,214</b>
<b>BALANCE AT 01/01/2018</b>		<b>275</b>	<b>42</b>	<b>10,135</b>	<b>18,613</b>	<b>3,100</b>	<b>152</b>	<b>32,316</b>
<b>BALANCE AT 31/12/2018</b>		<b>275</b>	<b>24</b>	<b>9,422</b>	<b>32,191</b>	<b>1,627</b>	<b>97</b>	<b>43,636</b>



The total amortisation expense of K EUR 3,101 (31/12/2018: K EUR 3,402) has been charged in 'Depreciation and amortisation' in the income statement.

The total additions of 2019 amount to K EUR 21,114 (2018: K EUR 14,723) and are mainly related to the continuing IT investment projects.

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

31/12/2019	OPENING	IMPAIRMENT	CLOSING
Credendo – Excess & Surety	275		275
<b>TOTAL</b>	<b>275</b>	<b>-</b>	<b>275</b>

31/12/2018	OPENING	IMPAIRMENT	CLOSING
Credendo – Excess & Surety	275		275
<b>TOTAL</b>	<b>275</b>	<b>-</b>	<b>275</b>

During the fourth quarter of 2019, Credendo completed its annual impairment test for goodwill. There was no impairment of goodwill required.

## 6. PROPERTY, PLANT AND EQUIPMENT

### 6.1. PROPERTY PLANT AND EQUIPMENT OWNED BY CREDENDO

	NOTE	LAND AND BUILDINGS	PLANT, MACHINERY AND EQUIPMENT	OFFICE FURNITURE, FURNISHING AND VEHICLES	OPERATING EQUIPMENT	OTHER	TOTAL
<b>At cost at 01/01/2019</b>		<b>18,746</b>	<b>14,415</b>	<b>9,546</b>	<b>188</b>	<b>28</b>	<b>42,923</b>
Additions		-	485	482	6	3	976
Disposals		-	-139	-437	-	-5	-581
Transfers		-	20	-	-	-20	-
Exchange differences		-	8	24	26	11	69
<b>At cost at 31/12/2019</b>		<b>18,746</b>	<b>14,789</b>	<b>9,615</b>	<b>220</b>	<b>17</b>	<b>43,387</b>
<b>Accumulated depreciation and impairments at 01/01/2019</b>		<b>-2,318</b>	<b>-10,300</b>	<b>-8,163</b>	<b>-123</b>	<b>5</b>	<b>-20,899</b>
Depreciation charge	26	-152	-1 110	-301	-36	-2	-1 601
Depreciation on disposals		-	13	286	-	-	299
Exchange differences		-	-7	-15	-18	-11	-51
<b>Accumulated depreciation and impairments at 31/12/2019</b>		<b>-2,470</b>	<b>-11,404</b>	<b>-8,193</b>	<b>-177</b>	<b>-8</b>	<b>-22,252</b>
<b>BALANCE AT 01/01/2019</b>		<b>16,428</b>	<b>4,115</b>	<b>1,383</b>	<b>65</b>	<b>33</b>	<b>22,024</b>
<b>BALANCE AT 31/12/2019</b>		<b>16,276</b>	<b>3,385</b>	<b>1,422</b>	<b>43</b>	<b>9</b>	<b>21,135</b>

	NOTE	LAND AND BUILDINGS	PLANT, MACHINERY AND EQUIPMENT	OFFICE FURNITURE, FURNISHING AND VEHICLES	OPERATING EQUIPMENT	OTHER	TOTAL
<b>At cost at 01/01/2018</b>		<b>18,746</b>	<b>13,841</b>	<b>9,291</b>	<b>219</b>	<b>90</b>	<b>42,187</b>
Additions		-	606	685	-	142	1,433
Disposals		-	-220	-415	-3	-12	-650
Transfers		-	193	-	-	-193	-
Exchange differences		-	-5	-15	-28	1	-47
<b>At cost at 31/12/2018</b>		<b>18,746</b>	<b>14,415</b>	<b>9,546</b>	<b>188</b>	<b>28</b>	<b>42,923</b>
<b>Accumulated depreciation and impairments at 01/01/2018</b>		<b>-2,164</b>	<b>-9,467</b>	<b>-8,196</b>	<b>-119</b>	<b>-2</b>	<b>-19,948</b>
Depreciation charge	26	-152	-1,064	-320	-20	-1	-1,557
Depreciation on disposals		-	226	341	-	6	573
Exchange differences		-2	5	12	16	2	33
<b>Accumulated depreciation and impairments at 31/12/2018</b>		<b>-2,318</b>	<b>-10,300</b>	<b>-8,163</b>	<b>-123</b>	<b>5</b>	<b>-20,899</b>
<b>BALANCE AT 01/01/2018</b>		<b>16,582</b>	<b>4,374</b>	<b>1,095</b>	<b>100</b>	<b>88</b>	<b>22,239</b>
<b>BALANCE AT 31/12/2018</b>		<b>16,428</b>	<b>4,115</b>	<b>1,383</b>	<b>65</b>	<b>33</b>	<b>22,024</b>

The total depreciation expense of K EUR 1,601 (2018: K EUR 1,557) has been charged in 'Depreciation and amortisation' in the income statement.

The total additions of 2019 amount to K EUR 976 (2018: K EUR 1,433) and are mainly related to the acquisition of furniture and hardware (K EUR 967).

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

## 6.2. LEASED PROPERTY PLANT AND EQUIPMENT

### 6.2.1 AMOUNTS RECOGNISED IN THE BALANCE SHEET

Following the first application of IFRS 16 on 1/01/2019, the right-of-use assets are now included in the line 'Property, plant and equipment' in the balance sheet. At the initial application of IFRS 16 on 01/01/2019, the right-of-use assets and lease liabilities in relation

to the lease contracts entered into by Credendo as at that date were first accounted for in the amount of K EUR 7,849. For more details regarding the transition to IFRS 16 and the accounting for the right-of-use assets please refer to notes 2.1 and 2.20.

RIGHT-OF-USE ASSETS	31/12/2019	01/01/2019
Buildings	5,335	6,873
Vehicles	818	976
<b>TOTAL</b>	<b>6,153</b>	<b>7,849</b>

LEASE LIABILITIES	31/12/2019	01/01/2019
Current	1,887	1,905
Non-current	4,228	5,944
<b>TOTAL</b>	<b>6,115</b>	<b>7,849</b>

Disclosed in the table below are the contractual undiscounted cash flows related to the lease contracts.

CONTRACTUAL MATURITIES OF LEASE LIABILITIES 31/12/2019	< 1 YEAR	1 - 5 YEARS	> 5 YEARS	TOTAL CONTRACTUAL CASH FLOWS	CARRYING AMOUNT OF LEASE LIABILITIES
Buildings	1,458	4,215	271	5,945	5,218
Vehicles	429	464	-	894	897
Lease liabilities	1,887	4,680	271	6,838	6,115

### 6.2.2 AMOUNTS RECOGNISED IN THE P&L

The statement of profit or loss shows the following amounts relating to leases:

DEPRECIATION CHARGE OF RIGHT-OF-USE ASSETS	2019
Buildings	-1,586
Vehicles	-580
<b>Subtotal</b>	<b>-2,166</b>
Interest expense (incl. in finance cost)	30
Expense related to leases of low-value assets not shown as short-term leases	28

## 7. OTHER FINANCIAL ASSETS

The other financial assets can be detailed as follows:

(IN THOUSANDS EUR)	2019	2018
Cash guarantees	171	150
<b>TOTAL OTHER FINANCIAL ASSETS</b>	<b>171</b>	<b>150</b>

## 8. FINANCIAL INVESTMENTS

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

ANALYSIS BY CLASSES 2019	AFS	FAIR VALUE THROUGH PROFIT OR LOSS	LOANS AND RECEIVABLES	TOTAL
<b>Government bonds<sup>1</sup></b>	<b>5,180</b>	<b>5,596</b>	<b>297,472</b>	<b>308,248</b>
Quoted	5,180	5,596	-	10,776
Unquoted	-	-	297 472	297,472
<b>Funds invested in debt instruments</b>	<b>23,946</b>	<b>6,665</b>	<b>-</b>	<b>30,611</b>
Quoted	23,946	6,665	-	30,611
<b>Funds invested in equity instruments</b>	<b>9,790</b>	<b>-</b>	<b>-</b>	<b>9,790</b>
Quoted	9,790	-	-	9,790
<b>Mixed &amp; Other Funds</b>	<b>153,245</b>	<b>2,150,735</b>	<b>-</b>	<b>2,303,980</b>
Quoted	153,245	2,150,735	-	2,303,980
<b>Fixed-term deposits</b>	<b>-</b>	<b>-</b>	<b>48,683</b>	<b>48,683</b>
<b>TOTAL FINANCIAL INVESTMENTS</b>	<b>192,161</b>	<b>2,162,996</b>	<b>346,155</b>	<b>2,701,312</b>

ANALYSIS BY CLASSES 2018	AFS	FAIR VALUE THROUGH PROFIT OR LOSS	LOANS AND RECEIVABLES	TOTAL
<b>Government bonds<sup>1</sup></b>	<b>10,490</b>	<b>3,530</b>	<b>297,472</b>	<b>311,492</b>
Quoted	10,490	3,530	-	14,020
Unquoted	-	-	297,472	297,472
<b>Funds invested in debt instruments</b>	<b>31,966</b>	<b>6,285</b>	<b>-</b>	<b>38,251</b>
Quoted	31,966	6,285	-	38,251
<b>Funds invested in equity instruments</b>	<b>11,588</b>	<b>-</b>	<b>-</b>	<b>11,588</b>
Quoted	11,588	-	-	11,588
<b>Mixed &amp; Other Funds</b>	<b>133,894</b>	<b>1,912,560</b>	<b>-</b>	<b>2,046,454</b>
Quoted	133,894	1,912,560	-	2,046,454
<b>Fixed-term deposits</b>	<b>-</b>	<b>-</b>	<b>41,233</b>	<b>41,233</b>
<b>TOTAL FINANCIAL INVESTMENTS</b>	<b>187,938</b>	<b>1,922,375</b>	<b>338,705</b>	<b>2,449,018</b>

<sup>1</sup> 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.

CURRENT/NON-CURRENT SPLIT	2019	2018
Current	203,359	191,290
Non-current	2,497,953	2,257,728
TOTAL	2,701,312	2,449,018

8.1. ZEPHYR

The financial investments as per 31/12/2019 include financial investments in an institutional fund, called Zephyr, for an amount of EUR 2.15 billion (2018: EUR 1.90 billion). These are classified as financial investments at fair value through profit or loss (see table below for more details per asset class). Credendo chose 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:

- > three mixed funds for a total amount of EUR 1.15 billion managed by three different asset managers within a traditional balanced mandate on the basis of the following benchmark: 51.5% government bonds of OECD countries, 26% corporate bonds investment grade, 12.5% equities, 6% commodities and 4% real estate;
- > two mixed funds for a total amount of EUR 951 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 of EUR 52 million, 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.

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.

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 Strategic Asset Allocation 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 31/12/2019 can be detailed as follows:

DETAIL PER ASSET CLASS

ASSET CLASS	MARKET VALUE	
	2019	2018
Government bonds	580,815	473,276
Corporate bonds	832,347	782,714
Equity	503,102	493,469
Cash and cash equivalents	114,259	89,503
Commodities	87,040	44,663
Real estate	33,178	18,976
Forward	-	-47
TOTAL	2,150,742	1,902,554

DETAIL PER CURRENCY

CURRENCY	MARKET VALUE	
	2019	2018
EUR	1,782,105	1,551,152
USD	278,091	239,532
JPY	21,292	20,738
GBP	16,991	39,763
CHF	10,754	14,269
SEK	5,377	6,849
OTHER	36,132	30,251
TOTAL	2,150,742	1,902,554

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 31/12/2019 is 4.50 (31/12/2018: 3.83).

The bonds within Zephyr amount to EUR 1,413 million (2018: EUR 1,256 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 63.5 million (2018: EUR 48.1 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 312 million (EUR 278 million) at 31/12/2019 (31/12/2018: USD 240 million – EUR 208 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, Portugal 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).

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

	NOTE	AFS	FAIR VALUE THROUGH PROFIT OR LOSS	LOANS AND RECEIVABLES	TOTAL
<b>AT 01/01/2018</b>		<b>154,484</b>	<b>2,176,515</b>	<b>301,313</b>	<b>2,632,312</b>
Additions		85,145	7,731	73,831	166,707
Disposals		-46,089	-168,607	-36,379	-251,075
Net gains/(losses) transferred to equity	15.2	-5,252	-	-	5,252
Net gains/(losses) transferred from equity	15.2-27	-850	-	-	-850
Conversion differences		500	-1,295	-60	-855
Net gains/(losses) through profit or loss	27	-	-91,969	-	-91,969
<b>AT 31/12/2018</b>		<b>187,938</b>	<b>1,922,375</b>	<b>338,705</b>	<b>2,449,018</b>
Additions		51,143	624,995	7,602	683,740
Disposals		-60,243	-489,644	-230	-550,117
Net gains/(losses) transfer to equity	15.2	15,670	-	-	15,670
Net gains/(losses) transfer from equity	15.2-27	-2,542	-	-	-2,542
Conversion differences		195	1,347	78	1,620
Net gains/(losses) through profit or loss	27	-	103,923	-	103,923
<b>AT 31/12/2019</b>		<b>192,161</b>	<b>2,162,996</b>	<b>346,155</b>	<b>2,701,312</b>

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 2019, no impairment was booked on the Dynamic Risk Overlay compartment (2018: 1.1 million).

During the period from 01/01/2019 till 31/12/2019 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	31/12/2019	31/12/2018
Deferred tax assets to be recovered after more than 12 months	6,706	6,255
Deferred tax assets to be recovered within 12 months	-	4,653
<b>Deferred tax assets</b>	<b>6,706</b>	<b>10,908</b>
Deferred tax liabilities to be recovered after more than 12 months	-1,024	-497
Deferred tax liabilities to be recovered within 12 months	-190	-200
<b>Deferred tax liabilities</b>	<b>-1,214</b>	<b>-697</b>
<b>NET DEFERRED TAX POSITION</b>	<b>5,492</b>	<b>10,211</b>

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

DEFERRED TAX ASSETS AND LIABILITIES - SET-OFF	31/12/2019	31/12/2018
Deferred tax assets before set-off	11,154	12,236
Set-off of deferred tax position	-4,448	-1,328
<b>Deferred tax assets presented in the statement of financial position</b>	<b>6,706</b>	<b>10,908</b>
Deferred tax liabilities before set-off	5,662	2,025
Set-off of deferred tax position	-4,448	-1,328
<b>Deferred tax liabilities presented in the statement of financial position</b>	<b>1,214</b>	<b>697</b>

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

GROSS MOVEMENTS DEFERRED TAXES	NOTE	2019	2018
<b>BALANCE AT 01/01</b>		<b>10,211</b>	<b>9,559</b>
Income statement (charge)/credit	29	-2,877	-229
Tax (charge)/credit relating to components of other comprehensive income	15.2	-1,772	729
Other movements		-	126
Exchange differences		-70	26
<b>BALANCE AT 31/12</b>		<b>5,492</b>	<b>10,211</b>



The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offset of balances within the same tax jurisdiction, is as follows:

DEFERRED TAX ASSETS	TAX LOSSES	PROVISION FOR PENSIONS AND OTHER EMPLOYEE-BENEFIT OBLIGATIONS	FINANCIAL INVESTMENTS	LIABILITIES ARISING FROM INSURANCE CONTRACTS	TIMING DIFFERENCES ON PROPERTY, PLANT AND EQUIPMENT	OTHER	TOTAL
<b>BALANCE AT 01/01/2019</b>	<b>9,661</b>	<b>1,629</b>	<b>206</b>	<b>164</b>	<b>576</b>	<b>-</b>	<b>12,236</b>
Charged/(credited) to the income statement	-1,743	-	-206	-61	-128	383	-1,755
Charged/(credited) to other comprehensive income	-	659	-	-	-	-	659
Exchange differences	-	-	-	-	14	-	14
<b>BALANCE AT 31/12/2019</b>	<b>7,918</b>	<b>2,288</b>	<b>-</b>	<b>103</b>	<b>462</b>	<b>383</b>	<b>11,154</b>

The deferred tax assets before set-off include an amount of K EUR 7,918 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. Predominantly, the losses can be carried forward indefinitely and have no expiry date, except the part of K EUR 1,123 which can be utilised during the period of 3 to 7 years.

DEFERRED TAX LIABILITIES	PROVISION FOR PENSIONS AND OTHER EMPLOYEE-BENEFIT OBLIGATIONS	FINANCIAL INVESTMENTS	LIABILITIES ARISING FROM INSURANCE CONTRACTS	TIMING DIFFERENCES ON PROPERTY, PLANT AND EQUIPMENT	TIMING DIFFERENCES ON INTANGIBLE ASSETS	OTHERS	TOTAL
<b>BALANCE AT 01/01/2019</b>	<b>580</b>	<b>739</b>	<b>105</b>	<b>9</b>	<b>107</b>	<b>485</b>	<b>2,025</b>
Charged/(credited) to the income statement	383	-137	1,051	3	68	-246	1,122
Charged/(credited) to other comprehensive income	-	2,431	-	-	-	-	2,431
Exchange differences	-	-	-	-	-	84	84
<b>BALANCE AT 31/12/2019</b>	<b>963</b>	<b>3,033</b>	<b>1,156</b>	<b>12</b>	<b>175</b>	<b>323</b>	<b>5,662</b>

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	31/12/2019	31/12/2018
<b>REINSURERS' SHARE OF INSURANCE LIABILITIES</b>		
Provision for unearned premium	29,722	22,191
Provision for risk deterioration	3,845	4,364
Provision for IBNR	20,014	19,827
Provision for incurred losses and recoveries	32,906	30,181
Provision for profit-sharing and rebates	1,741	1,713
Provision for claims management expenses	645	340
<b>TOTAL</b>	<b>88,873</b>	<b>78,616</b>

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'.

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.

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).

## 11. LOANS AND RECEIVABLES INCLUDING REINSURANCE RECEIVABLES

The receivables are analysed by classes in the table below:

ANALYSIS BY CLASSES	31/12/2019	31/12/2018
<b>RECEIVABLES ON INSURANCE AND REINSURANCE BUSINESS</b>		
Amounts owed by policyholders and direct insurance operations	75,263	61,650
Receivables arising out of reinsurance	33,995	12,285
Provision for impairment	-29,119	-28,183
Receivables arising from funding operations	126,596	117,332
<b>Total receivables related to the insurance activity</b>	<b>206,735</b>	<b>163,084</b>
Other receivables	22,043	19,745
<b>Total other receivables</b>	<b>22,043</b>	<b>19,745</b>
<b>TOTAL RECEIVABLES</b>	<b>228,778</b>	<b>182,829</b>

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	2019	2018
<b>BALANCE AT 01/01</b>	<b>-28,183</b>	<b>-28,031</b>
Provisions for impairment on receivables	-788	-361
Reversal of provisions for impairment on receivables	387	7
Provisions for impairment on outstanding claims	-1,081	-1,585
Reversal of provisions for impairment on outstanding claims	516	1,782
Other movements	30	5
<b>BALANCE AT 31/12</b>	<b>-29,119</b>	<b>-28,183</b>

The creation and release of the provision for impaired receivables of K EUR 401 (2018: K EUR 354) 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 31/12/2019, total loans and receivables of K EUR 194,383 (31/12/2018: K EUR 175,914) were due but not impaired. These mainly relate to accounts receivable from indemnities for which there is no recent history of default.

LOANS AND RECEIVABLES - 31/12/2019	IMPAIRED AND PROVIDED FOR	DUE BUT NOT IMPAIRED	NOT DUE	TOTAL
Gross	29,119	194,383	34,395	257,897
Impairment	-29,119	-	-	-29,119
<b>NET</b>	<b>-</b>	<b>194,383</b>	<b>34,395</b>	<b>228,778</b>

LOANS AND RECEIVABLES - 31/12/2018	IMPAIRED AND PROVIDED FOR	DUE BUT NOT IMPAIRED	NOT DUE	TOTAL
Gross	28,183	175,914	6,915	211,012
Impairment	-28,183	-	-	-28,183
<b>NET</b>	<b>-</b>	<b>175,914</b>	<b>6,915</b>	<b>182,829</b>

As of 31/12/2019, K EUR 29,119 (2018: K EUR 28,183) of total receivables were impaired.

AGEING ANALYSIS - 31/12/2019	< 3 MONTHS	3 - 6 MONTHS	> 6 MONTHS	TOTAL
Impaired and provided for	-1,039	-343	-27,737	-29,119
% of total	4%	1%	95%	100%
<b>TOTAL</b>	<b>-1,039</b>	<b>-343</b>	<b>-27,737</b>	<b>-29,119</b>

AGEING ANALYSIS - 31/12/2018	< 3 MONTHS	3 - 6 MONTHS	> 6 MONTHS	TOTAL
Impaired and provided for	-293	-44	-27,846	-28,183
% of total	1%	0%	99%	100%
<b>TOTAL</b>	<b>-293</b>	<b>-44</b>	<b>-27,846</b>	<b>-28,183</b>

AGEING ANALYSIS - 31/12/2019	< 3 MONTHS	3 - 6 MONTHS	> 6 MONTHS	TOTAL
Due but not impaired	31,245	10,628	152,510	194,383
% of total	16%	5%	79,0%	100%
<b>TOTAL</b>	<b>31,245</b>	<b>10,628</b>	<b>152,510</b>	<b>194,383</b>

AGEING ANALYSIS - 31/12/2018	< 3 MONTHS	3 - 6 MONTHS	> 6 MONTHS	TOTAL
Due but not impaired	23,798	7,397	144,719	175,914
% of total	14%	4%	82%	100%
<b>TOTAL</b>	<b>23,798</b>	<b>7,397</b>	<b>144,719</b>	<b>175,914</b>

## 12. OTHER ASSETS

The other assets can be detailed as follows:

OTHER ASSETS	31/12/2019	31/12/2018
Deferred charges	155	133
Prepaid expenses	1,058	1,257
Accrued interests	1,679	2,071
Accrued revenue on insurance premium	8,479	6,862
Other accrued income	919	771
<b>TOTAL OTHER ASSETS</b>	<b>12,290</b>	<b>11,094</b>



**13. CASH AND CASH EQUIVALENTS**

CASH AND CASH EQUIVALENTS	31/12/2019	31/12/2018
Cash at bank and in hand	258,259	231,052
Short-term bank deposits	15	15
<b>CASH AND CASH EQUIVALENTS IN THE STATEMENT OF FINANCIAL POSITION</b>	<b>258,274</b>	<b>231,067</b>

The effective interest rate on short-term bank deposits for 2019 amounted to 0.00% (2018: 0.00%).

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

CASH AND CASH EQUIVALENTS	31/12/2019	31/12/2018
Cash and cash equivalents	258,274	231,067
<b>CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS</b>	<b>258,274</b>	<b>231,067</b>

**14. ENDOWMENT**

	ENDOWMENT	TOTAL
AT 01/01/2018	297,472	297,472
Change in endowment	-	-
AT 31/12/2018	297,472	297,472
Change in endowment	-	-
AT 31/12/2019	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, these financial assets representing the endowment have been replaced by other financial

assets generating a market-conform interest rate. As per 31/12/2019 the endowment is represented by two Euro Medium-Term Notes (EMTNs) which will come to maturity in three to six 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**

	2019			2018		
	TOTAL	NCI	SHARE OF PARENT	TOTAL	NCI	SHARE OF PARENT
BALANCE AT 01/01	2,242,595	2,946	2,239,649	2,275,568	3,446	2,272,122
Profit/(loss) of the year	269,719	908	268,811	-32,078	653	-32,731
Changes in ownership interests in subsidiaries that do not result in a change in control	-	-	-	-656	-1,153	497
Other movements	-	-	-	-239	-	-239
Share in movements consolidated reserves	269,719	908	268,811	-32,973	-500	-32,473
BALANCE AT 31/12	2,512,314	3,854	2,508,460	2,242,595	2,946	2,239,649

## 15.2. OTHER COMPREHENSIVE INCOME

	NOTE	2019			2018		
		TOTAL	NCI	SHARE OF PARENT	TOTAL	NCI	SHARE OF PARENT
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS							
Remeasurements on post-employment benefits	18	-6,114	-	-6,114	2,116	-	2,116
Deferred tax on actuarial gains/(losses) on post-employment benefits	9	659	-	659	-192	-	-192
Subtotal of items that will not be reclassified to profit or loss		-5,455	-	-5,455	1,924	-	1,924
ITEMS THAT MAY BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS							
Fair-value changes on available-for-sale financial assets	8	15,726	-	15,726	-6,396	-	-6,396
Foreign-exchange differences on available-for-sale financial assets	8-28	-56	-	-56	1,144	-	1,144
Fair-value changes on available-for-sale financial assets – recycled to profit or loss	8-27	-2,504	-	-2,504	-52	-	-52
Foreign-exchange differences on available-for-sale financial assets – recycled to profit or loss	8-27-28	-38	-	-38	-798	-	-798
Deferred taxes thereon	9	-2,431	-	-2,431	921	-	921
Subtotal items from financial assets that may be subsequently reclassified to profit or loss		10,697	-	10,697	-5,181	-	-5,181
Exchange differences on translating foreign operations	28	1,697	469	1,228	-1,358	-420	-938
Subtotal of items that may be subsequently reclassified to profit or loss		12,394	469	11,925	-6,539	-420	-6,119
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR		6,939	469	6,470	-4,615	-420	-4,195

## 16. LIABILITIES ARISING FROM INSURANCE CONTRACTS AND REINSURANCE ASSETS

	31/12/2019			31/12/2018		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Single risk	231,262	-18,828	212,434	238,226	-18,942	219,284
Investment insurance	863	-	863	1,112	-	1,112
Financial guarantees	3,731	-	3,731	6,480	-	6,480
Sureties	20,191	-15,060	5,131	7,037	-3,913	3,124
Excess of loss & Captives	28,739	-16,587	12,152	27,028	-26,205	823
Turnover policies	64,016	-33,053	30,963	60,516	-25,134	35,382
Inward reinsurance	100,453	-5,345	95,108	76,232	-4,422	71,810
<b>LIABILITIES ARISING FROM INSURANCE CONTRACTS PRESENTED IN THE STATEMENT OF FINANCIAL POSITION</b>	<b>449,255</b>	<b>-88,873</b>	<b>360,382</b>	<b>416,631</b>	<b>-78,616</b>	<b>338,015</b>

	2019	2018
Current	425,446	401,452
Non-current	23,809	15,179
<b>TOTAL</b>	<b>449,255</b>	<b>416,631</b>

## 16.1. SINGLE-RISK INSURANCE

	31/12/2019			31/12/2018		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Provision for incurred losses and recoveries	12,611	-757	11,854	13,563	-500	13,063
Claims incurred but not reported	12,837	-2,016	10,821	23,677	-4,762	18,915
Provision for profit-sharing and rebates	309	-46	263	274	-45	229
Provision for risk deterioration	16,834	-3,800	13,034	24,034	-4,341	19,693
Provision for unearned premiums	177,538	-11,898	165,640	165,204	-9,187	156,017
Provision for claims management expenses	11,133	-311	10,822	11,474	-107	11,367
<b>TOTAL</b>	<b>231,262</b>	<b>-18,828</b>	<b>212,434</b>	<b>238,226</b>	<b>-18,942</b>	<b>219,284</b>



## 16.2. INVESTMENT INSURANCE

	31/12/2019			31/12/2018		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Provision for incurred losses and recoveries	484	-	484	483	-	483
Provision for unearned premiums	354	-	354	590	-	590
Provision for claims management expenses	25	-	25	39	-	39
<b>TOTAL</b>	<b>863</b>	<b>-</b>	<b>863</b>	<b>1,112</b>	<b>-</b>	<b>1,112</b>

## 16.3. FINANCIAL GUARANTEES

	31/12/2019			31/12/2018		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Provision for incurred losses and recoveries	836	-	836	4,365	-	4,365
Provision for unearned premiums	2,862	-	2,862	1,855	-	1,855
Provision for claims management expenses	33	-	33	260	-	260
<b>TOTAL</b>	<b>3,731</b>	<b>-</b>	<b>3,731</b>	<b>6,480</b>	<b>-</b>	<b>6,480</b>

## 16.4. SURETIES

	31/12/2019			31/12/2018		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Provision for incurred losses and recoveries	10,030	-7,461	2,569	3,236	-2,075	1,161
Claims incurred but not reported	1,475	-1,126	349	351	-264	87
Provision for unearned premiums	8,447	-6,471	1,976	3,433	-1,572	1,861
Provision for claims management expenses	239	-2	237	17	-2	15
<b>TOTAL</b>	<b>20,191</b>	<b>-15,060</b>	<b>5,131</b>	<b>7,037</b>	<b>-3,913</b>	<b>3,124</b>

## 16.5. EXCESS-OF-LOSS &amp; CAPTIVE INSURANCE

	31/12/2019			31/12/2018		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Provision for incurred losses and recoveries	9,603	-4,532	5,071	10,132	-14,251	-4,119
Claims incurred but not reported	10,875	-8,157	2,718	9,402	-6,727	2,675
Provision for profit-sharing and rebates	876	-657	219	1,076	-807	269
Provision for unearned premiums	6,975	-3 241	3,734	5,922	-4,420	1,502
Provision for claims management expenses	410	-	410	496	-	496
<b>TOTAL</b>	<b>28,739</b>	<b>-16,587</b>	<b>12,152</b>	<b>27,028</b>	<b>-26,205</b>	<b>823</b>

## 16.6. TURNOVER POLICIES

	31/12/2019			31/12/2018		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Provision for incurred losses and recoveries	24,657	-17,757	6,900	26,737	-12,333	14,404
Claims incurred but not reported	19,465	-8,313	11,152	17,023	-7,845	9,178
Provision for profit-sharing and rebates	2,698	-1,039	1,659	2,123	-860	1,263
Provision for risk deterioration	93	-45	48	54	-23	31
Provision for unearned premiums	13,912	-5 667	8,245	12,052	-3,863	8,189
Provision for claims management expenses	3,191	-232	2,959	2,527	-210	2,317
<b>TOTAL</b>	<b>64,016</b>	<b>-33,053</b>	<b>30,963</b>	<b>60,516</b>	<b>-25,134</b>	<b>35,382</b>

## 16.7. INWARD REINSURANCE

	31/12/2019			31/12/2018		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Provision for incurred losses and recoveries	16,432	-2,399	14,033	2,340	-1,021	1,319
Claims incurred but not reported	58,686	-402	58,284	48,006	-229	47,777
Provision for unearned premiums	25,062	-2,445	22,617	25,836	-3,148	22,688
Provision for claims management expenses	271	-99	172	50	-24	26
<b>TOTAL</b>	<b>100,453</b>	<b>-5,345</b>	<b>95,108</b>	<b>76,232</b>	<b>-4,422</b>	<b>71,810</b>

## 17. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	LITIGATION	OTHER	TOTAL
<b>BALANCE AT 01/01/2019</b>	<b>68</b>	<b>1,213</b>	<b>1,281</b>
Charged/(credited) to the income statement:			
Additional provisions	-3	935	932
Unused amounts reversed	-	-478	-478
<b>BALANCE AT 31/12/2019</b>	<b>65</b>	<b>1,670</b>	<b>1,735</b>
Current	65	1,670	1,735
Non-current	-	-	-

	LITIGATION	OTHER	TOTAL
<b>BALANCE AT 01/01/2018</b>	<b>93</b>	<b>64</b>	<b>157</b>
<b>Charged/(credited) to the income statement:</b>			
Additional provisions	32	1,326	1,358
Unused amounts reversed	-	-177	-177
Used during period	-57	-	-57
<b>BALANCE AT 31/12/2018</b>	<b>68</b>	<b>1,213</b>	<b>1,281</b>
Current	68	1,168	1,236
Non-current	-	45	45

## 18. EMPLOYEE BENEFIT OBLIGATIONS

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

EMPLOYEE BENEFIT OBLIGATIONS	31/12/2019	31/12/2018
Short-term employee benefits	7,357	6,816
Post-employment benefits	19,303	12,433
Other long-term employee benefits	491	397
<b>TOTAL</b>	<b>27,151</b>	<b>19,646</b>

### 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

#### 18.2.1. PENSION OBLIGATIONS

Credendo operates defined benefit pension plans in Belgium and defined contribution plans in Austria and Switzerland.

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 2019 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 31/12/2019 are however assessed as not significant. For your information, some key figures related to the plan are given below:

> employer contributions 2019: K EUR 244 (2018: K EUR 604).

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 contributes 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.

Until 29/12/2018, Credendo – Single Risk operated defined benefit pension plans based on employee pensionable remuneration and length of service. One plan was 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.

As from 30/12/2018, Credendo – Single Risk introduced a new defined contribution plan for all current and newly hired employees in Austria. As from 2019, Credendo – Single Risk contributes to this new defined contribution plan a fixed percentage of the annual

salary. The acquired entitlements from the former defined benefit pension plan were transferred to the new pension fund on 31/12/2018. All claims related to the previously existing responsibility for the direct pension plan shall be considered satisfied and Credendo – Single Risk is cleared of existing debts and liabilities related to this responsibility. In this respect an amount of K EUR 3,289 has been credited in the income statement. In the new defined contribution model, there is no minimum return on the contributions guaranteed by the employer.

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.

Credendo – Single Risk contributes to a defined contribution plan in Switzerland for all its employees.

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

DEFINED BENEFIT PLAN	31/12/2019	31/12/2018
Present value of funded obligations	-56,056	-49,271
Fair value of plan assets	51,071	48,457
<b>Deficit/surplus of funded plans</b>	<b>-4,985</b>	<b>-814</b>
Present value of unfunded obligations	-14,318	-11,619
<b>NET ASSET/(LIABILITY) IN THE STATEMENT OF FINANCIAL POSITION</b>	<b>-19,303</b>	<b>-12,433</b>

The increase in the present value of unfunded obligations is due to the change in accounting for the post-employment health benefit plan (see note 18.2.2 for more details).

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

DEFINED BENEFIT OBLIGATION - PENSION PLAN	2019	2018
DEFINED BENEFIT OBLIGATION AT 01/01	49,642	52,984
Current service cost	2,624	2,789
Interest cost	781	685
Remeasurements:	4,222	-1,077
Remeasurements resulting from changes in demographic assumptions	238	3
Remeasurements resulting from changes in financial assumptions	5,355	-1,141
Remeasurements resulting from experience gains/losses	-1,371	61
Administration expense	-70	-75
Taxes paid	-241	-257
Internal transfers	-	-3,289
Benefits paid from plan	-477	-2,118
DEFINED BENEFIT OBLIGATION AT 31/12	56,481	49,642

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

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

FAIR VALUE OF PLAN ASSETS	2019	2018
FAIR VALUE OF PLAN ASSETS AT 01/01	48,457	47,468
Interest income	789	677
Remeasurements: return on plan assets excluding interest income	30	-2
Employer contributions	2,583	2,764
Administration expense	-70	-75
Taxes paid	-241	-257
Benefits paid from plan	-477	-2,118
FAIR VALUE OF PLAN ASSETS AT 31/12	51,071	48,457

Plan assets are represented by the following instruments:

PLAN ASSETS	31/12/2019	31/12/2018
Equity instruments	4,364	3,648
Government and corporate bonds	34,065	28,431
Corporate loans	4,787	8,931
Real estate	6,022	5,163
Cash	168	147
Qualifying insurance policies	1,665	2,137
<b>TOTAL</b>	<b>51,071</b>	<b>48,457</b>

Pension plan assets include three financing funds at insurance companies.

The amounts recognised in the income statement are as follows:

INCOME STATEMENT - PENSION PLAN	31/12/2019	31/12/2018
Current service cost	2,624	2,789
Net interest cost	-8	8
<b>EXPENSE RECOGNISED IN INCOME STATEMENT</b>	<b>2,616</b>	<b>2,797</b>

The total cost of post-employment benefits of K EUR 2,616 (31/12/2018: K EUR 2,797) is included within employee-benefit expenses in the income statement.

Remeasurements included in other comprehensive income are as follows:

REMEASUREMENTS OTHER COMPREHENSIVE INCOME - PENSION PLAN	31/12/2019	31/12/2018
Remeasurements:	-4,222	1,088
Remeasurements resulting from changes in demographic assumptions	-238	-3
Remeasurements resulting from changes in financial assumptions	-5,355	1,143
Remeasurements resulting from experience gains/losses	1 371	-53
Return on plan assets excluding interest income	29	-2
<b>TOTAL REMEASUREMENTS INCLUDED IN OCI</b>	<b>-4,193</b>	<b>1,085</b>



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

ACTUARIAL ASSUMPTIONS – PENSION PLAN	31/12/2019	31/12/2018
Discount rate	0.80%	1.60%
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 MRIFR 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 -
<b>Year ended 31/12/2019</b>		
Discount rate	0.25%	-3.16%

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.

Expected contributions to post-employment defined benefit plans for the year ending 31/12/2020 are K EUR 2,836.

### 18.2.2. OTHER POST-EMPLOYMENT OBLIGATIONS

The group operates a post-employment health benefit plan in Belgium. This plan is unfunded.

The movement in the other post-employment obligations over the year is as follows:

DEFINED BENEFIT OBLIGATION - HEALTH PLAN	2019	2018
<b>DEFINED BENEFIT OBLIGATION AT 01/01</b>	<b>11,249</b>	<b>11,542</b>
Current service cost	684	701
Interest cost	223	206
<b>Remeasurements :</b>	<b>1,922</b>	<b>-1,031</b>
Remeasurements resulting from changes in demographic assumptions	-478	-
Remeasurements resulting from changes in financial assumptions	2,880	-574
Remeasurements resulting from experience gains/losses	-480	-457
Benefits paid from plan	-185	-170
<b>DEFINED BENEFIT OBLIGATION AT 31/12</b>	<b>13,893</b>	<b>11,248</b>

The amounts recognised in the income statement are as follows:

INCOME STATEMENT - HEALTH PLAN	31/12/2019	31/12/2018
Current service cost	684	701
Net interest cost	39	37
<b>EXPENSE RECOGNISED IN INCOME STATEMENT</b>	<b>723</b>	<b>738</b>

Remeasurements included in other comprehensive income are as follows:

REMEASUREMENTS OTHER COMPREHENSIVE INCOME - HEALTH PLAN	31/12/2019	31/12/2018
<b>Remeasurements :</b>		
Remeasurements resulting from changes in demographic assumptions	478	-
Remeasurements resulting from changes in financial assumptions	-2,880	574
Remeasurements resulting from experience gains/losses	481	457
<b>TOTAL REMEASUREMENTS INCLUDED IN OCI</b>	<b>-1,921</b>	<b>1,031</b>

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

ACTUARIAL ASSUMPTIONS - HEALTH PLAN	31/12/2019	31/12/2018
Discount rate	1.10%	2.00%
Medical increase trend	4.75%	4.75%
Mortality	MR-5/FR-5	MR-5/FR-5

Expected contributions to the post-employment health benefit plan for the year ending 31/12/2020 are K EUR 1,162.

### 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:

PAYABLES	31/12/2019	31/12/2018
<b>Payables on insurance and reinsurance business</b>		
Amounts due to policyholders	14,557	10,660
Payables arising out of reinsurance operations	52,538	27,440
<b>TOTAL PAYABLES</b>	<b>67,095</b>	<b>38,100</b>

PAYABLES	31/12/2019	31/12/2018
Current	59,772	34,843
Non-current	7,323	3,257
<b>TOTAL</b>	<b>67,095</b>	<b>38,100</b>

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:

	31/12/2019	31/12/2018
Lease liabilities	6,115	-
Other debts	19,491	20,867
Accrued charges and deferred income	4,585	322
<b>TOTAL</b>	<b>30,191</b>	<b>21,189</b>

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

Following the first application of IFRS 16 on 1/01/2019, the lease liabilities are now included in the line 'Other liabilities' in the balance sheet. For more details regarding the accounting for the lease liabilities please refer to notes 2.20 and 6.2.

As per 31/12/2019, total other debts mainly relate to invoices to be received of K EUR 7,252 (31/12/2018: K EUR 6,144), debt towards the Belgian State of K EUR 5,140 (31/12/2018: K EUR 5,028) and other

non-insurance-related supplier debts of K EUR 6,652 (31/12/2018: K EUR 9,208).

The total accrual of K EUR 4,585 as per 31/12/2019 mainly relates to accrued interest of K EUR 108 (31/12/2018: K EUR 201), operating and administration expenses of K EUR 368 (31/12/2018: K EUR 121) and deferred insurance revenue of K EUR 2,058.

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

## 21. NET INSURANCE PREMIUM REVENUE

	31/12/2019			31/12/2018		
	GROSS	REINSURERS' SHARE	NET	GROSS	REINSURERS' SHARE	NET
<b>SINGLE RISK</b>						
Written premium	108,773	-20,335	88,438	110,628	-22,803	87,825
Change in provision for unearned premium	-8,834	2,043	-6,791	16,450	-1,607	14,843
Net exchange gains/(losses) from operating activities	-358	-79	-437	-1,671	134	-1,537
<b>Total</b>	<b>99,581</b>	<b>-18,371</b>	<b>81,210</b>	<b>125,407</b>	<b>-24,276</b>	<b>101,131</b>

### INVESTMENT INSURANCE

Written premium	1,530	-	1,530	2,521	-	2,521
Change in provision for unearned premium	235	-	235	155	-	155
Net exchange gains/(losses) from operating activities	-	-	-	-	-	-
<b>Total</b>	<b>1,765</b>	<b>-</b>	<b>1,765</b>	<b>2,676</b>	<b>-</b>	<b>2,676</b>

### FINANCIAL GUARANTEES

Written premium	4,688	-	4,688	5,692	-	5,692
Change in provision for unearned premium	-933	-	-933	528	-	528
Net exchange gains/(losses) from operating activities	-74	-	-74	-5	-	-5
<b>Total</b>	<b>3,681</b>	<b>-</b>	<b>3,681</b>	<b>6,215</b>	<b>-</b>	<b>6,215</b>

### SURETIES

Written premium	14,563	-11,055	3,508	4,429	-2,491	1,938
Change in provision for unearned premium	-6,263	4,898	-1,365	-2,737	1,098	-1,639
Net exchange gains/(losses) from operating activities	-	-	-	-	-	-
<b>Total</b>	<b>8,300</b>	<b>-6,157</b>	<b>2,143</b>	<b>1,692</b>	<b>-1,393</b>	<b>299</b>

### EXCESS OF LOSS & CAPTIVES

Written premium	34,417	-22,164	12,253	34,310	-24,658	9,652
Change in provision for unearned premium	469	-1 927	-1 458	803	-747	56
Net exchange gains/(losses) from operating activities	-	-	-	-	-	-
<b>Total</b>	<b>34,886</b>	<b>-24,091</b>	<b>10,795</b>	<b>35,113</b>	<b>-25,405</b>	<b>9,708</b>

	31/12/2019			31/12/2018		
	GROSS	REINSURERS' SHARE	NET	GROSS	REINSURERS' SHARE	NET
<b>TURNOVER POLICIES</b>						
Written premium	116,530	-48,801	67,729	115,088	-45,818	69,270
Change in provision for unearned premium	-757	1,282	525	-1,292	555	-737
Net exchange gains/(losses) from operating activities	-	-	-	-43	3	-40
<b>Total</b>	<b>115,773</b>	<b>-47,519</b>	<b>68,254</b>	<b>113,753</b>	<b>-45,260</b>	<b>68,493</b>
<b>INWARD REINSURANCE</b>						
Written premium	63,193	-876	62,317	48,838	-2,417	46,421
Change in provision for unearned premium	-2,802	-1,292	-4,094	2,225	-62	2,163
Net exchange gains/(losses) from operating activities	-317	-	-317	-521	-	-521
<b>Total</b>	<b>60,074</b>	<b>-2,168</b>	<b>57,906</b>	<b>50,542</b>	<b>-2,479</b>	<b>48,063</b>
<b>TOTAL WRITTEN PREMIUMS</b>	<b>343,694</b>	<b>-103,231</b>	<b>240,463</b>	<b>321,506</b>	<b>-98,187</b>	<b>223,319</b>
Change in provision for unearned premium	-18,885	5,004	-13,881	16,132	-763	15,369
Net exchange gains/(losses) from operating activities	-749	-79	-828	-2,240	137	-2,103
Total profit-sharing and rebates	-9,162	5,280	-3,882	-5,703	2,774	-2,929
<b>NET INSURANCE PREMIUM REVENUE</b>	<b>314,898</b>	<b>-93,026</b>	<b>221,872</b>	<b>329,695</b>	<b>-96,039</b>	<b>233,656</b>

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

	31/12/2019	31/12/2018
Russia	25,238	22,367
Italy	22,796	18,388
Germany	19,670	15,963
Switzerland	16,681	15,402
Taiwan	16,140	7,309
Belgium	14,531	13,736
United States	13,953	12,570
France	13,527	11,207
Ivory Coast	13,197	1,873
Czech Republic	10,437	10,143
Ecuador	7,616	6,433
Luxembourg	7,293	7,150
Cameroon	6,951	5,532
China	6,150	6,309
Turkey	5,986	8,976
Netherlands	5,847	4,056
Poland	5,697	4,928
Japan	5,266	7,471
Oman	5,204	752
Spain	5,067	3,980
Other countries	116,447	136,961
<b>TOTAL WRITTEN PREMIUMS</b>	<b>343,694</b>	<b>321,506</b>



**22. OTHER OPERATING INCOME AND EXPENSE**

	31/12/2019	31/12/2018
Commissions from reinsurers	30,588	29,073
Investigation costs recharged	5,101	5,252
Interest received on claims	3,120	1,467
Other recoveries	5,721	5,897
<b>Other operating income</b>	<b>44,530</b>	<b>41,689</b>
General expenses and acquisition costs	-2,556	-2,288
Investigation costs	-3,483	-3,336
Write-offs on trade receivables	-966	-156
Other expenses	-573	-1,529
<b>Other operating expenses</b>	<b>-7,578</b>	<b>-7,309</b>

**23. INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES**

INSURANCE BENEFITS AND CLAIMS	31/12/2019			31/12/2018		
	GROSS	REINSURANCE	NET	GROSS	REINSURANCE	NET
<b>SINGLE RISK</b>						
Claims paid in the year	283,266	-12,042	271,224	28,308	-3,092	25,216
Change in provision for outstanding claims	-245,461	2,103	-243,358	545	8,796	9,341
Net exchange (gains)/losses from operating activities	-347	158	-189	-7,973	-500	-8,473
<b>Total</b>	<b>37,458</b>	<b>-9,781</b>	<b>27,677</b>	<b>20,880</b>	<b>5,204</b>	<b>26,084</b>
<b>INVESTMENT INSURANCE</b>						
Claims paid in the year	54	-	54	32	-	32
Change in provision for outstanding claims	-909	-	-909	-1,318	-	-1,318
Net exchange (gains)/losses from operating activities	-	-	-	-	-	-
<b>Total</b>	<b>-855</b>	<b>-</b>	<b>-855</b>	<b>-1,286</b>	<b>-</b>	<b>-1,286</b>
<b>FINANCIAL GUARANTEES</b>						
Claims paid in the year	-	-	-	1,602	-	1,602
Change in provision for outstanding claims	-2,922	-	-2,922	-396	-	-396
Net exchange (gains)/losses from operating activities	-72	-	-72	328	-	328
<b>Total</b>	<b>-2,994</b>	<b>-</b>	<b>-2,994</b>	<b>1,534</b>	<b>-</b>	<b>1,534</b>
<b>SURETIES</b>						
Claims paid in the year	9,290	-6,317	2,973	1,558	-841	717
Change in provision for outstanding claims	4,469	-4,424	45	303	-543	-240
Net exchange (gains)/losses from operating activities	-	-	-	-132	-	-132
<b>Total</b>	<b>13,759</b>	<b>-10,741</b>	<b>3,018</b>	<b>1,729</b>	<b>-1,384</b>	<b>345</b>

	31/12/2019			31/12/2018		
	GROSS	REINSURANCE	NET	GROSS	REINSURANCE	NET
<b>EXCESS OF LOSS &amp; CAPTIVES</b>						
Claims paid in the year	13,566	-8,541	5,025	13,998	-10,440	3,558
Change in provision for outstanding claims	975	-714	261	-7,911	12,640	4,729
Net exchange (gains)/losses from operating activities	148	10	158	480	181	661
<b>Total</b>	<b>14,689</b>	<b>-9,245</b>	<b>5,444</b>	<b>6,567</b>	<b>2,381</b>	<b>8,948</b>
<b>TURNOVER POLICIES</b>						
Claims paid in the year	58,461	-26,016	32,445	109,434	-57,534	51,900
Change in provision for outstanding claims	-10,074	5,238	-4,836	-13,189	13,467	278
Net exchange (gains)/losses from operating activities	34	-14	20	2,395	-795	1,600
<b>Total</b>	<b>48,421</b>	<b>-20,792</b>	<b>27,629</b>	<b>98,640</b>	<b>-44,862</b>	<b>53,778</b>
<b>INWARD REINSURANCE</b>						
Claims paid in the year	24,561	814	25,375	41,328	-3,493	37,835
Change in provision for outstanding claims	5,266	-664	4,602	-12,219	-713	-12,932
Net exchange (gains)/losses from operating activities	651	-4	647	1,169	-6	1,163
<b>Total</b>	<b>30,478</b>	<b>146</b>	<b>30,624</b>	<b>30,278</b>	<b>-4,212</b>	<b>26,066</b>
<b>TOTAL CLAIMS PAID IN THE YEAR</b>	<b>389,198</b>	<b>-52,102</b>	<b>337,096</b>	<b>196,260</b>	<b>-75,400</b>	<b>120,860</b>
<b>TOTAL CHANGE IN PROVISION FOR OUTSTANDING CLAIMS</b>	<b>-248,656</b>	<b>1,539</b>	<b>-247,117</b>	<b>-34,185</b>	<b>33,647</b>	<b>-538</b>
<b>TOTAL NET EXCHANGE (GAINS)/LOSSES FROM OPERATING ACTIVITIES</b>	<b>414</b>	<b>150</b>	<b>564</b>	<b>-3,733</b>	<b>-1,120</b>	<b>-4,853</b>
<b>TOTAL CLAIMS EXPENSES</b>	<b>140,956</b>	<b>-50,413</b>	<b>90,543</b>	<b>158,342</b>	<b>-42,873</b>	<b>115,469</b>

In 2019 and 2018 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:

	31/12/2019	31/12/2018
Congo, Rep.	24,819	20,998
India	18,518	4,359
Brazil	14,979	31,121
Switzerland	10,953	6,748
Germany	10,649	-3,871
Colombia	6,433	1
Mali	5,948	6,198
Italy	4,120	2,322
Turkey	3,382	17
Cuba	2,583	2,033
Poland	2,206	1,156
Mexico	2,180	3,407
Ghana	1,709	9,192
UAE - Dubai	1,346	686
Yemen	1,228	-
United Kingdom	1,109	3,066
Nigeria	-7,706	-11,197
Iran	-8,060	14,417
Spain	-9,042	7,492
United States	-15,603	-14,558
Other countries	1,019	38,245
<b>TOTAL</b>	<b>90,543</b>	<b>115,469</b>

**24. EMPLOYEE BENEFIT EXPENSE**

	31/12/2019	31/12/2018
Wages, salaries and other benefits	36,930	34,405
Social security charges	8,716	8,482
Pension costs – defined contribution plans	244	604
Pension costs – defined benefit plans	2,616	2,797
Health plan	723	738
<b>TOTAL EMPLOYEE-BENEFIT EXPENSES</b>	<b>49,229</b>	<b>47,026</b>

The number of employees as per 31/12/2019 (in FTE) amounted to 518 (31/12/2018: 494).

**25. SERVICES AND OTHER GOODS**

	31/12/2019	31/12/2018
Broker fees	24,692	22,107
Commissions to inward reinsurance	18,126	17,742
Administration costs	22,674	22,370
Other operating costs	158	365
<b>TOTAL SERVICES AND OTHER GOODS</b>	<b>65,650</b>	<b>62,584</b>

For 2019 administration costs relate to housing costs of K EUR 2,018 (2018: K EUR 3,131), management services and administration costs of K EUR 11 (2018: K EUR 95), consultancy and other fees of K EUR 7,500 (2018: K EUR 7,953), marketing expenses of

K EUR 2,456 (2018: K EUR 2,287), representation and travel costs of K EUR 2,091 (2018: K EUR 1,863), IT expenses of K EUR 7,376 (2018: K EUR 4,426) and car expenses of K EUR 271 (2018: K EUR 742).

**26. DEPRECIATION AND AMORTISATION**

	NOTE	31/12/2019	31/12/2018
Amortisation intangible assets	5	3,101	3,402
Depreciation property, plant and equipment (right-of-use assets included)	6	3,767	1,557
<b>TOTAL</b>		<b>6,868</b>	<b>4,959</b>

**27. FINANCE INCOME AND EXPENSE**

	NOTE	31/12/2019	31/12/2018
<b>FINANCE INCOME:</b>			
Cash and cash equivalents – interest income		1,163	830
Other financial income		3,443	4,343
Fair-value gains/(losses) AFS – Recycled from OCI	8-15.2	2,542	850
Income from financial investments – AFS		1,245	1,865
Net gains on financial investments – available-for-sale		3,787	2,715
Fair-value gains FVTPL	8	111,022	10
Net realised gains on sale of financial investments		-269	-
Income from financial investments – FVTPL		114,491	-
Net gains on financial investments – Fair value through profit or loss		225,244	10
Interest on rescheduling agreements		-	11,775
Interest on loans and receivables		4,160	4,626
Dividends and interests		3	5
Exchange gains on financial assets (other than AFS and FVTPL)	28	15,873	12,806
		253,673	37,110
<b>FINANCE EXPENSE:</b>			
Exchange losses on financial assets (other than AFS and FVTPL)	28	-10,370	-9,922
Charges on financial investments		-52	-111
Financial charges and interest costs		-1,505	-1,999
Amounts written off on interests of rescheduling agreements		-5,886	-
Fair-value losses FVTPL	8	-7,099	-91,979
Net finance cost		-24,912	-104,011
<b>NET FINANCIAL RESULT</b>		<b>228,761</b>	<b>-66,901</b>

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.



## 28. NET FOREIGN-EXCHANGE GAINS AND LOSSES

NET FOREIGN EXCHANGE GAINS	NOTE	31/12/2019	31/12/2018
<b>NET EXCHANGE GAINS/(LOSSES) RECOGNISED IN PROFIT OR LOSS</b>		<b>4,110</b>	<b>5,635</b>
Net exchange gains/(losses) from operating activities	21-23	-1,393	2,751
Net exchange gains/(losses) from investing activities	27	5,503	2,884
<b>NET EXCHANGE GAINS/(LOSSES) THROUGH OTHER COMPREHENSIVE INCOME</b>		<b>1,603</b>	<b>-1,012</b>
Net exchange gains/(losses) through other comprehensive income	15.2	-94	346
Exchange differences on translating foreign operations	15.2	1,697	-1,358
<b>TOTAL</b>		<b>5,713</b>	<b>4,623</b>

Total net exchange gains recognised in the income statement amount to K EUR 4,110 (31/12/2018: gains of K EUR 5,635). 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 investing activities we refer to note 27.

The increase in exchange differences (gains on investing 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 1,697 (31/12/2018: K EUR -1,358).

## 29. INCOME TAX EXPENSE

INCOME TAX EXPENSE	2019	2018
Current taxes on income for the reporting period	-2,691	-1,919
Current taxes referring to previous periods	-8	-1,027
<b>Total current tax</b>	<b>-2,699</b>	<b>-2,946</b>
Origination and reversal of temporary differences	-2,877	-229
<b>Total deferred tax</b>	<b>-2,877</b>	<b>-229</b>
<b>INCOME TAX (EXPENSE)/CREDIT</b>	<b>-5,576</b>	<b>-3,175</b>

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	2019	2018
<b>PROFIT BEFORE INCOME TAXES</b>	<b>275,295</b>	<b>-28,904</b>
<b>Domestic tax rate</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Income tax (expense)/credit calculated at domestic tax rate</b>	<b>-</b>	<b>-</b>
<b>Effects of:</b>		
Tax rate effect	-3,693	-2,439
Disallowed expenses	-303	-1,044
Other permanent differences	-207	-187
Notional tax deduction	-2	-2
Income not subject to tax	-	364
Tax losses DTA recognition	-	268
Prior year adjustment	-1,543	-729
Other	172	594
<b>INCOME TAX (EXPENSE)/CREDIT FOR THE YEAR</b>	<b>-5,576</b>	<b>-3,175</b>

The weighted average applicable 2019 tax rate amounts to +2.0% (31/12/2018: -11.0%). This results from the fact that the key source of profit is Credendo – Export Credit Agency which is taxed at a 0% rate.

## 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.

From 01/01/2019 Credendo has recognised right-of-use assets for these leases, except for short-term and low-value leases, see notes 2.20 and 6.2 for further information.

Operating leases relating to the lease of offices, vehicles and office equipment were recognised as an expense in 2018 amounting to K EUR 1,892 which was 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:

	31/12/2019	31/12/2018
No later than 1 year	-	1,992
Later than 1 year and no later than 5 years	-	4,995
Later than 5 years	-	628
<b>TOTAL</b>	<b>-</b>	<b>7,615</b>

### 32. RELATED-PARTY TRANSACTIONS

The ultimate parent of Credendo – Export Credit Agency is the Belgian State.

The following transactions were carried out with related parties.

#### 32.1. KEY MANAGEMENT COMPENSATION

Key management includes members of the Board of Directors as well as the members of the Executive Committee and senior non-executive

management of all Credendo entities. The compensation paid or payable to key management for employee services is shown below:

	31/12/2019	31/12/2018
Salaries and other short-term employee benefits	7,592	7,762
Post-employment benefits	1,265	1,222
Leasing company car	259	223
<b>TOTAL</b>	<b>9,116</b>	<b>9,207</b>

#### 32.2. YEAR-END BALANCES FOR RELATED-PARTY TRANSACTIONS

	31/12/2019	31/12/2018
Loans and receivables incl. reinsurance receivables	376	3
<b>Total Receivables</b>	<b>376</b>	<b>3</b>
Payables	5,140	5,028
<b>Total payables</b>	<b>5,140</b>	<b>5,028</b>

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.

### 33. LIST OF CONSOLIDATED COMPANIES

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

#### 33.1. SUBSIDIARIES

	31/12/2019		31/12/2018		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	100%	100%	100.00%	100.00%	Austria
Credendo – Ingosstrakh Credit Insurance	66.67%	66.67%	66.67%	66.67%	Russia
Credendo – Short-Term EU Risks	100%	100%	100%	100%	Czech Republic

Total non-controlling interests as per 31/12/2019 amount to K EUR 4,323 and only relate to the 33.33% participation held by *JSC InWest-Policy*, having its registered office at 41 Lesnaya Street, 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.

On 19/12/2019 Credendo XS' capital was increased by EUR 50,000,000 Credendo ECA decided upon such capital increase in order to support Credendo XS' growing business.

### 34. EVENTS AFTER THE REPORTING PERIOD

In December 2019, the Chinese province of Hubei was struck by the outbreak of coronavirus disease 2019 (covid-19). In early 2020, the epidemic of covid-19 spread globally, impacting the economy of most of the countries. By the end of March 2020, the epicentre of the, by now, pandemic moved to Europe. Measures taken to contain the virus have affected the level of economic activity, which in turn has implications for financial reporting.

The spread of covid-19 subsequent to 31/12/2019 is a non-adjusting event as per IAS 10. Therefore, the measurement of assets and liabilities by Credendo reflects only the conditions that existed at the reporting date. Subsequent developments are not reflected in the measurement.

Though it is hard to estimate the impact of these events on Credendo's insurance premiums and claims, we expect a potentially significant decrease in premium volume due to the sharp drop in economic activity. The solid loss ratio of 2019 will very likely deteriorate in the aftermath of the covid-19 crisis and furthermore require increased impairment of outstanding claim receivables.

In addition, the increased volatility and the general downward trend on the financial markets in the beginning of 2020 will have an important impact on the financial investments of Credendo. At this moment, no reliable assessment of this impact can be presented.

Though the impact of this pandemic on the 2020 results and financial position could be considerable, the equity of Credendo is strong enough to absorb an economic shock such as the covid-19 one.

To end on a more positive note, 2019 was a fruitful year for Credendo's innovation vehicle called AREA42. Marjory, the leading iPaaS for multi-sided platforms, was incorporated. AREA42 is working hard to complement the Marjory offering with a payment term solution for multi-sided platforms. Finally, AREA42 also implemented the blockchain technology in Credendo XS' Booster to solve the customer need to check version applicability of issued guarantees.