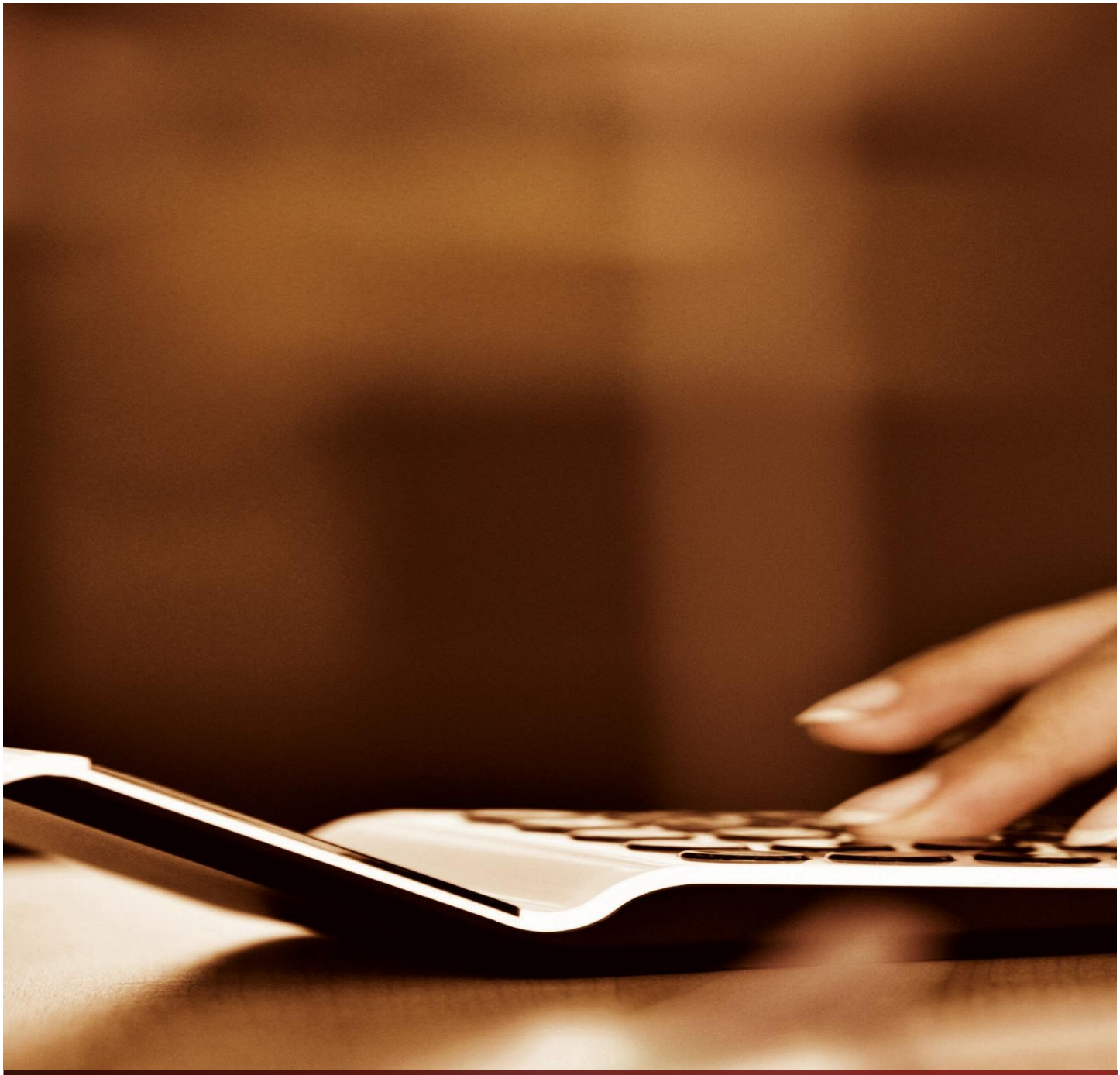

CREDENDO – EXCESS & SURETY

SOLVENCY & FINANCIAL CONDITION REPORT 2020

05/03/2021

Credendo – Excess & Surety

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Summary

The Solvency and Financial Condition Report (SFCR) of Credendo – Excess & Surety (hereafter 'Credendo XS' or the 'Company') has been prepared according to the requirements of the Solvency II legislation as laid down in the Commission Delegated Regulation 2015/35 and the Belgian Law on the Statute and Supervision of Insurance and Reinsurance Undertakings of 13 March 2016. The SFCR follows the structure as set out in Annex XX of the Commission Delegated Regulation 2015/35 and discloses the narrative and quantitative information referred to in Articles 292 to 298 of that Regulation.

This report includes information regarding:

> The essentially mono-line credit and suretyship insurance business of the Company, its underwriting performance, at an aggregate level and by material line of business, the performance of its investments and other material income and expenses, over the reporting period 2020 and in comparison to the previous reporting period.

  The profit for the year 2020 (2019) amounted to -6.2 (0.3) million EUR.

> The Company's system of governance at the end of 2020, including an extensive description of:
  - the structure of the Board of Directors and Executive Committee, providing a description of their main roles and responsibilities and a brief description of the segregation of responsibilities within these bodies, their committees, and the main roles and responsibilities of key functions
  - its remuneration policy and practices
  - material transactions during 2020 with shareholders, with persons who exercise a significant influence on the Company, and with Board of Directors members
  - the 'fit and proper' policy of the Company
  - the risk management system and how the risk management system including the risk management function is implemented and integrated into the organisational structure and decision-making processes, and of how the own risk and solvency assessment is conducted
  - how the Company's internal control system and other key control functions (compliance, internal audit, actuarial) are implemented.

  No area of Credendo XS's governance system is assessed as ineffective or inadequate. If appropriate (i.e. measures already initiated during the reporting period or nuanced assessment), measures are/will be implemented under the supervision of the governing bodies of the Company.

> Its risk profile, including information regarding the risk exposure and material risks of the Company at the end of 2020, how these risks are assessed and mitigated, and how assets are invested in accordance with the 'prudent person principle'.

  All identified risks are measured, either quantitatively or qualitatively. The most material risk types are quantified using risk-based capital models. The Solvency II standard formula measures underwriting, market, counterparty and operational risks by a Value-at-Risk approach that captures risk at individual and aggregated level and takes risk correlation into account. Less quantifiable risks (like strategic and reputation risks) are assessed ordinarily using qualitative tags for likelihood and impact of the (inherent and) residual risks.

> The valuation of the assets, technical provisions and other liabilities of the Company for Solvency II purposes.

  Assets and liabilities, other than technical provisions, are valued in the Solvency II balance in accordance with the IFRS standards provided that those standards include valuation methods that are consistent with the valuation approach set out in Article 75 of the 2009 Solvency II Framework Directive 2009/138/EC. Where those standards allow for the use of more than one valuation method or where the IFRS valuation methods are not consistent either temporarily or permanently with the

valuation approach set out in Article 75 of Directive 2009/138/EC, valuation methods that are consistent with the latter article are used.

> The Company's capital management strategy, the structure and quality of its own funds at the end of 2020 and the previous reporting period, and the amounts of the Company's Solvency Capital Requirement and Minimum Capital Requirement (calculated according to the Solvency II standard formula) at those dates.

  Credendo XS's SII capital adequacy ratio at the end of 2020 (2019) amounted to 211% (341%). The ratio of own funds to the Minimum Capital Requirement amounted to 784% (1345%).

  Credendo XS has no capital instruments issued as (subordinated) debt and does not hold own shares. Apart from the net deferred tax assets, all own fund items are classified in Tier 1 as all items are undated, permanently available to absorb losses and completely subordinated. Net deferred tax assets are recognised as Solvency II Tier 3 own funds and eligible to cover capital requirements up to 15% of the Solvency Capital Requirement. As the latter condition is fulfilled and as there are no restrictions on the Tier 1 items taken into account, all funds available are eligible for covering the regulatory capital requirements of the Company.

There are two material changes to be highlighted that occurred over the reporting period:

> the Covid-19 pandemic-related crisis, of which the potential impact is taken into account when setting up the Company's claims provisions;
> the planned 2021 cross-border merger with sister company Credendo – Single Risk.

There are no other material changes to be highlighted that have occurred over the reporting period in the business and performance, system of governance, risk profile, valuation for solvency purposes and capital management.

Though it is hard to estimate the impact of the spread of Covid-19 subsequent to 31 December 2020 on the Company's insurance premiums and claims, we expect a potentially significant increase in the reported claims. However, at this moment this increase is not visible in claims reported during 2020 but the Company created some considerable margin in reserve for incurred but not reported losses. Though the impact of the Covid-19 pandemic on the 2021 results and the solvency and financial condition could be considerable, the current equity and capital adequacy position of Credendo XS and its protection by appropriate reinsurance structures should foster continued compliance with the Solvency and Minimum Capital Requirements.

A. Business and Performance

This Chapter describes the business and performance of Credendo – Excess & Surety (Credendo XS) during 2020.

A.1. Business

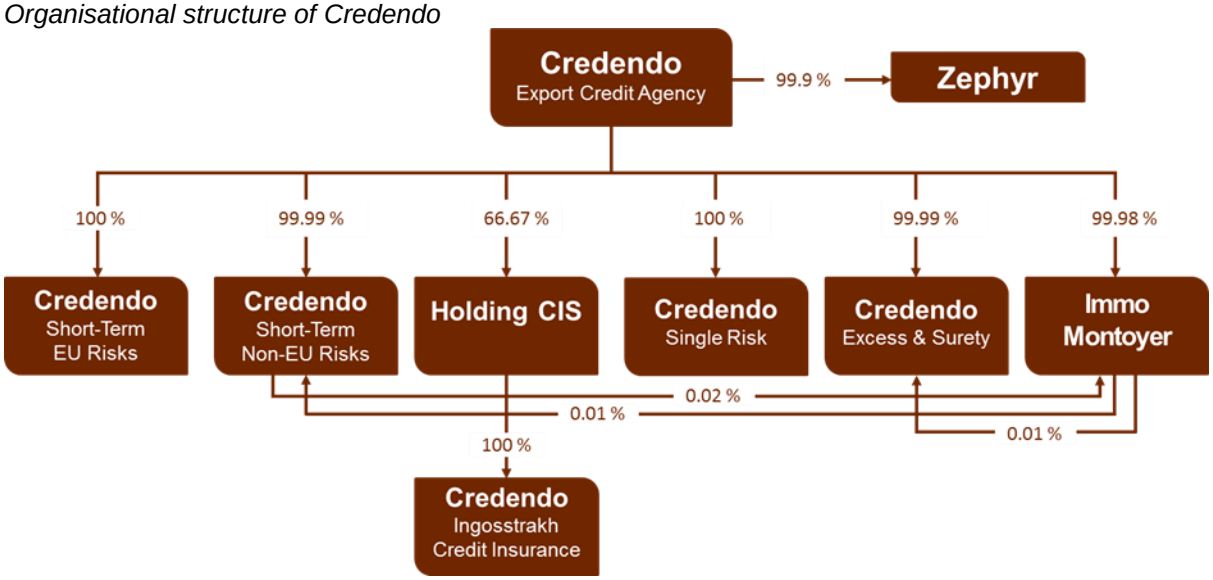
This section describes the legal and organisational structure of Credendo XS as well as its activities.

A.1.1. Structure

Credendo XS (or 'the Company') is a limited liability company incorporated and domiciled in Belgium. The address of its registered office is: Avenue Roger Vandendriessche 18, 1150 Brussels. The Company, formerly known as Trade Credit Re Insurance Company, was incorporated in 2004 with an initial capital of EUR 20.092.800. The capital has been increased to EUR 70.092.800 by decision of the extraordinary general meeting on 19 December 2019.The Company specializes in highly customized underwriting for short-term credit risks and the issuance of sureties (bonds) mostly in Western European Countries.

Credendo XS belongs to Credendo, which is the fourth largest European credit insurance group that is present all over the continent and active in all segments of the credit insurance trade, providing a range of products that cover risks worldwide. Credendo consists of Credendo – Export Credit Agency (Credendo ECA) and its five commercial subsidiaries in insurance.

Organisational structure of Credendo



Credendo XS's shareholders[1] are Credendo ECA and Immo Montoyer SA (1 share).[2]

Credendo XS also operates through branches in Luxemburg, Italy, Spain, France, Germany, the Netherlands, Ireland, and Poland.

The National Bank of Belgium[3] is responsible for the financial supervision of Credendo XS. For the fiscal year 2020 KPMG[4] was the external auditor.

A.1.2. Business Lines

[1] More information on the shareholders to be found in chapter B.1.3.
[2] Credendo ECA and Immo Montoyer are located at rue Montoyerstraat, 3, 1000 Brussels.
[3] Prudential supervision and financial stability, National Bank of Belgium LLC, de Berlaimontlaan 14, B-1000 Brussels T: +32 (0)2 2213502, F: +32 (0)2 2213104.
[4] KPMG, Headquarters: Brussels National Airport 1K, B-1930 Zaventem T: +32(0)27084300.

Credendo XS is licensed as an insurance company for the following classes: branch 14 (credit insurance), branch 15 (bonding/surety) and branch 16 (miscellaneous pecuniary losses insurance). The company offers its services to B2B clients within the European Union and insures clients for non-payment risk on their debtors worldwide and issues bonds for beneficiaries in the European Union.

Credendo XS is active in short-term credit insurance (branch 14) and insures the political and commercial credit risks of current trade transactions. The main products are the “Excess of Loss” and “Top Up Policy”, Essentially, Credendo XS insures the risk related to non-payment of current trade transactions which is caused by a problem with the debtor (insolvency or debtor default).

Since July 2016, Credendo XS is also active in the sureties/bonding business (branch 15). This business was previously operated by Credendo STN: the remaining portfolio at Credendo STN has been put in run-off.
The bonding activity consists of offering legal and contractual sureties through different distributions channels: direct procurement, brokers and specialised MGA’s (Managing General Agencies).

Credendo has also launched in 2018 a new surety bond product, the Credendo Surety Booster. This online platform makes it easier for brokers and customers to apply for surety bonds and ensures that they receive a quick answer. The portal was launched in Germany and is due to be rolled out in other countries in the following years.

As can be seen from the table in Annex II, Credendo XS is exclusively active in credit and suretyship. The table in Annex III comprises the premiums, claims and expenses by country. [5] Clearly, Credendo XS writes almost all its business in its home country Belgium and the countries where it has established a branch.

A.2. Underwriting Performance

Credendo XS’s underwriting performance in credit & suretyship over 2020 has been the following – data are presented according to IFRS financial:

in thousands EUR	2019	2020
Insurance premium revenue	41 629	44 751
Insurance premium ceded to reinsurers	-31 793	-35 801
Net earned insurance premium revenue	**9 836**	**8 950**
Other operating income	12 592	12 527
Net Income	**22 428**	**21 476**
Insurance claims	-26 961	-60 082
Insurance claims recovered from reinsurers	20 156	45 566
Net insurance claims	**-6 805**	**-14 516**
Employee benefit expenses	-4 336	-4 904
Services and other goods	-8 933	-8 458
Depreciation and amortisation	-867	-969
Other operating expenses	-687	-632
Operating expenses (other than claims)	**-14 823**	**-14 964**
Total operating expenses	**-21 628**	**-29 480**
Profit / (loss) from operating activities	**801**	**-8 003**

[5] Data in Annex II and Annex III are from the BEGAAP financial statements.

The loss reported for 2020 mainly relates to the considerable margin in reserve for incurred but not reported losses created due to anticipated impact of COVID-19 pandemic on claims. Both, the expected growth and a more diversified risk spread will lead to an improved loss ratio on long term even if volumes are lower than in previous year budget exercise. With a stable reinsurance structure as known today, we expect, both growth and lower charge of claims to act as lever to boost the profitability.

A.3. Investment Performance

in thousands EUR	2019	2020
Finance income:	**238**	**2 162**
Cash and cash equivalents - interest income	5	12
Other financial income	31	10
Fair value gains/(losses) AFS - recycled from OCI	0	0
Impairment losses on AFS	0	0
Income from Financial investments - AFS	0	1 614
Net gains on financial investments – AFS	0	1 614
Fair value gains/(losses) FVPL	0	0
Net realised gains on sale of financial investment	-17	-127
Income from Financial Investments - FVPL	0	0
Net gains on financial investments – FVTPL	-17	-127
Interests on Rescheduling Agreements	0	0
Interest on Loans and receivables	0	0
Dividends and Interests received	0	0
Exchange Gains on Financial Assets	219	653
Finance expense:	**-326**	**-1 691**
Exchange Losses on Financial Assets	-169	-1 251
Charges on Financial Investments	0	-56
Financial Charges and Interest Costs	-157	-385
Amounts Written off - Interests Rescheduling Agreements	0	0
Fair value losses FVTPL	0	0
Net financial result	**-87**	**471**

Credendo XS initiated in 2020 a specific financial investments program with external asset manager alongside its cash or cash equivalents. The financial result has a significant impact on the overall result of the Company.

Credendo XS holds no investments in tradable securities or other financial instruments based on repackaged loans (i.e. securitisation).

A.4. Performance of other activities

On adoption of IFRS 16, Credendo recognised 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 1 January 2019.
Credendo XS leases office space and cars, both are recorded on the balance sheet as a lease liability (representing the present value of future lease payments) and a right-of-use asset. The income statement classification changes also due to the related expenses that are presented as depreciation (on the right-of-use asset) and interest expense (on the lease liability).

The income tax credit amounts to 1 283 K EUR. This credit results from the use of deferred tax assets at the level of the Belgian HQ and the current tax expenses that have been incurred at the level of the branches and the HQ.

in thousands EUR	2019	2020
Profit / (loss) of the year before tax	712	-7 532
Income tax credit/ (expense)	-391	1 283
Profit / (loss) of the year	**320**	**-6 250**

A.5. Any other information

There are two material changes to be highlighted that occurred over the reporting period:

- COVID-19 pandemic related crisis which potential impact is taken into account when setting up the Company's claims provisions
- For 2021 a cross border merger with sister company Credendo Single Risk is planned.

There are no other material changes to be highlighted that have occurred over the reporting period in the business and performance, system of governance, risk profile, valuation for solvency purposes and capital management.

Though it is hard to estimate the impact of the spread of COVID-19 subsequent to 31 December 2020 on the Company's insurance premiums and claims, we expect a potentially significant increase in the reported claims. However, at this moment this increase is not visible in claims reported during 2020 but the Company created some considerable margin in reserve for incurred but not reported losses. Though the impact of the COVID-19 pandemic on the 2021 results and the solvency and financial condition could be considerable, the current equity and capital adequacy position of Credendo XS and its protection by appropriate reinsurance structures should foster continued compliance with the Solvency and Minimum Capital Requirements.

There is no other material information regarding Credendo XS's business and performance which should be included than the one already described.

B. System of Governance

This chapter contains a description of the system of governance of Credendo XS.

B.1. Management Structure, Remuneration and shareholdership

B.1.1. Management bodies

a) Board of Directors

In addition to the powers granted to the Board of Directors by law and by the Articles of Association of the Company, the Board of Directors is responsible for determining, deciding and evaluating on a regular basis the general strategy and objectives of the Company and supervising the adequate achievement of the strategy.

The Board of Directors is responsible among others to determine, decide and evaluate on a regular basis the organisational and operational structure of the Company, aimed at supporting its strategic objectives and operations, and validate the policies regarding governance *sensu stricto* as well as the prudential and financial reporting to the competent supervisory authorities.

With respect to risk management, the Board of Directors is responsible for setting the overall risk appetite and overall risk tolerance of the Company, and for approving the general policy and principles on risk management, drawing the framework wherein the Company is willing to accept and retain risks and/or should avoid and transfer risks.

The Board of Directors will among others also approve any periodic revision of the main strategies and policies in terms of risk management, and ensure that such strategic decisions and policies are consistent with the structure, size and the specificities of the Company.

In its supervising role, the Board of Directors ensures that an Executive Committee is established which is responsible for the day-to-day management and effective governance of the Company in accordance with the general policy lines and strategy laid down by the Board of Directors, and monitors its performance. Further, it will evaluate and approve the financial objectives as well as the operational and financial plan as prepared by the Executive Committee and review and evaluate the performance of the Company in light of the proposed financial objectives and business plans.

The Board of Directors can perform all necessary actions (except for the actions that are reserved by law and by the Articles of Association to the General Meeting of Shareholders) to accomplish the company objectives, especially with reference to the assessment of the general strategy of the Company and the supervision of the Executive Committee, in charge of the day-to-day management of the Company.

The Board of Directors ensures among others that the effectiveness of the system of governance and the performance of the internal control functions is subject to an internal review at least once a year, and that the Executive Committee takes the appropriate measures to handle any shortcomings which were identified.

The Board of Directors is examining the financial reporting process, the audit process, the system of internal controls and compliance with laws and regulators on the following domains:

- overseeing the integrity and accurateness of the financial reporting process;
- tracking the Internal Audit activities, such as endorsing the audit plan and the resources deployed, taking note of activity reports and audit reports, ensuring that the Executive Committee takes appropriate steps to close the gaps that the Internal Auditor has noted;
- overseeing the Statutory Audit of the annual accounts;
- appointing and reappointing of the Statutory Auditor, his independence and his fees, especially with respect to ancillary services rendered;
- approval of non-audit services rendered by the Statutory Auditor.

- examining whether the Company has suitable internal control mechanisms and risk management;
- keeping itself informed on the legal, regulatory and statutory rights and obligations and examining whether these are adhered to by the Company and its staff;
- examining the adequacy of the organization, available resources and competences for identifying, measuring, managing and reporting the material risks to which Credendo XS is exposed and on the appropriateness of the procedure for monitoring the risks taking the challenges to the Company in its activity and especially the divisions between executive and control functions into account;
- examining the strategic decisions on underwriting insurance liabilities, constituting technical provisions, and on determining risk transfer by reinsurance, the investment policy, the asset-liability management and liquidity management, take account of the risks to which the Company is exposed, given its business model and strategy vis-à-vis risks, especially reputation risk stemming from the product offering.

The Board of Directors evaluates the general principles of the remuneration policy at least once a year to ensure it remains appropriate during changes to the company's operations or business environment.

The Board either examines proposals to be taken by the Board itself (for the remuneration of the members of the Executive Committee or the general remuneration policy for the staff of the Company) or for decisions which need to be placed on the agenda of the General Shareholders Meeting (for the remuneration of the members of the Board).

The task includes, but is not limited to the following domains:

- designing of the Company's overall remuneration policy;
- making proposals regarding the remuneration of staff members, as defined in the remuneration policy;
- deciding regarding fixed and flexible remuneration and incentives, which are to be decided by the Board;
- reviewing the remuneration policy regularly to ensure it remains appropriate during changes to the undertaking's operations or business environment;
- identifying potential conflicts of interest and the steps taken to address them;
- Examining the performance of the remuneration policy.

b) Executive Committee

In general, the Executive Committee is responsible for the effective day-to-day management of the Company, including the implementation and elaboration of the strategy established by the Board of Directors, taking into account the risk tolerance limits established by the Board of Directors.

The Executive Committee reports to the Board of Directors all relevant information and data in order to enable the Board of Directors to monitor the activities of the Company and to take substantiated decisions.

The Executive Committee is among others responsible for the implementation of the risk management system. This includes translating the risk appetite framework and general policy on risk management established by the Board of Directors into more detailed policies, procedures and guidelines, executing the necessary measures to manage and mitigate the risks, ensuring that all relevant risks to which the Company is exposed are identified, measured, appropriately managed, monitored and reported, and monitoring the development of the risk profile of the Company and the risk management system.

The Executive Committee is also responsible for the implementation, follow-up and assessment of the organizational and operational structure of the Company to ensure uniformity with the risk management and risk appetite framework established by the Board of Directors. For that purpose, it will set up appropriate internal control mechanisms at all levels of the Company and assess the adequacy of these mechanisms.

c) Specialised Committees

The Executive Committee set up for certain tasks, three specialised committees: a Credit Committee, a Surety Committee and a Claims Committee.

The Credit Committee approbates all proposals, coming from HQ or from the branches, for issuance or renewal of policies. There is a limited individual delegation of power for very specific cases foreseen (most of them more of an administrative nature). In some cases, the Executive Committee takes the final decision. One member of the Executive Committee is a permanent member. Rules are defined in the Underwriting guidelines.

The Surety Committee takes certain decisions concerning issuance contracts and bonds. The decisions are taken in accordance with the standard rules as determined by the Surety guidelines, given instructions, and reinsurance conditions. Any deviation from these standard rules and guidelines needs to be presented to the Executive Committee. Rules are defined in the Underwriting guidelines for sureties, which describe some delegation of decision power to the underwriters.

The Claims Committee is entrusted with the analysis and decision taking concerning all loss threats, claims, payment of claims and provisioning weather they are claims coming from HQ or from the branches. The primary objective of the Claims Committee reports is to challenge and validate provisions for reported large losses and impairment of outstanding claims. All decisions concerning acceptance of loss threats and claims, refusals, payment of claims, and reserving care decided by the claims committee.
The Claims Committee of Credendo XS reunites on weekly basis and the rules concerning compositions, quorum and power of decision are set up in the claims committee guidelines. At least two members of the claims committee must be present and one of the compulsory members (claims manager or a member of the executive committee) must be present.

B.1.2. Remuneration

Credendo XS aims to attract, motivate and retain the best resources capable of achieving the company mission in adherence to the group values. Effective compensation strategies represent a key driver to positively reinforce employee commitment, engagement and alignment with organisational goals.

The remuneration strategy is designed to reward competitively the achievement of long-term sustainable performance and attract and motivate the staff members who are committed to maintaining a long-term career with Credendo. This means that the members of the Executive Committee, the country managers and all other staff are entitled to a fair remuneration. Non-executive directors receive solely a fixed emolument for each meeting attended.

The total compensation approach provides for a balanced package of fixed and variable components, each designed to impact in a specific manner the motivation and retention of staff members, in line with relevant market's competitive levels.

The total remuneration components are:
> Base (fixed) salary;
> Variable remuneration;
> Other benefits;
> Severance payments, where applicable.

The allocation of stock options or other share programs are not used in any form as an element or part of the remuneration package.

> **The base (fixed) salary** is mainly determined on the basis of the function of the employee, including responsibility and job complexity. The purpose of the base salary is to attract and retain staff members by paying market competitive pay for the role, skills and experience.

- **Variable remuneration** is defined as the remuneration not arising from the base (fixed) salary, but being paid provided some criteria are met. Variable remuneration may be either contractual or not contractual. The components of the remuneration scheme are balanced so that the fixed component represents a sufficiently high proportion of the total remuneration to avoid staff being overly dependent on the variable components and to allow the entity to operate a fully flexible bonus policy, including the possibility of paying no variable component.

  Therefore, the bonus is capped by a well-defined maximum value and that maximum value should not represent more than 25 % of the fixed annual remuneration. Only exceptionally this can be higher, based on the local practices.

  The variable remuneration system rests on basic principles aimed at reaching a threefold objective:
  - to enhance the motivation of the beneficiaries;
  - to stick to good governance principles;
  - to favour consistency and administrative simplification.

  The calculation of the bonus rests on well-defined criteria, combining quantitative and qualitative objectives. In general terms, the criteria are long term criteria, focusing the energies in the right direction and avoiding distortion of financial results based on short term interests, which can prove to be detrimental to the long term development of the Company.

  Where variable remuneration is performance-related, the total amount of the variable remuneration is based on a combination of the assessment of the performance of the individual, of the business unit or branch concerned and of the overall result of the Company.

  With respect to the assessment of the performance of the individual, it is based on a balanced set of indicators, which also include adherence to effective risk management and compliance. Financial and non-financial criteria shall be taken into account when assessing an individual's performance.

  As a consequence, the variable remuneration of the members of the Executive Committee and of country managers is the result of a combination between quantitative (growth and result criteria) and qualitative (achievement of objectives and transparency in management towards the Board or Executive Committee) criteria.

  The variable remuneration of other staff is based on individual targets. The Executive Committee sets the individual targets criteria for each staff member.

  The variable part of remuneration of staff engaged in the internal control functions, if any, is independent from the performance of the operational units and areas that are submitted to their control.

- **Other benefits** are awarded on the basis of individual contracts and local market practice and regulation. For example this can include meal vouchers, provisions of extra-legal pensions, medical insurance and ambulant care, invalidity insurance, … When welfare benefits are granted, they are supplementary to social security plans and are intended to provide substantial guarantees for the well-being of staff and their family members during their active career as well as their retirement.

- **Severance payments** are payable in accordance with relevant local legislation and applicable collective agreements. Severance pay will constitute an appropriate compensation for early termination, according to the applicable local legislation and collective bargaining agreements.

B.1.3. Shareholdership

The Company's shareholders to date are:

- **Credendo ECA (formerly known as Delcredere I Ducroire)** holding 689 471 shares (100 % - 1 share). The number of shares has been increased to 689 828 shares after the capital increase of 19/12/2019, meaning: 197 644 existing shares + new shares 491 828 = 689 472 in total (since 19/12/2019)
  Credendo ECA is the Belgian Export Credit Agency created under the law of 31 August 1939 and performs its activities of export credit insurance, limited to the cover of mid- and long-term transactions, with the guarantee of the Belgian State.

- **Immo Montoyer NV/SA** holding 1 share.
  Immo Montoyer is a real-estate company which manages Credendo ECA's Brussels real estate, i.e. the building located at rue Montoyerstraat, 3, 1000 Brussels.

The transfer of the 1 share from Immo Montoyer to Crdendo ECA was realized, paid and registered on 19/2/2021.

Besides the annual remuneration of the outsourced services to Credendo ECA, no material transactions were registered during the reporting period 2020 with shareholders, with persons who exercise a significant influence on the Company or with members of the Board of Directors or Executive Committee. Besides a directors officers liability policy for the directors of the Company, covering claims made against the directors and notified to the Company, no loans, credits or guarantees are granted by the Company to Board of Directors members.

B.2. Fit and proper, external functions and transactions with managers

B.2.1. Fit and proper

a) Policy

The Fit and Proper policy ensures that all persons who effectively run the Company or have other key functions fulfil the following requirements at all times:
- their professional qualifications, knowledge and experience are adequate to enable sound and prudent management (fit); and
- they are of good repute and integrity (proper).

The Company's policy confirms the strategy to select and evaluate the suitability of the executive and non-executive directors, the country managers and the internal control function holders in order to ensure an appropriate oversight over the activities of the Company, including its risk-taking decisions and to comply with the corporate values and long-term interests of the Company.

Because of the different responsibilities of the mandates and positions that fall under the scope of this policy, specific requirements are applicable to the professional and personal abilities that are needed.

The detailed objectives, expected results and positioning, as well as the required skills and competences ("fitness") are described in the different job descriptions that are drawn up for each of those mandates and positions, taking into account the aforementioned principles.

Regarding the professional integrity ("properness"), all positions under the scope of the Fit & Proper policy are required to be professionally honourable and of a good reputation. A person is considered to be professionally honourable (proper) if there is no evidence to the contrary or reasonable doubt about that person's good reputation.

The recruitment policy provides a framework methodology aimed at determining the skills and competencies of the members of the Executive Committee and the internal control function holders and country managers.

b) Implementation process

The persons that are eligible for an appointment as member of the Board of Directors are nominated by the shareholder of the Company. The internal control function holders and the country managers are nominated by the Executive Committee in consultation with the chairman of the Board of Directors.

The Company assesses the expertise and professional integrity of the aforementioned persons prior to their appointment according to the principles set out in the fit & proper policy, and will carry out a “due diligence” investigation, the specific level of which depends upon the planned position or mandate.

The selection interviews are carried out by a person mandated by the shareholder of the Company and/or by the responsible from the Human Resources department, based on the procedures and principles in the recruitment policy.

Where the Company has completed the investigation and selection interviews and wishes to consider a person for a particular position, the internal selection decision, including any considerations upon which it is based, will be recorded in writing by the duly authorised party of the Company in consultation with the Human Resources department.

All competences listed in the policy will be covered in the investigation, either through the interview or by means of a thorough assessment, by focusing on specific examples from the applicants in which they describe situations where they might have demonstrated the required competences and behaviours or by focusing on concrete facts registered in their known position.

When a person changes position, this will be considered as a new appointment, as well when there is a significant new distribution of tasks within the Executive Committee. This means that the fit and proper procedure needs to be applied again.

B.3. Risk management system including the Own Risk and Solvency Assessment

B.3.1. Risk management system

Credendo XS has implemented and maintains an effective risk management system that is compliant with the requirements thereon.

a) Risk appetite framework and tolerance limits

The Board of Directors of Credendo XS defines a clear risk management strategy, consistent with the overall business strategy of the Company and reviewed annually. The risk management strategy consists of the risk appetite framework and the general policy on risk management.

The risk appetite framework establishes the risks that the Company is willing to accept, avoid, retain and/or transfer. The general risk appetite is translated for the main categories of risk into risk tolerances (i.e. quantitative risk appetite statements that guide in the selection of risks) and risk preferences (i.e. qualitative risk appetite statements that guide in the selection of risks) and further detailed through risk limits to guide day-to-day business operations.

b) General policy on risk management

The general policy on risk management defines how the risk management framework is structured and how it should operate in practice, in order to balance control, risk management and transparency. The document assigns roles and responsibilities within the risk management framework of the Company and ensures efficient decision-making processes. The policy on risk management serves as an umbrella document that introduces a cartography of formal specific documentation needed for an effective risk management system. The general policy on risk management sets out the risk management objectives and key principles, categorizes all material risks the Company is exposed to (based on a for Credendo common categorization and definition of risks) and defines clearly and in detail per risk type the strategy, policy, procedures and systems that have been implemented for the identification, assessment, mitigation, monitoring and control of the risks.

c) Specific policies per risk

The risk management strategy is further specified via adequate written policies per risk type to ensure implementation in day-to-day business:

The policy on financial risks combines related policies on financial risks as this fits with the organisational structure and processes within the Company. The policy thus comprises the implementation of the "prudent person"-principle and the strategy vis-à-vis market risk, concentration risk, ALM risk, liquidity risk and credit risk. The policy on operational respectively strategic reinsurance management is part of the policy on underwriting risk respectively capital management.

These specific policies per risk type, considered sub-policies to the above-mentioned policy on risk management, outline the framework that staff has to take into account when exercising their duties:

> the goals pursued by the policy
> the connection with the overall solvency needs assessment as identified in the forward looking assessment of the Company's own risks (based on the ORSA principles), the regulatory capital requirements and the risk appetite framework
> the processes and (reporting) procedures applied to identify, assess, manage, monitor and report the risk area concerned
> levels of acceptable risk or risk limits in line with the overall risk appetite
> the tasks to be performed and the person or role responsible for them.

Reference may be made to written guidelines and procedures. Guidelines further detail the policy document, with a key focus on the process stages (including activities with detailed roles and responsibilities). Procedures describe in detail the process that formalises the way of acting or progressing in a course of a given set of actions (especially an established method…). As such, a comprehensive and coherent set of documents has been elaborated according to the following architecture of documentation:

	Document	Purpose
1.	Risk Management Strategy (Policy on risk management)	describe the risk management framework (principles, appetite) and risk governance (roles & responsibilities)
2.	Risk Policy (per risk type)	outline the risk management framework per risk type to guide staff in decisions and actions when exercising their duties
3.	Guidelines	further detail the policy document, with a key focus on the process stages
4.	Procedures	detail the process that formalizes the way of acting or progressing in a course of a given set of actions

All governance policies, including all policies within the risk management framework, are subject to approval by the Board of Directors, not only for the original policy approval but also for any subsequent changes, unless these are minor. The policies are reviewed at least annually and the review is appropriately documented.

d) Risk identification and measurement system

The risk management system identifies and measures all material risks that the Company faces, including risks that are not or hard to quantify and/or risks not fully captured by the Solvency II required capital calculation. The latter relate to ALM risk, liquidity, concentration, strategic and reputation risks, which are all considered material risks that are identified and covered in the Company's risk management system.

All identified risks are measured, either quantitatively or qualitatively:

- The most material risk types are quantified using risk-based capital models. The Solvency II standard formula measures underwriting, market, counterparty and operational risks by a Value-at-Risk approach that captures risk at individual and aggregated level and takes risk correlation into account. Alternative quantifications using similar risk-based capital models may enrich the risk assessment.
- Less quantifiable risks (like strategic and reputation risks) are assessed ordinally using qualitative tags (high, moderate, etc.) for likelihood and impact of the (inherent and) residual risks. Likelihood (or probability) represents the possibility that a given event will occur, while impact or severity represents its effect. Inherent risk is the risk in the absence of any actions to alter either the risk's likelihood or impact. Residual risk is the risk that remains after response to the risk. This assessment is done during a comprehensive annual risk survey wherein all of the departments, control functions and outsourced functions participate, allowing for the connection of the governance and control system with the full risk picture.

Relevant risks are subject to a sufficiently wide range of stress testing through sensitivity and scenario analyses. Taking the Company's risk profile of a non-life credit insurer into account, the most relevant stress testing refers to shocks on the underwritten credit risks.

e) Risk reporting system

The Company has implemented reporting procedures and processes which ensure that information on its material risks is actively monitored and reported, allowing management and other key functions to take that information into account in their decision-making process. The Company's risk management function and Finance and Reinsurance departments reports on a quarterly basis to the Board of Directors, the Executive Committee and the Credendo Group Risk Management function on solvency issues and material risk exposures, based on Credendo's risk categorisation. This reporting on solvency and risk exposure comprises key risk indicators (and compliance checks with the risk appetite framework) on:

- Real and potential exposure from underwriting risk acceptances, before and after quota-share reinsurance
- Premium and loss rates volatility
- Concentration of country risk exposure
- Concentration of debtor risk exposure
- Concentration per country and trade sector of recent claim files
- Financial investments look-through
- Concentration risk exposure from financial investments and reinsurance
- Liquidity risk
- Counterparty default risk on reinsurers
- Structure and quality of Solvency II eligible own funds
- Solvency II regulatory capital requirement and capital adequacy
- Other risk metrics comprised in the Company's risk appetite framework.

The forward-looking assessment of risks and solvency needs is reported as part of the annual ORSA report that is submitted to the Board of Directors, accompanying the business plan. The results of the comprehensive annual risk survey, uncovering especially those risks that do not lend themselves to quantification, are included in the annual ORSA.

The Company has also implemented reporting procedures and processes ensuring that the effectiveness of the risk management system is analysed regularly and that appropriate modifications to the system are made where necessary. Article 80(2) of the Control Law requires the Executive Committee to report at least annually to the Board of Directors, the external auditor and the supervisor on the assessment of the effectiveness of the governance system and what measures have been taken to remedy any shortcoming. That report includes the assessment of the effectiveness of the risk management system, which is part of the governance system.

f) Implementation process

The Company's risk-management system is well integrated into the organisational structure and in the decision-making processes.

The Company's Board of Directors is responsible for ensuring that the implemented risk management system is suitable, effective and proportionate to the nature, scale and complexity of the risks inherent in the business. It is responsible for the development and setting of the business strategy, and approving and reviewing annually the related risk strategy, comprising the risk appetite framework and the policy on risk management. In order to materialise that strategy, the Board of Directors approves and reviews annually the policies per risk type as well as the policy on ORSA and on capital management. It monitors if the necessary measures are taken for the implementation of the risk management system according to the strategy as set. Finally, the Board of Directors challenges the results of the own risk and solvency assessment (ORSA) and examines and approves the risk measurement system, its effectiveness, hypotheses and parameters.

The Executive Committee is indeed responsible for the implementation of the risk management system along the directives of the Board of Directors and takes the necessary measures for disposing of a permanent Risk Management function. The Executive Committee determines and imposes risk limits and processes and procedures to contain the risks within the risk tolerance levels set by the Board of Directors and ensures the appropriateness of the reporting framework.

The Executive Committee is assisted by the Risk Management function (cf. infra). The Board of Directors ensures that the Risk Management function can operate on a permanent and independent basis.

B.3.2. ORSA process

The process of forward-looking Own Risk & Solvency Assessment (ORSA) allows for:

- the integrated and pro-active assessment and management of risks inherent in the business of the Company, and
- the determination of corresponding capital needs has to ensure the viability of the Company in the longer term. The ORSA is integral part of the Company's strategy and systematically taken into account for strategic decision-making.

a) Policy on ORSA

The policy on ORSA, approved by the Board of Directors, is part of the Policy on Risk Management and sets out:

- the goals of the ORSA process
- the processes and methodologies used to conduct the ORSA
- the frequency and timing for the performance of the (regular) ORSA and the circumstances which would trigger the need for an ORSA outside the regular timescales
- the reporting procedures to be applied
- the process governance.

Credendo XS has adequate, robust processes for

- identifying, assessing, monitoring and measuring its own risks, with input from across the whole Company
- calculating its overall solvency needs taking into account the specific risk profile, approved risk tolerance limits and the business strategy

The stress testing program is part of the ORSA policy and includes:

- Sensitivity analyses by stressing assumptions on modelled loss ratios in the business plan. The volatility of loss ratios illustrates insurers' capabilities to minimise that volatility through managing exposures (such as capping and managing down potential and real exposures, increasing deductibles, etc.), re-pricing risks, changing reinsurance protection, etc.
- Sensitivity analysis to stressed premium-rate assumptions
- A 'systemic credit risk' scenario analysis with simultaneous occurrence of events exposing all relevant positions (on- and off-balance sheet) of the Company, i.c. a political or assimilated event leading to the generalized default of a debtor country and risk spill-over to the assets side, especially financial investments (bonds and equity holdings) and receivables (e.g. from reinsurance)
- Qualitative stresses from operational risk events using two starting points :
  - a failure of an internal process, system or personnel (e.g. personnel execution errors, frauds, processing failures, etc.)
  - external causes (e.g. direct and indirect consequences of disasters such as terrorist attacks, fire, pandemics ... considered the 'high impact, low frequency'-type of operational risks which need to be considered when looking at scenario analysis and stress tests)
- Reverse stress testing, including the assessment of the probability of realisation of these scenarios that could threaten the viability of the Company.

The above stress testing program that is part of each ORSA fits the Company's profile where risks are especially situated at the liabilities side (i.e. underwriting risk including CAT and reserve risk).

The ORSA process is embedded into the decision-making and business (planning) processes of the Company and requires

- Involvement of the Board of Directors, executive and senior management
- Involvement of finance and business departments, and internal control functions

The ORSA processes fit into the Company's organisational structure and risk management system, taking into consideration nature, scale and complexity of the risks. The processes and (reporting) procedures are proper and adequate as to provide a complete and holistic risk understanding for the Company and appropriate results for the assessment and as to meet the core objectives of the ORSA process.

b) Implementation process

The regular ORSA process provides for

- An annual forward-looking ORSA, submitted together with the 5 years forward-looking business plan for approval to the Board of Directors assessing:
  - the overall solvency needs taking into account quantified and non-quantified Solvency II risks, approved risk tolerance limits and the business strategy of the Company over the business planning time horizon
  - the compliance, on a continuous basis, with the Solvency II capital requirements, monitored by the risk management function, and with the rules regarding technical provisions and data quality, ensured by the actuarial function who also assesses potential risks from uncertainties linked to calculation of technical provisions
  - the significance with which the risk profile deviates from the assumptions underlying the SCR, calculated with the standard formula
  - the effectiveness, robustness and appropriateness of the stress testing program
- Quarterly risk & solvency reporting to the Executive Committee (cf. B.3.1.e) Risk reporting system).

A non-regular or ad hoc ORSA is performed outside of the regular time-scales following any significant change in the risk profile. Circumstances that would trigger such a non-regular (partial) ORSA will

mainly remain limited to underwriting risks, as these are the most material and therefore may change the risk and solvency profile significantly.

The forward-looking assessment of the solvency needs, coordinated by the risk management function, takes account of possible changes in the risk profile due to the strategy of the Company over the business planning time horizon. The solvency needs are assessed using different risk-based capital models, including the Solvency II standard formula, and considering the stress testing output. The process also includes projection of the amount, nature and quality of own funds over the planning horizon. Possible risk mitigating measures and management actions have regard to the actual capital adequacy level identified through the ORSA exercise compared to the target within the Board of Directors' risk appetite setting. These management actions are decided by the Board of Directors and relate to the (un)stressed risk exposure and/or resources to cover the risks.

B.3.3. Risk management function

The risk management function is a permanent independent function and structured in such a way as to facilitate the implementation of the risk management system within the Company. The embedding of the risk management function in the organisational structure of the Company and the associated reporting lines ensure that the function is objective and free from influence from other functions and from the management and Board of Directors.

The Company's Risk Management function reports directly to the Board of Directors of the Company who remains hierarchically.

The main tasks of the risk management function comprise:

- assisting the Executive Committee in the effective operation and monitoring of the risk management system and the coordination of risk management activities across the Company
- evaluating regularly the appropriateness and operational effectiveness of the risk management system to identify, measure, monitor, manage and report risks the Company is exposed to
- maintain an organisation-wide and aggregated view on the risk profile and identify and assess emerging risks
- measure material risks and calculate overall solvency needs and regulatory capital requirements
- report regularly to the Board of Directors, Executive Committee and the Credendo Group Risk Management function on solvency issues and material risk exposures, based on Credendo's risk categorisation
- manage the own risk and solvency assessment (ORSA) process
- oversee reporting to supervisory authorities and other stakeholders and monitor the coherence between different reports concerning other than governance *sensu stricto* elements like financial management, continuity and IT infrastructure.

B.4. Internal control system

Credendo XS has a corporate environment encouraging a positive attitude towards internal controls.

B.4.1. Internal control system

The internal control system comprises all measures taken by the Company, under the responsibility of the Board of Directors and the Executive Committee of the Company, which with a reasonable certainty must allow that:

- the financial and managerial information is reliable and correct,
- the management is well organised and prudent with defined objectives,
- the risks to which the Company is exposed are known and adequately managed; and
- the policies, procedures, plans and internal codes and guidelines are respected.

a) Objectives and principles

The Board of Directors encourages the creation of a positive environment towards suitable and effective control mechanisms within the Company. The suitability of the internal control system means that the internal control system is able to manage and mitigate identified risks in such a way that it allows the Company to realise its objectives.

In the framework of its supervisory function the Board of Directors verifies on a regular basis whether the Company has an adequate internal control system. It therefore assesses, whether the Company is in line with all legal requirements and it needs to be informed of all measures taken to ensure that all requirements are met.

Under the supervision of the Board of Directors, the Executive Committee is responsible for the set-up of an adequate internal control system which provides for all necessary measures to ensure an appropriate financial reporting, operational functioning and rules concerning compliance and integrity within the Company.

Pursuant to the Solvency II law, the Executive Management of the Company performs, on a yearly basis, a self-assessment on the adequacy/effectiveness of the Governance system and measures in place in order to remediate to identified deficiencies (if any) within the Company and to report the results thereof to the Board of Directors, the Statutory Auditor and the National Bank of Belgium.

That report includes all identified risks based on a robust methodical approach to ensure that all significant activities within the Company and all the risks flowing from these activities are defined.

A self-assessment methodical approach has been built in order to assess the adequacy and effectiveness of the governance system as required by the Solvency II law.
Systematic identification of risks includes early recognition and regular, structured recording of any disruptive factors that may have an effect on the overall risk profile of an insurance company. In an annual risk survey, “process evaluators” or “risk owners” per department of the Company, including the outsourced services and the internal control functions, are asked to complete a list of risks by drawing on their knowledge and experience and complete templates for the risks identified linked to their department or function.

The Company opted for this in-house approach with well communicated, consistent and co-ordinated processes which is effective and adapted to the size, constraints and organisation of the Company.

The self-assessment process is part of the annual report by the Executive Management on the assessment of the governance system and, therefore, is updated yearly.

B.4.2. Compliance function

The Compliance Function has been established to safeguard the reputation and integrity of the Company by actively promoting compliance with the relevant legislation and regulation, the internal codes and ethics, this by applying the integrity principles, as described the Integrity Policy and Code of Conduct, and by ensuring and monitoring the practical implementation of those principles.

With the objective to apply the best principles with respect of integrity and ethical behaviour, and to avoid, manage or remediate any reputational risks, Credendo has also established a Compliance policy, which sets out the objectives, key principles and responsibilities with respect to the management of the Compliance risk.

The Compliance Function is responsible for the identification, documentation, assessment and evaluation of the compliance risk and effectively supports the business areas in their duty to comply with relevant laws and regulations and internal procedures. The Compliance Function ensures the supervision over and testing of the compliance risks, formulates recommendations and reports to the Board of Directors and to the Executive Committee.

The Compliance function of the Company is an independent function, responsible for the identification and evaluation of the compliance risk; and to ensure compliance with the relevant laws and regulations and with the integrity policy in place within the Company.

The objective of Compliance is to assist the Executive Committee in its responsibilities. To this end, Compliance shares its recommendations, evaluations, opinions and information concerning the activities which it assesses with the Executive Committee.

B.5. Internal audit function

a) Definition, objective and scope

Internal Audit (IA) function is an independent and objective assurance and consulting activity. This function assists the Company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the Company's governance, risk management and internal control.

The objective of Internal Audit is to ascertain that the ongoing processes for controlling operations throughout all the Company's entities are adequately designed and are functioning in an effective manner. In carrying out this work, the Internal Audit Department will provide regular reports to the Executive Committee and the Board of Directors on the adequacy and effectiveness of the systems of internal control, together with ideas, and recommendations to improve the systems, procedures and processes.

As detailed in the Internal Audit Charter the scope of Internal Audit encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Company's governance, risk management and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the Company's stated goals and objectives. This includes:

- the evaluation of risk exposure relating to achievement of the Company's strategic objectives;
- the full and precise analysis of financial and operational information and the means existing with the Company to measure, to organise and distribute such information;
- the analysis of the existing systems in order to assure the compliance with laws, regulations, general policies, plans and internal procedures;
- the analysis of the means serving to assure the safeguarding of the assets and, if relevant, the verification of the existence of those means;
- the evaluation of the effective and economic use of the instruments which the Company has at its disposal;
- the analysis of the operations and of the programmes in order to evaluate if the results correspond to the objectives which have been set;
- the execution of specific audit missions at the request of Board of Directors or Management provided that it does not result in impairment of IA's independence or objectivity;
- the monitoring and the evaluation of governance processes;
- the monitoring and evaluation of the effectiveness of the Company's risk management processes;
- the reporting of significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board of Directors or Management;
- the performance of consulting and advisory services related to governance, risk management and control as appropriate for the Company provided that the IA assurance activity is still ensured;
- the coordination of certain activities with the statutory auditor and other external regulatory bodies or consultants or service providers in order for these to be executed as efficiently as possible.
- the periodical reporting on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan;
- the internal audit activities include as objective the development of effective controls and organisational improvements at a reasonable price.

The Internal Audit function is performed by the Internal Audit Department of Credendo ECA under the Service Level Agreement dated 22 April 2016.

b) Independence and objectivity

As defined in the Circular NBB_2015_21 concerning the internal control system and the internal audit function (Art. 7), the internal audit function must be independent of the audited activities. This requires the function to have sufficient standing and direct and unlimited access to the senior management and the management body, thereby enabling internal auditors to carry out their assignments with objectivity.

Independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.

Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made.

Based on internal mechanisms in place, threats to independence and objectivity are managed at the individual auditor, engagement, functional, and organisational levels.

The independence of the internal auditors is mainly ensured thanks to a dual reporting relationship.
The Chief Internal Auditor reports to the executive management at as high a level as possible for administrative purposes to ensure alignment with corporate direction, support at a managerial level, and the common administrative support required for a staff function. The second relationship, with the Board of Directors, is for operational and functional purposes, to ensure that independence and objectivity is enforced and maintained:

- Functional reporting line of the Chief Internal Auditor to the Board of Directors. The Board of Directors is also involved for:
  - Approval of the internal audit charter.
  - Approval of the risk-based internal audit plan.
  - Approval of the internal audit budget and resource plan.
- Periodic communications from the Chief Internal Auditor who reports quarterly on the internal audit activity's performance relative to its plan and other matters.
- The Board of Directors can make recommendations to the General Manager with respect to the appointment and dismissal of the Internal Audit staff and the budget of the Internal Audit department;
- The Group Chief Internal Auditor confirms yearly the operational independence of the internal audit function to the Board of Directors.

To achieve the degree of independence necessary to effectively carry out the responsibilities the internal audit charter of the Company specifies the dual reporting structure as well as the internal auditors' right of access to personnel and records without hindrance or impediment. The internal audit charter prepared by the Chief Internal Auditor and ratified by the Board of Directors and the Executive Committee also mentions that:

- Internal Audit is authorised to communicate directly at all times, and on his own initiative, with the Board of Directors, the Executive Committee and the General Manager.
- Internal auditors have no direct operational responsibility or authority over any of the activities audited. Accordingly, they do not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment.
- The internal audit activity remains free from interference by any element in the Company, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective attitude.
- Conflicts of interest cannot be tolerated for the Internal Audit Department. Such situation which impairs independence should be immediately reported to the Board of Directors.

In addition of that, as stated in the Code of Ethics integrated in the internal audit charter, internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.

This Code stipulates that internal auditors:

- Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation.

- Shall not accept anything that may impair or be presumed to impair their professional judgment.
- Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

B.6. Actuarial function

The Actuarial function is a permanent and independent function within the Company that:

- coordinates the calculation of technical provisions and oversees the calculation of the case-by-case claims provisions, comprising the following tasks:
  - apply methodologies and procedures to assess the sufficiency of technical provisions and to ensure that their calculation is consistent with the Solvency II requirements
  - assess the uncertainty associated with the estimates made in the calculation of technical provisions
  - ensure that any limitations of data used to calculate technical provisions are properly dealt with
  - ensure that the most appropriate approximations for the purposes of calculating the best estimate are used for the case-by-case claims provisions
  - ensure that homogeneous risk groups of (re)insurance obligations are identified for an appropriate assessment of the underlying risks
  - consider relevant information provided by financial markets and generally available data on underwriting risks and ensure that it is integrated into the assessment of technical provisions;
  - compare and justify any material differences in the calculation of technical provisions from year to year
- ensures the appropriateness of the methodologies, underlying models and assumptions, used in the calculation of technical provisions, for the specific lines of business and for the way the business is managed, having regard to the available data
- assesses the sufficiency and quality of the data used in the calculation of technical provisions and whether the information technology systems used sufficiently support the actuarial and statistical procedures
- documents and maintains the technical provisions valuation methodology
- compares regularly best estimates against experience. When comparing best estimates against experience, the actuarial function reviews the quality of past best estimates and uses the insights gained from this assessment to improve the quality of current calculations. The comparison of best estimates against experience includes comparisons between observed values and the estimates underlying the calculation of the best estimate, in order to draw conclusions on the appropriateness, accuracy and completeness of the data and assumptions used as well as on the methodologies applied in their calculation
- expresses an opinion on the overall underwriting policy
- expresses an opinion on the adequacy of reinsurance arrangements
- supports the Risk Management function in the effective implementation of the risk management system, in particular with respect to the ORSA.

The Company has outsourced the Actuarial function to Mr Vincent Tellier, independent actuary. Duly mandated, he reports directly to the Board of Directors and the General Manager of the Company remains hierarchically responsible. Furthermore, the 4-eyes principle is applied between the Actuarial function and the Risk Management function. Their close collaboration insures coordination, adequate exchange of information and harmonization of their respective activities in the risk management system.

B.7. Outsourcing

a) Policy

The Company may decide to outsource certain activities or functions in accordance to the principles stipulated in the outsourcing policy, as approved by the Board of Directors, if it considers this would lead to a better management of the Company given the expertise of the service provider and/or economy of scales which would arise from outsourcing the activities.

Taking into account the principles of this outsourcing policy, the Executive Committee of the Company decides if a function or activity is to be considered as critical or important or not, approves all decisions

to outsource such critical or important activities or functions and informs the Board of Directors of this decision.

In case of the outsourcing, the Company will perform a risk and impact analysis according to the principles explained in the policy. For critical or important activities or functions, additional requirements apply. All internal control functions are considered as critical or important.

Whenever the Company decides to outsource an activity or function, the Company remains fully responsible for that activity or function even in case of intra-group outsourcing.

The Company will apply the fit and proper procedures in assessing persons employed by the service provider to perform any outsourced important or critical function.

When a critical or important function or activity is outsourced, the Company guarantees that it possesses the necessary experience, knowledge and resources to maintain oversight and supervision over the outsourced activities and pay the necessary attention to the management of attendant risks, particularly as regards the operational risk.

When outsourcing concerns an internal control function, the Company designates a person within its organisation with overall responsibility for this function who is fit and proper and possesses sufficient knowledge and experience regarding the outsourced function to be able to challenge the performance and results of the service provider.

b) Framework and monitoring

Each outsourcing activity is formalised in a written outsourcing agreement or service level agreement (SLA), in which a detailed description is given of the parties' rights and responsibilities and the rules of conduct that apply in carrying out the outsourced activities.
In case of the outsourcing of a critical or important function or activity, the outsourcing agreement states in particular all of the following duties and responsibilities:

- the service provider's commitment to comply with all applicable laws, regulatory requirements and guidelines as well as policies approved by the outsourcing party and to cooperate with the undertaking's supervisory authority with regard to the outsourced function or activity;
- the service provider's obligation to disclose any development which may have a material impact on its ability to carry out the outsourced functions and activities effectively and in compliance with applicable laws and regulatory requirements;
- a notice period for the termination of the contract by the service provider which is long enough to enable the outsourcing party to find an alternative solution;
- that the outsourcing party is able to terminate the arrangement for outsourcing where necessary without detriment to the continuity and quality of its provision of services to policyholders;
- that the outsourcing party reserves the right to be informed about the outsourced functions and activities and their performance by the services provider as well as a right to issue general guidelines and individual instructions at the address of the service provider, as to what has to be taken into account when performing the outsourced functions or activities
- that the service provider shall protect any confidential information relating to the outsourcing party and its policyholders, beneficiaries, employees, contracting parties and all other persons;
- that the outsourcing party, its external auditor and the supervisory authority have effective access to all information relating to the outsourced functions and activities including carrying out on-site inspections of the business premises of the service provider;
- that, where appropriate and necessary for the purposes of supervision, the supervisory authority may address questions directly to the service provider to which the service provider shall reply;
- that the outsourcing party may obtain information about the outsourced activities and may issue instructions concerning the outsourced activities and functions;
- the terms and conditions, where applicable, under which the service provider may sub-outsource any of the outsourced functions and activities;
- that the service provider's duties and responsibilities deriving from its agreement with the outsourcing party shall remain unaffected by any sub-outsourcing.

The Company requests its service providers to provide it with adequate and regular reporting in function of the nature of the outsourced activities and inherent risks. A specific steering committee with representatives from both the outsourcing party and service provider can be set up in order to support the communication between the different parties.

c) Outsourced critical or important functions or activities

As a subsidiary of Credendo ECA and active in the same sector of credit insurance, the Company's structure and administrative operations are to a large extent based on those of its parent company.
In order to strive to a coherent and consolidated approach of the activities on group level, the Company has decided to outsource certain services and activities concerning its business to its parent company.

The aim of the outsourcing is to enhance the overall management of Credendo and to concentrate certain tasks with such company which has the best expertise, structure, personnel as well as the required means to fulfil the particular service with the required level of quality. In addition this allows Credendo to use economies of scale for the group.

The following critical or important functions or activities are outsourced by the Company to the Belgian parent company Credendo ECA:

> internal control function: Internal Audit
> the supporting or non-operational functions: IT (incl. provision of data storage and day-to-day systems maintenance or support), Reinsurance

The core credit insurance activities of the Company are outside the scope of the outsourcing agreement with the parent company. The underwriting of risks, commercial contacts, administration of policies and the follow-up of claim files are exclusively assumed by the Company.

B.8. Any other information

Annually Credendo XS assesses the adequacy and effectiveness of its governance system, taking account of the nature, scale and complexity of the risks inherent in its business. This 'Report on the assessment of the effectiveness of the governance system' is made available to the supervisor.

Based on a defined methodology, each governance area of Credendo XS's governance system is assessed according to the following rating grid:

Positive Assessment	***"The system of governance related to this area is adequate and effective."***
Positive Assessment due measures taken during the period under review.	***"The system of governance related to this area is adequate and effective thanks to measures taken during the period under review."***
Nuanced Assessment	***"The system of governance related to this area is effective under reserve of minor measures to be taken."***
Negative Assessment	***"The system of governance related to this area is not adequate / effective with significant measure to be taken."***

The governance system of Credendo XS is assessed as effective and adequate. When appropriate (i.e. measures already initiated during the reporting period or nuanced/negative assessment), measures are/will be implemented under the supervision of the governing bodies of the Company.

C. Risk Profile

This chapter includes qualitative and quantitative information regarding the risk profile of Credendo XS. As mentioned in chapter B.3.1b Credendo XS categorises all material risks the Company is exposed to, based on a for Credendo common categorization and definition of risks. That risk typology distinguishes the following risk categories:

> underwriting risk
> asset-liability management (ALM) risk
> market risk
> credit/counterparty default risk
> liquidity risk
> concentration risk
> operational risk
> strategic risk
> reputational risk.

All identified risks are measured, either quantitatively or qualitatively (cf. B.3.1d).

C.1. Underwriting risk

Underwriting or insurance 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”. The Solvency II Framework distinguishes premium & reserve risk, defined as “the risk of loss or of adverse change in the value of insurance liabilities, resulting from fluctuations in the timing, frequency and severity of insured events, and in the timing and amount of claim settlements” from catastrophic risk, described as “the risk of loss or of adverse change in the value of insurance liabilities, resulting from significant uncertainty of pricing and provisioning assumptions related to extreme or exceptional events”.

Underwriting risk is Credendo XS’s most material risk. As can be seen from Annex VII, out of a total regulatory Solvency II capital requirement of EUR 30.8 mio at the end of 2020, capital required for only underwriting risk amounts to EUR 17.7 mio. Credendo XS assesses underwriting risk using risk-based capital modelling.

Proper execution of the processes of product design and pricing, policy and risk underwriting, provisioning, claims management and reinsurance management is a very important tool to identify, evaluate, mitigate, monitor and control underwriting risk. Product design and pricing risk is the exposure to financial loss resulting from transacting insurance business where the costs and liabilities assumed (in respect of a product) exceed the expectation in pricing (of that product line). Policy and risk underwriting may lead to risk concentrations and concentration risk. Concentration risk means all risk exposures with a loss potential which is large enough to threaten the solvency or the financial position of undertakings – such exposures may as well be caused by underwriting risk. The valuation of technical provisions and a proper management of claims also are fundamental processes for risk management. Reinsurance, as a risk mitigation technique, enables to prudently manage and mitigate the underwriting risk, stabilise solvency levels, use available capital more efficiently and expand underwriting capacity. However, risk transfer creates counterparty risk or the risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit standing of reinsurers. Both solvency and liquidity could be jeopardised in the event of deficiencies in the reinsurance arrangements.

C.1.1. Underwriting risk processes

a) Product design & pricing

The risks related to the management of the risk/premium relationship of each product and the product risk itself are contained by the fact that Credendo XS offers only a limited number of specific types of insurance to professional customers – all policyholders are engaged professionally in an industrial or

commercial activity and the insured risks relate to that activity. The type of insurance risk Credendo XS is willing to accept is part of the Board of Directors' risk appetite setting. The strategic positioning in terms of products to which exposure is sought, is defined by the risk preference stating that Credendo XS has an appetite for insurance risk in (only) credit insurance and the suretyship activity.

Specialising in providing specific types of insurance to specific customers segments is itself seen as a valuable tool for efficiently and effectively managing risk. Moreover, the processes, procedures and information systems that are implemented allow for comprehensive product risk and pricing management. Underwriting guidelines have been established, identifying and controlling existing and potential risks of the product involved and managing the risk/premium relationship of the product. Credendo XS's pricing models all drivers of credit risk, using appropriate methodologies depending on the complexity of the risk and available data. Different risk categories are priced consistently. The adequate premium rates are determined to cover expected claims, operational expenses and the remuneration of capital.

b) Provisioning

The management of technical provisions is an on-going process to ensure that the technical provisions are adequate for covering the obligations towards the policyholders. Suitable controls and procedures are in place to increase the reliability, sufficiency and adequacy of both the technical provisions and the data to be considered in the valuation.

The estimation of the ultimate liability arising from claims made under insurance contracts is Credendo XS's most critical accounting estimate. The development of insurance liabilities provides a measure of the Company's ability to estimate the ultimate value of claims. The claims development triangles in Annex V show how the estimate of the gross cost of claims (claims paid and claims provisions under Solvency II valuation principle) for each underwriting year develops over time. Since Credendo XS mainly deals with short-term business, the gravity of these provisions is situated within the underwriting years and one or two following years.

Parameter & modelling uncertainty for technical provisions is reduced by lodging responsibility for provisions valuation methodology and its maintenance with the actuarial function. Yearly boni-mali analyses back-test the methods used for claims provisions against accounting data and guarantee the reliability of the methods chosen. Claims are reviewed regularly (at least as part of the quarterly financial closing cycle but additionally in function of relevant claim events) according to clearly documented claims provisioning guidelines.

Data completeness (for claims provisions) is fostered by introduction by a dedicated team of all claims reported in the systems. Awaiting improved IT-system-embedding for determining technical provisions, inadequacies or deficiencies are remedied by Credendo XS's governance or internal control system ensuring that controls are effective and reliable at all times. Strict internal controls are in place at Credendo XS:

> Premium and other provisions where algorithms are used to process data in the computing systems are controlled by Finance at each quarterly closing

> For reported claims reserves, guidelines exist on determining RBNS case reserves: decision are taken by the Claims Committee

> The actuarial function carries out both the tasks of ensuring the appropriateness of the methodologies used, including the assumptions made in the calculation of technical provisions, and the assessment of the sufficiency and quality of the data used for their calculation.

c) Claims management

Credendo XS has in place adequate claims management procedures covering the overall cycle of claims:

> Credendo XS has clear processes in place for the notification of claims by the policyholders. Claims should be reported to the insurer as per policy conditions. Dedicated staff captures relevant information in the information systems in a timely manner.

> Claims are processed and settled

- in accordance with the policy terms and conditions without undue delay
- in accordance with the sub-delegation of authority for claims handling and payment approved by management

> Complaints and dispute settlement
  - Staff has to act in accordance with the Integrity Policy and Code of Conduct, treating all claimants fairly and without conflict of interest
  - According to the latest annual report by Credendo XS's compliance function only one formal complaint was received from a German beneficiary of a Surety contract. The German prudential authorities were informed, and the issue was solved and the complaint formally closed in March 2020.

d) Policy & risk underwriting

Credendo XS has two major business lines: credit insurance and sureties.
The credit insurance is provided on an Excess of Loss basis. This implies that clients are responsible for their own credit management (or in case of a second layer/Top Up policy the risk covered is based on the credit limit evaluation made by the first line insurer) and for losses up to a pre-agreed level. These Excess of Loss and Top Up policies insure the non-payment risks attached to the sales of goods or delivery of services. Losses may arise from debtor default: insolvency or protracted default.

In 2016, Credendo XS has widened its range of products with contractual bonds and guaranties and legal bonds and guarantees. The surety's team from Credendo STN was transferred to Credendo XS.

In 2018, Credendo XS has launched the new surety product line addressed at the small and medium sized companies. In the area of surety business a cooperation with a MGA (Managing General Agency) in Italy was started. In 2019 this kind of business was enlarged with new cooperation with MGA's in Spain and France.

Credendo XS manages these risks through its underwriting strategy ensuring that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

Risk Governance
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 and branches. This framework enables Credendo XS to clearly and diligently assign risk decisions and manage risks, both for the complete underwriting portfolio as for every product that is offered.

The risk selection is guided by underwriting guidelines, a debtor rating procedure and the country risk classification and cover policy of Credendo. The underwriting process is strictly defined by clearly described and documented sub-delegation of authority and guidelines, approved by management. In order to achieve a high level of efficiency, management has dispersed its authority to take decisions throughout the entities, from individual underwriters to special committees that discuss, evaluate and underwrite risks.

Risk Concentration
Appropriate procedures and processes are in place to identify measure, monitor and manage concentration risk from credit risk exposures to a single debtor (group), a debtor country or sector to ensure that it stays within established policies and limits and mitigating actions can be taken if necessary. Due to the specificities of the Excess of Loss (XOL) product and Top Up products, Credendo XS is not able to set risk limit at the debtor level: exposure information on debtor level is not available for the XOL products offered. The concentration risk is instead managed on the policy level where the Limit of Liability is applied to cap the maximum loss. For surety business, the information about the debtor (obligor) is available and the concentration risk is managed in such a way that the exposure is kept on the level which is accepted by the reinsurance treaty. Indeed, Credendo XS's catastrophe (CAT) risk stems especially from systematic risk in the underwritten risk portfolio, representing the effect of unexpected changes in country or trade sector conditions on the payment capacity and behaviour of debtors. This systematic risk is determined by concentration and correlation effects.

Credendo XS's total potential exposure for excess policies, i.e. the sum of all active Limits of Liability, at end 2020 has decreased by 2% compared to end 2019. Looking at the concentration on the top 10 countries, we can observe some small changes (decrease of exposure in Italy followed by increase in Belgium, France and Spain):

in milions EUR	31/12/2020			31/12/2019	
Country	Sum of LoL	%	Country	Sum of LoL	%
ITALY	275	32%	ITALY	309	35%
BELGIUM	142	17%	BELGIUM	118	13%
FRANCE	123	14%	FRANCE	109	13%
GERMANY	81	9%	GERMANY	82	9%
POLAND	68	8%	POLAND	69	8%
SPAIN	55	6%	SPAIN	46	5%
NETHERLANDS	23	3%	NETHERLANDS	25	3%
SWEDEN	17	2%	LUXEMBOURG	23	3%
SWITZERLAND	16	2%	SWITZERLAND	21	2%
LUXEMBOURG	16	2%	SWEDEN	18	2%
Other countries	38	4%	Other countries	51	6%
Total	**855**	**100%**	**Total**	**871**	**100%**

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 risk appetite setting and established limits.

Country risk

Annex III contains the most important countries of Credendo XS's underwriting activity based on the branch location what in most cases equals to the domicile of the policyholder: the majority of the premium comes from Italy followed by Germany, Belgium (home country) and France.

The concentration according to the debtor country is based on the location of the underwritten credit risk. The majority of risk is located in the countries with good and very good standing.

in milions EUR	31/12/2020			31/12/2019	
Country	Sum of Turnover	%	Country	Sum of Turnover	%
ITALY	8 716	29%	ITALY	8 487	29%
BELGIUM	5 283	18%	BELGIUM	5 023	17%
FRANCE	4 946	17%	FRANCE	4 090	14%
GERMANY	3 241	11%	GERMANY	3 935	14%
LUXEMBOURG	2 030	7%	LUXEMBOURG	2 334	8%
POLAND	1 557	5%	POLAND	1 366	5%
SPAIN	1 473	5%	SPAIN	991	3%
NETHERLANDS	585	2%	FINLAND	595	2%
FINLAND	466	2%	NETHERLANDS	580	2%
SWEDEN	343	1%	SWEDEN	401	1%
Other countries	943	3%	Other countries	1 201	4%
Total	**29 584**	**100%**	**Total**	**29 004**	**100%**

Debtor risk
Debtor risk can be followed directly only for the surety type of business where the exact information is available. The below table shows concentration per bracket at the end of 2020 and 2019:

Surety exposure per bracket		at 31/12/2020				at 31/12/2019			
from	to	# limits	%	used limit (in kEUR)	%	# limits	%	used limit (in kEUR)	%
20 000 001		1	0,0%	21 893	1,6%	1	0,1%	22 740	2,4%
15 000 001	20 000 000	2	0,1%	34 518	2,5%	1	0,1%	17 995	1,9%
10 000 001	15 000 000	6	0,3%	68 717	4,9%	2	0,1%	22 761	2,4%
7 500 001	10 000 000	6	0,3%	49 677	3,6%	3	0,2%	23 554	2,5%
5 000 001	7 500 000	27	1,1%	162 754	11,7%	14	0,9%	84 696	9,0%
3 000 001	5 000 000	72	3,0%	279 231	20,0%	50	3,1%	196 165	20,9%
2 000 001	3 000 000	76	3,2%	186 582	13,4%	43	2,6%	105 021	11,2%
1 000 001	2 000 000	185	7,8%	266 862	19,2%	137	8,4%	195 579	20,8%
500 001	1 000 000	221	9,3%	158 978	11,4%	168	10,3%	119 022	12,7%
250 001	500 000	199	8,4%	73 304	5,3%	224	13,8%	79 941	8,5%
1	250 000	1574	66,4%	90 859	6,5%	982	60,4%	71 725	7,6%
	Total	**2369**	**100%**	**1 393 373**	**100%**	**1625**	**100%**	**939 198**	**100%**

C.1.2. Risk mitigation from (non-)proportional reinsurance

Credendo XS uses reinsurance to mitigate underwriting risk. The 2021 reinsurance programme, applicable to Credendo XS's total business, provides for:
> a quota-share cession
> a per debtor and per policy excess-of-loss protection for retained exposures
> a separate quota share cession for specific MGA surety
> a stop-loss protection.

Reinsurance management
Reinsurance enables to mitigate the underwriting risk, and 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. Credendo XS carefully selects its reinsurers and sets an internal requirement for all reinsurers to be rated at least investment grade. The choice of counterparties varies little from year to year, indicating an overall satisfaction with both the relationships and the creditworthiness of these counterparties. 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.

As Credendo XS's risk profile is substantially influenced by the risk mitigation techniques used, the assessment of the impact and the effectiveness of reinsurance is important. When comparing the regular (i.e. including risk mitigation from reinsurance) SCR calculation for underwriting risk with the result without taking reinsurance into account, reinsurance saved about EUR 140.7 mio of regulatory SII capital required for underwriting risk at the end of 2020.

If there would be no effective risk transfer, this should be taken into account in the assessment of the risk profile and overall solvency needs. However, the reinsurance protection leads to effective risk transfer:
> The reinsurance contracts cover the whole of Credendo XS's business. There are no gaps identified in the reinsurance programme that may result in more risks being retained than intended.
> The terms, conditions and exclusions stipulated in the reinsurance contracts are aligned with those of the underlying business and the limits of cover (in terms of concentration and risk tenors) are adequate.
> The transfer has direct, explicit, irrevocable and unconditional features.

Other risk management and internal control procedures mitigating risks related to reinsurance operations include:

> collateral provided by the reinsurers in favour of Credendo XS: the value of deposits received from reinsurers amounted to 1.2 mio EUR at the end of 2020

> verifying the retention limits established: this is part of the exposure monitoring by the risk management function

> monitoring of reinsurance recoverables and the creditworthiness of each reinsurer is part of quarterly Solvency II calculations

C.1.3. Risk sensitivity

Underwriting risk being the most important risk in the Credendo XS risk profile, the impact of standard sensitivity analysis is larger than for other risks. This sensitivity analysis shows how profit or loss would have been affected if changes in relevant risk variable that were reasonably possible at the end of the reporting period had occurred. Relevant underwriting risk variables relate to premium rates and charges of claims. The impact on profit or loss is calculated on a pre-tax basis.

A 10% fall in the average premium level would ceteris paribus lead to a lowering of pre-tax income with 2.1 mio EUR (2019 : 2.4 mio EUR). A 10% rise in claims expenses would lower the pre-tax income with 1.5 mio EUR (2019 : 0.7 mio EUR).

Taking Credendo XS's risk profile of a short-term and mono-line credit insurer into account, the most relevant stress testing as part of the ORSA process also refers to shocks on the underwritten credit risks:

> Sensitivity analyses by stressing assumptions on modelled loss ratios in the business plan (which is the baseline scenario). The volatility of loss ratios illustrates the capabilities to minimise volatility through managing exposures (such as capping and managing down potential and real exposures, increasing deductibles, etc.), re-pricing risks, changing reinsurance protection…

> Sensitivity analyses to stressed premium rate assumptions

The above sensitivity analyses were complemented with the pandemic scenario testing.

Also the reverse stress testing focuses on underwriting risk. Reverse stress testing is part of the ORSA and identifies and assesses the events and scenarios that might render the Company's business model unviable. Credendo XS's top risks are undoubtedly situated in its underwriting risk and more specific in the concentration of underlying risk exposures on debtor (groups), a debtor country or sector. This is in line with the assumptions underpinning the CAT risk sub-module in the SCR standard formula. Whereas the above stress tests try to answer the question "Do we survive the stress?", the reverse stress tests try to answer the question "When do we not survive?". Such scenario could be triggered by (albeit highly improbable) crisis events with major adverse impact.

C.2. Market risk

Market risk is defined as the risk of loss or of adverse change in the financial situation resulting, directly or indirectly, from fluctuations in the level and in the volatility of market prices of assets, liabilities and financial instruments. Additional risk may stem from a lack of diversification in the asset portfolio. As can be seen from the table in Annex VII the capital requirement for market risk is the most important after underwriting risk.

> **Interest rate risk** stems from the risk of adverse movements in interest rates. Credendo XS's exposure to interest rate risk is primarily limited to bonds and technical provisions (discounted in Solvency II), due to the fact that Credendo XS has no borrowings. Given the nature of the insurance activity, the insurance liabilities themselves are not sensitive to the level of market interest rates as they are contractually non-interest bearing. A higher interest rate lowers the value of the bonds and discounted technical provisions.

> **Equity** represents a significant percentage in Credendo XS's investment portfolio as the externally managed target volatility funds in the portfolio also contain an important equity part. Since equity is typically a higher risk instrument that is more sensitive to volatility and possibly large shocks a safe investment strategy is pursued. That is precisely the purpose of the target volatility funds. 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..

> The credit risk inherent in the investment portfolio mainly concerns the bonds and monetary funds and is covered by the spread risk capital charge. 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 below table demonstrates the credit quality of financial investments and cash(-equivalents) at the end of 2020 and the previous reporting year that are neither overdue nor impaired – equity holdings (including real estate and commodities) are categorised as non-rated as it does not concern debt instruments::

Credit risk exposures (mio EUR)							
Financial investments & cash (equivalents) at 31/12/2020	**AAA**	**AA**	**A**	**BBB**	**<BBB**	**non rated**	**Total**
Government bonds	5,8	7,5	1,2	1,8	0,0	0,0	16,4
Funds invested in debt/security instruments	3,8	0,3	3,7	5,2	0,2	3,4	16,6
Funds invested in equity instruments						17,8	17,8
Fixed term deposits	0	0	0	0	0	0	0,0
Cash and cash equivalents	0	13,4	21,1	0,0	0,0	1,2	35,7
Total	9,6	21,2	26,0	7,0	0,2	22,4	86,4
Financial investments & cash (equivalents) at 31/12/2019	**AAA**	**AA**	**A**	**BBB**	**<BBB**	**non rated**	**Total**
Government bonds							0,0
Funds invested in debt/security instruments							0,0
Funds invested in equity instruments							
Fixed term deposits							
Cash and cash equivalents		29,5	44,0	0,0		14,6	88,1
Total	0,0	29,5	44,0	0,0	0,0	14,6	88,1

> **Currency risk** is the risk of losses resulting from changes in the level or in the volatility of currency exchange rates. The Company has no material foreign-currency positions in its (Solvency II) balance sheet.

> **Concentration risk** may be caused by underwritten risks, counterparty risk/credit risk, investment or market risk, other risks, or a combination or interaction of all these risks. The Solvency II standard formula market risk module covers the additional risks stemming either from market risk concentrations due to lack of diversification in the asset portfolio or from large exposure to default risk by a single issuer of securities or a group of related issuers (market risk concentrations). Asset exposures to a single counterparty, either entity or group of entities, or to a geographic area are identified and managed in line with the risk appetite framework. At the end of 2020 Credendo XS had a maximal exposure to a single counterparty at the level of 20.6% of available own funds – which is only slightly above the 20% level of the company's risk appetite threshold.

> The Solvency II market risk capital requirement not only covers the risk arising from the level or volatility of market prices of financial instruments but also properly reflects the structural mismatch between assets and liabilities, in particular with respect to the duration thereof and the currency composition. Credendo XS's **asset-liability management** (ALM) strategy takes into account the interrelation between different types of financial risks (market risk, credit risks, liquidity risks)

originating especially on the asset side, and underwriting risks referring to the liabilities side. The framework is essentially short term given the characteristics of the non-life business.

Credendo XS's ALM strategy is tailored to its needs – which are diminished as
- only one credit insurance & suretyship insurance segment is operated and does not require further segmentation
- the product offering is plain vanilla (no options embedded in the insurance products, etc.)
- the underwriting risk is essentially short tail.

Taking the risk-mitigating characteristics of the short-term business into account, stress testing and scenario analysis on ALM risk is not part of the ORSA process.[6]

Credendo XS's ALM in terms of currency structure is subject to 'congruence' principles – 'congruence' means that all liabilities due in a currency are covered by assets denominated or realisable in that same currency. The general objective is to hold a comparable amount of assets and liabilities in foreign currency. This requirement is managed pragmatically:
- a surplus of assets over liabilities in a foreign currency is generally sold on a spot basis
- a shortage of assets compared to liabilities in a foreign currency triggers buying foreign currency (either spot or through a derivative (e.g. zero-cost option) or a combination) if the expected net cash-inflow of that currency until due date is insufficient to remedy for the shortfall.

The ALM in terms of term structure takes account of the risk characteristics of the business (mainly the term structure of the liabilities) and the following important mitigation:
- at liabilities side: in credit insurance a waiting period of 6 months before claims payment is applicable in case of non-payment due to protracted default[7]
- at assets side: a substantial part of the liabilities is covered by reinsurance recoverable assets – which are subject to a 'cash loss' clause in the reinsurance treaties.

Given the short pay-out pattern of the insurance liabilities, liquidity is key and is especially focused on operational rather than strategic considerations. This is reflected in the overall investment strategy that ensures that Credendo XS holds sufficient cash and diversified marketable securities to meet its obligations as they fall due.

C.2.1. Prudent person principle

The Board of Directors determines annually limits on the financial investments per asset class that are reflected in the investment strategy. The investment strategy clearly 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). With respect to the whole portfolio of assets, investments in assets and financial instruments are made in accordance with the prudent person principle (i.e. controlled risk-seeking).

Credendo XS invests all its assets in accordance with the 'prudent person' principle, i.e. only invests in assets and instruments the risks of which it can properly identify, measure, monitor, manage and control as well as appropriately take into account in the assessment of its overall solvency needs. All assets, including those covering the regulatory capital requirements, are invested in such a manner as to ensure the security, quality, liquidity and profitability of the portfolio as a whole.
> Credendo XS does not hold financial assets which are not admitted to trading on a regulated financial market. In addition the localisation of the assets ensures their availability.
> Investment assets are appropriately valued as all financial instruments held are regarded as quoted in an active market.
> Assets held to cover the technical provisions are invested in a manner appropriate to the nature and duration of the insurance liabilities.

[6] As to the periodic assessment required by art. 87 of the Law of 13 March 2016 on the statute and supervision of insurance and reinsurance undertakings:
Given the short pay-out pattern of insurance liabilities, Credendo XS's technical provisions are not sensitive to the assumptions applied for extrapolating the relevant risk-free interest rate term structure. Credendo XS does not apply the matching or volatility adjustment.
[7] There is no waiting period in case of bankruptcy or receivership.

- Assets are properly diversified as to avoid excessive reliance on any particular asset, issuer (group) or geographical area. The strategic asset allocation, which is part of the risk appetite framework, sets quantitative limits per type of asset, counterparty and geographical area. Both diversification among appropriate asset classes and within each asset class avoid the unwarranted concentration of investment and the associated accumulation of risk in the portfolio. Investment funds are allocated to the asset classes on a 'look-through' basis. However, for cash equivalents exposures the excessive concentration is identified (see concentration risk in C.2). The needed actions are planned to limit the concentration by more diversification.
- Derivative instruments are used only insofar as they contribute to a reduction of risks or facilitate efficient portfolio management. At the end of 2020 Credendo XS holds only a negligible exposure of financial instruments (held as indirect lines) including characteristics similar to derivative products, asset-backed securities, collateralised debt obligations, hedge funds or alike, to be found in one fund.

C.2.2. Risk sensitivity

The following sensitivity analyses according to the requirements of IFRS 7 Financial Instruments §40 show for the most important types of market risk to which the Company is exposed how profit or loss would have been affected if changes in the relevant risk variable that were reasonably possible at the end of the reporting period had occurred. The impact on profit or loss is calculated on a pre-tax basis.

- Interest rate risk
  A sensitivity analysis on that small part of the bond portfolio at variable or floating interest rate points to a negligible decrease/increase in pre-tax profit of K EUR 16 due to change in financial income, if interest rates would have been respectively 100 bps lower/higher.
- Currency risk
  At the end of the reporting period, a sensitivity analysis on the net asset positions in USD and PLN in the Solvency II balance sheet points to an increase of the net position in USD of K EUR 746 and the net position in PLN of K EUR 266 if these currencies would appreciate with 10% vis-à-vis the EUR, ceteris paribus. A depreciation of the currencies with 10% would lead to inverse movements in the net position. Pre-tax profit would, for both currencies combined, respectively increase/decrease by K EUR 1 012.
- Equity price risk
  At the end of the reporting period, a sensitivity analysis on funds invested in equity instruments demonstrates that if equity market prices had been 10% higher/lower, with all other variables held constant, the pre-tax impact on other comprehensive income would have been K EUR 1,779 higher/lower respectively, due to the change in mark-to-market of equity available-for-sale (AFS).

C.3. 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 XS is exposed. 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 risk appetite framework set by the Board of Directors caps exposure to any counterparty so that no single exposure could threaten the solvency position: at the end of 2020 Credendo XS had no counterparty reinsurance recoverable exposures higher than 50 % of available own funds (the threshold retained in the risk appetite framework). The strategic asset allocation (cf. supra) includes limits that lead to sufficient diversification of credit risk exposure from financial investments and mitigation by imposing minimum credit quality.

Annex VII includes the capital charge for counterparty default risk as measured according to the Solvency II standard formula – the capital requirement for credit risk on financial instruments is, however, captured by the spread risk as part of the market risk module. 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 diversification of the exposures.

Substantial part of the Solvency II capital requirement stems from the counterparty default risk on reinsurers (especially related to reinsurance recoverables). The following table demonstrates the distribution of Credendo XS's reinsurance recoverables in the IFRS financial statements per rating category of the counterparty (excluding cession to mother company):

Counterparty risk exposures (excl. Intra-group)							
Reinsurers' share of insurance liabilities (in mio EUR)	AAA	AA	A	BBB	<BBB	non rated	Total
31.12.2020		18,7	40,1			0,0	58,8
31.12.2019		10,8	18,5			0,2	29,5

Credit risk is typically assessed through ratings reflecting the creditworthiness of the counterparty. The counterparty risk on reinsurers is assessed on the long-term foreign-currency rating of the reinsurance company. The available ratings are proof of Credendo XS's prudent reinsurance policy. All rated reinsurers held at least an A- rating from a respected credit rating agency at 31 December 2020. The unrated counterparties of Credendo XS are captives.

Credendo XS only uses external credit assessments issued or endorsed by an External Credit Assessment Institution (ECAI) in accordance with Regulation (EC) No 1060/2009 of the European Parliament and of the Council on credit rating agencies. The credit assessments used for estimating risk and capital charges are produced by Standard & Poor's, Moody's, Fitch or AM Best and are used consistently (over time).

> If more than one credit assessment from the mentioned ECAIs is available when assessing risk, the prudence inherent to the rules of Article 4, 4(e)(f) of Commission Delegated Regulation 2015/35 is applied and is considered to result in an appropriate assessment.
> If only one credit assessment is available from the mentioned ECAIs, that assessment is considered appropriate taking into account that the exposures or financial instruments are not considered complex.
> If an exposure is unrated, the Company considers other additional relevant information, if any. E.g. solvency ratios are used for captive companies. The counterparty risk on the captive is mitigated due to the presence of a "pay when paid" clause in the contract.

C.4. 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 XS's principal cash outflow commitments are related to its insurance liabilities – the company does not hold (non-)derivative financial liabilities. The required degree of liquidity in the investment portfolio differs according to the nature of the insurance business, especially the possibility to foresee the amount and the time of the insurance payments. As mentioned on the ALM strategy, in credit insurance a waiting period of 6 months before claims payment is applicable in case of non-payment due to protracted default – which is the most frequent cause of non-payment for the Company's activity. The existence of this waiting period reduces the uncertainty of the timing and amount of the cash outflows. Moreover, there are no liquidity considerations (unexpected cash outflows) arising from policyholder behaviour.

Operational liquidity or cash management covers the day-to-day cash requirements under normally expected or likely business conditions. The operational liquidity strategy relies on:

> the overall investment strategy ensuring that Credendo XS holds sufficient cash and deposit holdings and an additional buffer from highly liquid financial investments (with minimum standards on credit risk for securities) to meet its obligations as they fall due – besides resources from net cash-inflows
> forecasting relevant cash-flows, especially related to premiums and claim payments and the reinsurers' part therein (a cash settlement for the reinsurers' share of larger losses may be demanded).

Taking into account available resources and existing untapped sources of funding, and the fact that the company has no borrowings or significant financial liabilities, stress testing on liquidity risk is not part of the ORSA. The strategic liquidity management reflects that the risk of liquidity needs not being met on a longer-term basis is firmly mitigated by the fact that Credendo XS is client with various major banks,

that are sufficiently diversified sources of funding – but today no such loans are outstanding. Given the untapped debt capacity, no liquidity contingency plan has yet been formalised. As the Company has no (non-)derivative financial liabilities, no maturity analysis as required by IFRS 7 Financial Instruments §39 is disclosed.

The total amount of the expected profit included in future premiums is equal to 0 mio EUR net.

C.5. Operational risk

Operational risk covers a broad variety of possible risks that deal with a variety of possible causes. The Solvency II Framework defines operational risk as "the risk of loss arising from inadequate or failed internal processes, personnel or systems, or from external events". These risks can be risks of faulty specified IT protocols or processes, risk of typing or input errors, legal risks, etc.

Although quantified in the Solvency II standard formula, operational risks are considered by Credendo XS as difficult to quantify and to anticipate. Hard-to-quantify risks are managed by the Company's system of governance and strong internal controls as to avoid or mitigate them. These risks are assessed qualitatively using qualitative tags for likelihood and impact of the (inherent and) residual risks.

Operational risk events are dominating the risks identified in the Company's qualitative risk survey (cf. B.3.1d). In addition to identifying the most potentially adverse operational risks, Credendo XS assesses its vulnerability to these risks and implements processes and procedures to mitigate, monitor and control material operational risks, in light of the overall risk appetite. Credendo XS has no appetite for residual risks assessed as risks occurring at least yearly and having a significant or major impact (defined taking account of the Company's available own funds). Any identified 'high-frequency, high-intensity' risk needs effective action of remediation for further mitigation/control by the internal control functions.

Business Continuity/Disaster Recovery Plan
Credendo XS's contingency and business continuity plans ensure the ability to operate on an on-going basis and limit losses in the event of severe business disruption. A detailed Business Continuity Management system (BCMS) defines roles and responsibilities of all stakeholders in order to build up organisational resilience and reduce the impact on the Company in case of a major incident. The BCMS foresees a crisis management capability and a recovery competence that should assure acceptable predefined service levels for prioritised services and includes emergency plans in case of crisis or disaster.

Electronic data processing
Credendo XS has, after a process of several years of development, significantly reduced the number of application platforms. Today Credendo XS is using one operational processing tool for its different business lines. This allowed to significantly reduce the complexity of processes, to increase the efficiency and remediate the identified deficiencies.

Outsourcing
The outsourcing arrangements with parent Credendo ECA are subject to a formal and comprehensive written agreement covering the responsibilities of both parties and a qualitative description of the services. Policies and procedures for monitoring these outsourcing arrangements are in place.

Fraud risk
Credendo XS's insurance activities are conducted by qualified staff with the necessary experience and technical capabilities, acting in accordance with the Integrity Policy and Code of Conduct. Fraud risk is mitigated through the rules on delegation of authority, signature authority and the generalised application of the four-eyes principle. According to its latest annual report Credendo XS's compliance function was not informed of any form of internal or external fraud (-attempt) of which the Company would have been victim in 2020.

Legal risk
Legal risk is defined as including, but not limited to, exposure to fines, penalties, or punitive damages resulting from supervisory actions, as well as private settlements. Credendo XS, like all other insurers, is subjected to litigation in the normal course of its business and does not believe that such type of litigation will have a material effect on its profit or loss and financial condition. Legal risks are closely monitored by the legal counsel and compliance functions, according to the domains of responsibility that have been identified between both functions, as these risks may jeopardise the reputation of the entities.

C.6. Other material risks

C.6.1. Strategic risk

Strategic risk is defined as the risk of the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions, or lack of responsiveness to industry changes. Strategic risk is a function of the compatibility of the strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, and the quality of implementation. Resources include communication channels, operating systems, delivery networks, and managerial capacities and capabilities.

Credendo XS has a well-established process for setting strategic high-level objectives, aligned with the Credendo strategy, that are effectively communicated within the organisation and are translated into detailed 5-year business plans. These strategic goals and objectives are approved and overseen by the Board of Directors and Executive Committee. The strategy and strategic goals are translated by the Executive Committee into more detailed business and operational plans. Follow-up of the business and operational plans ensures close monitoring of the progress on the business and operational objectives as to detect any risk on and deviation from the strategy. Changes to the regulatory environment are monitored by the internal control and finance functions.

C.6.2. Reputational risk

Reputational risk is defined as the risk of potential damage to an undertaking through deterioration of its reputation or standing due to a negative perception of the undertaking's image among customers, counterparties, shareholders and/or regulatory authorities. Reputational risk is essentially regarded as a risk consequent on the overall conduct of Credendo XS. Therefore, Credendo XS pays great attention to key values affecting its reputation, expectations of the stakeholders and sensitivity of the market where it operates to a loss of reputation and/or confidence.

Reputational risk is managed a.o. through:
> compliance with the Integrity Policy and Code of Conduct
> specific guidelines and procedures in business processes
> the controls and corrective measures included in the Company-wide risk survey.

C.7. Any other information

There is no other material information regarding Credendo XS's risk profile which should be included.

D. Valuation for Solvency Purposes

This Chapter describes, separately for assets, technical provisions and other liabilities, the bases and methods used for their valuation for solvency purposes, together with an explanation of any major differences in the bases and methods used for their valuation in financial statements.

Credendo XS prepares financial statements based on Belgian generally accepted accounting principles (BEGAAP) as well as financial statements based on the international accounting standards adopted by the Commission in accordance with Regulation (EC) No 1606/2002. The latter IFRS (International Financial Reporting Standards) financial statements are prepared for the Credendo Consolidated financial statements. The IFRS financial statements per 31 December 2020 have been prepared in accordance with IFRS as adopted by the European Union and 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).

The recognition criteria under IFRS are applied to the assets and liabilities in the Solvency II balance sheet. Assets and liabilities, other than technical provisions, are valued in the Solvency II balance in accordance with the IFRS standards provided that those standards include valuation methods that are consistent with the valuation approach set out in Article 75 of the 2009 Solvency II Framework Directive 2009/138/EC. Where those standards allow for the use of more than one valuation method or where the IFRS valuation methods are not consistent either temporarily or permanently with the valuation approach set out in Article 75 of Directive 2009/138/EC, valuation methods that are consistent with the latter article are used. Article 75 of the 2009 Solvency II Framework Directive requires for assets and for liabilities other than technical provisions that “insurance and reinsurance undertakings value assets and liabilities as follows:

(a) assets shall be valued at the amount for which they could be exchanged between knowledgeable willing parties in an arm's length transaction;
(b) liabilities shall be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction.

When valuing liabilities under point (b), no adjustment to take account of the own credit standing of the insurance or reinsurance undertaking shall be made”.

This chapter describes the valuation bases used for the Solvency II balance sheet and compares the values to the valuation in the Company’s IFRS financial statements. Comments on BEGAAP-based valuation are included *(in italic)* only when there is a material difference with the IFRS-based valuation.

D.1. Assets

The value for material classes of assets and quantitative differences according to respectively the IFRS financial statements and Solvency II balance sheet are as follows:

Credendo XS	31/12/2020		31/12/2019	
in thousands EUR	Solvency II value	IFRS value	Solvency II value	IFRS value
ASSETS				
Goodwill	0	0	0	0
Deferred acquisition costs	0	0	0	0
Intangible assets	0	3 716	0	2 758
Deferred tax assets	4 583	2 316	944	0
Pension benefit surplus	0	0	0	0
Property, plant & equipment held for own use	2 032	2 032	2 014	2 014
Investments	50 723	50 723	0	0
Property (other than for own use)	0	0	0	0
Holdings in related undertakings, including participations	0	0	0	0
Equities	0	0	0	0
Bonds	0	0	0	0
Collective Investments Undertakings	50 723	50 723	0	0
Derivatives	0	0	0	0
Deposits other than cash equivalents	0	0	0	0
Other investments	0	0	0	0
Loans and mortgages	0	0	0	0
Reinsurance recoverables	79 438	74 081	29 976	36 302
Deposits to cedants	0	0	0	0
Insurance and intermediaries receivables	6 993	6 993	9 041	9 041
Reinsurance receivables	5 317	5 317	4 004	4 004
Receivables (trade, not insurance)	0	0	0	0
Cash and cash equivalents	35 712	35 712	88 138	88 138
Any other assets, not elsewhere shown	2 479	2 479	3 999	3 999
Total assets	**187 279**	**183 371**	**138 115**	**146 256**

The major differences between Solvency II and IFRS values[8], explaining higher total assets value in the SII statements, relate to:

- Derecogntion of intangible assets
- Reinsurance recoverables: the SII amount is higher as the gross best estimate technical provisions are also higher with main impact coming from premium provisions impacted by the loss recognized for future premium.
- Deferred tax asset further discussed in 4.1.1

The following table describes the valuation bases, methods and main assumptions used for the valuation for solvency purposes and those used for their valuation in the IFRS financial statements.

[8] *Material differences between IFRS and BEGAAP valuation for assets relate to deferred tax assets (nil in BEGAAP).*

ASSETS	IFRS/BEGAAP financial statements	Solvency II balance sheet
Deferred tax assets	IAS 12 Recognised only insofar as it is probable that taxable profit will be available against which a deductible temporary difference can be utilised when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity which are expected to reverse	Other than the carry forward of unused tax credits and the carry forward of unused tax losses, this includes deferred taxes based on the difference between the values ascribed to assets and liabilities in the Solvency II balance sheet and the values ascribed to the same assets and liabilities for tax purposes
Property, plant & equipment held for own use Right-of-use assets	IAS 16 Initial measurement: at cost Subsequent measurement: cost model IFRS 16 Initial measurement: at cost Subsequent measurement: cost model	Idem – although the Solvency II valuation method excludes models where the asset value is determined as cost less depreciation and impairment (cf. D.1.2. Property, plant & equipment held for own use). For solvency purposes, under an operating lease the lessee does not recognise any lease asset or liability.
Investments	IAS 39 Financial 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. Available-for-sale financial investments and financial investments at fair value through profit or loss are subsequently carried at fair value. *BEGAAP* *Financial investments are entered at acquisition value and written down where the market value is less than their book value.*	Idem to IFRS valuation
Reinsurance recoverables	Consistent with the valuation of BEGAAP technical provisions.	Consistent with the valuation of technical provisions and with deduction for expected losses due to counterparty default.
Deposits to cedants	IAS 39	Idem

ASSETS	IFRS/BEGAAP financial statements	Solvency II balance sheet
Receivables	IAS 39 Measured at the amount expected to be recovered.	Idem
Cash and cash equivalents	IAS 7, 39 Not less than the amount payable on demand	Idem
Any other assets, not elsewhere shown	IAS	Idem

D.1.1. Deferred taxes

Deferred taxes are recognised and valued in relation to all assets and liabilities, including technical provisions, which are recognised for tax or solvency purposes. The deferred taxes on the Solvency II balance sheet include deferred taxes on the basis of the difference between the values ascribed to assets and liabilities recognised and valued in the Solvency II balance sheet, and the values ascribed to assets and liabilities as recognised and valued for tax purposes.

Deferred tax assets in the IFRS financial statements are only recognised for deductible temporary differences and losses carried forward if it is probable that future taxable profit will be available against which the deferred tax asset can be utilised, taking into account any legal or regulatory requirements on the time limits relating to the carry-forward of unused tax losses or the carry-forward of unused tax credits. Credendo XS's ability to recover deferred tax assets is assessed through an analysis which is mainly based on the business plan and the uncertainty surrounding economic conditions and uncertainties in the markets in which Credendo XS operates. The underlying assumptions of this analysis are reviewed annually.

Deferred income tax is recognised in the IFRS financial statements, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the 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 tax assets in the 2020 IFRS and Solvency II balance sheet arise from:
- Tax loss carry-forwards: DTA of 2.3 mio EUR (2019: 0)
- Derecognition of intangible assets: DTA of 0.9 mio EUR (2019: 0.7)
- SII valuations of gross technical provisions, calculated as the sum of best estimate provisions and a risk margin, that are higher than the IFRS technical provisions: DTA of 3.2 mio EUR (2019: DTL of 1.1).

Taking the business plan into account, these deferred tax assets will be recoverable using the estimated future taxable income the Company is expected to generate over the business plan time horizon. The losses can be carried forward indefinitely and have no expiry date however it has been impaired to 3 years.

D.1.2. Property, plant & equipment held for own use

Property, plant and equipment comprise land and buildings, office furniture, computer hardware, other equipment, furnishing, vehicles and other tangible fixed assets.
Although the IFRS financial statements measure these according to the cost model, the carrying values are used in the Solvency II balance sheet.

All property, plant and equipment are carried at acquisition cost less any accumulated depreciation and less any accumulated impairment loss. Cost includes any directly attributable cost of bringing the asset

to working condition for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Credendo XS 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.

Depreciation is calculated using the straight-line method to allocate the cost of an item of property, plant and equipment to their residual values over their estimated useful lives. 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. The latter impairment and the small amounts involved (i.e. K EUR 472) allow considering the IFRS cost model approach as a good proxy of the economic value to be used in the Solvency II balance sheet.

Credendo XS leases certain property, plant and equipment (vehicles). For these items, as from 1 January 2019 Credendo XS applies the accounting treatment prescribed by IFRS 16, i.e. recognizes as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use. The right-of-use assets are initially measured at cost comprising the following elements (where applicable): (i) the amount of the initial measurement of lease liability; (ii) any lease payments made at or before the commencement date less any lease incentives received; (iii) any initial direct costs, and (iv) restoration costs. The 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. For solvency purposes and following IFRS 16, under an operating lease the lease asset (K EUR 1 560) and lease liability (K EUR 1 560) was recognized.

D.1.3. Investments

Fair value of financial instruments

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. All financial instruments held by the Company are regarded as quoted in an active market.

D.1.4. Reinsurance recoverables

The IFRS reinsurance recoverables equal the part of gross technical provisions ceded to reinsurers and amount to 74.1 mio EUR (2019: 36.3).

The SII reinsurance recoverables amount to 79.5 mio EUR (2019: 30.0) and are valued as the difference between the best estimate technical provisions gross of reinsurance and net of reinsurance, adjusted for expected losses due to counterparty default risk.

> The calculation of gross best estimate is done in split per reinsurance year what enables direct application of quota share treaties' shares. No particular adjustment to the value of the reinsurance recoverables has been made for time differences between direct payments by the Company and recoveries from the reinsurers. This time difference is considered minimal given the short tail character of the business and the clauses present in the reinsurance treaties reducing the timing interval between large claim payments and reinsurance recoveries.

> The value of the reinsurance recoverables has been adjusted for expected losses due to counterparty default (CD) risk using the simplified calculation given in Article 61 of Commission Delegated Regulation 2015/35:

$$Adj_{CD} = -\max\left(0{,}5 \cdot \frac{PD}{1-PD} \cdot Dur_{\text{mod}} \cdot BE_{rec}; 0\right)$$

where:

- PD denotes the probability of default of that counterparty during the following 12 months.
- Dur_{mod} denotes the modified duration of the amounts recoverable from reinsurance contracts with that counterparty in relation to the homogeneous risk group.
- BE_{rec} denotes the amounts recoverable from reinsurance contracts with that counterparty in relation to that homogeneous risk group.

The assumption that the probability of default of the counterparty remains constant over time is considered realistic, taking into account the credit quality of the counterparties involved and the short term duration of the amounts recoverable from reinsurance contracts.

D.2. Technical provisions

The value of the technical provisions for the Company's lines of business (Company is only active in credit and suretyship insurance) used for the valuation for solvency purposes and those used for their valuation in IFRS financial statements is as follows:

Credendo XS	31/12/2020		31/12/2019	
in thousands EUR	Solvency II value	IFRS value	Solvency II value	IFRS value
Best estimate				
Premium provisions				
Gross - Total	23 955	16 601	8 158	16 305
Recoverable from reinsurance after the CDA	17 429	12 734	5 980	12 424
Net Best Estimate of Premium Provisions	6 526	3 867	2 179	3 881
Claims provisions				
Gross - Total	82 529	81 607	32 623	32 452
Recoverable from reinsurance after the CDA	62 009	61 347	23 996	23 879
Net Best Estimate of Claims Provisions	20 519	20 260	8 627	8 573
Total Best estimate - gross	**106 483**		**40 781**	
Total Best estimate - net	**27 045**		**10 806**	
Risk margin	**4 392**		**3 430**	
Technical provisions - total	**110 875**	**98 208**	**44 211**	**48 757**

The gross IFRS technical provisions amount to 98.2 mio EUR (2019: 48.8).
The gross SII technical provisions amount to 110.9 mio EUR (2019: 44.2), calculated as the sum of:

> Best estimate provisions of 106.5 mio EUR
> A risk margin amounting to 4.4 mio EUR.

The following table summarises the bases and methods used for the valuation of technical provisions in the IFRS financial statements and for solvency purposes. More detail on the methodologies and assumptions used in the valuation of the best estimate and the risk margin including details of any simplification and the associated level of uncertainty is available in the following paragraphs.

TECHNICAL PROVISIONS	IFRS/BEGAAP financial statements	Solvency II balance sheet
Valuation basis	IFRS 4 Insurance liabilities correspond to an insurer's net contractual obligations under an insurance contract. A contract that qualifies as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire. *BEGAAP*	The value of technical provisions equals the sum of a best estimate and a risk margin. The best estimate corresponds to the probability-weighted average of future cash-flows, taking account of the time value of money (expected present value of future cash flows), using the relevant risk-free interest rate term structure. The risk margin ensures that the value

TECHNICAL PROVISIONS	IFRS/BEGAAP financial statements	Solvency II balance sheet
	The BEGAAP provisions include provisions for equalisation and catastrophe, which are not considered as acceptable in IFRS and Solvency II as they cover potential future claims for insurance contracts that are not in existence at the end of the reporting period. The provision is constituted in accordance with method No 1 under Regulation No 8 issued by the NBB (Banking, Finance and Insurance Commission – CBFA): as long as it does not reach 150% of the highest annual amount of premiums net of ceded reinsurance over the previous five years, the provision for equalisation is replenished each year with 75% of any positive technical result achieved in the credit insurance segment, provided this transfer does not exceed 12% of premiums net of ceded reinsurance. This provision serves to offset any technical loss at the end of the year.	of the technical provisions is equivalent to the amount that (re)insurance undertakings would be expected to require in order to take over and meet the (re)insurance obligations and is calculated by determining the cost of providing an amount of eligible own funds equal to the Solvency Capital Requirement necessary to support these obligations over the lifetime thereof. The valuation does not rely on assumptions on: > Future discretionary benefits as these are not applied by Credendo XS > Future management actions > Policy behaviour (no lapse risk) The Company does not apply: > the matching adjustment referred to in Article 77b > the volatility adjustment referred to in Article 77d > the transitional risk-free interest rate-term structure referred to in Article 308c > the transitional deduction referred to in Article 308d of Directive 2009/138/EC
Premium provisions	The IFRS/BEGAAP premium provisions comprise the amounts of the provision for unearned premiums, the provision for deterioration of the risk and the provision for profit-sharing and rebates. > For credit insurance contracts, the provision for unearned premiums corresponds to the double pro rata (taking into account the duration of underlying risk represented by the average days sales outstanding) share of the written 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 surety contracts and captive contracts the provision for unearned premiums corresponds to the pro rata (taking into account the duration of policy period) share of the written premiums to be allocated to the period following the closing date in order to cover claims charges and	The premium provisions correspond to the expected present value of cash flows from future premium and all future claim payments, arising from future events post the valuation date that have not yet expired and fall within the contract boundary, and to related administrative expenses. For surety contracts, no account is taken of future premium or of insurance obligations because they are outside the contract boundaries. Future premium, if any, is taken into account only for credit insurance contracts, captive contracts and specific surety contracts (Booster). The contract boundary definitions take account of Credendo XS's options to terminate the contract or amend premiums:

TECHNICAL PROVISIONS	IFRS/BEGAAP financial statements	Solvency II balance sheet
	operating costs of insured risks not yet expired at the closing date > Finally, Credendo XS 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 calculated policy by policy with the assumption of no losses in the future.	> For surety contracts Credendo XS has the unilateral right at all times to change (and cancel) surety facilities: therefore new bonds under existing facilities fall outside the contract boundaries. Moreover, Credendo XS has also the right to adjust premium as to fully reflect reassessed risk. > For surety SME contracts Credendo XS has the unilateral right at the renewal date (annually) to change (and cancel) surety facilities: therefore after renewal date new or existing bonds under existing facilities fall outside the contract boundaries. > For credit insurance contracts and captive contracts, Credendo XS has the unilateral right to cancel the contract or adjust the premiums only at renewal of the policy. Moreover, the premium could be paid in installments so there is a need to consider flows related to future premium. The best estimate for Credendo XS's premium provisions is calculated according to the following simplification based on an estimate of the combined ratio per homogenous risk group: BE = CR*VM+ (CR-1)*PVFP + AER*PVFP, where: > BE = best estimate of premium provision > CR = estimate of combined ratio per product line on a gross of acquisition cost basis > VM = volume measure for unearned premium. It relates to business that has incepted at the valuation date and represents the premiums for this incepted business less the premium that has already been earned against these contracts. This measure should be calculated gross of acquisition expenses. > PVFP = present value of future premiums (discounted using the prescribed term structure of risk-

TECHNICAL PROVISIONS	IFRS/BEGAAP financial statements	Solvency II balance sheet
		free interest rates) gross of commission. > AER = estimate of acquisition expenses ratio for line of business. The above result is increased with the IFRS/BEGAAP provision for future cash flows related to profit-sharing and rebates, which is considered best estimate.
Claims provisions	Credendo XS has three types of provisions for claims in IFRS/BEGAAP: > 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). The RBNS provision is calculated on the individual basis. The estimations take account of the available information and are verified and accepted by the Claims Committee. > 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). 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. For the credit insurance contracts the triangle based approach is used for IBNR estimation which is a function of the past observed claim development pattern and size of currently incurred losses. For the latest underwriting period the ratio, based approach is used: estimated LR times the premium earned. For the surety contracts, the IBNR provision is calculated using the ratio based approach: estimated LR times the premium earned. > A provision for internal and external claims handling expenses. The provision for internal claims handling expenses at Credendo XS is estimated based on estimated ratio which is then applied on the claims reserves.	The best estimate provision for claims outstanding relates to claim events that have already occurred, regardless of whether the claims arising from those events have been reported or not. Cash-flow projections for the calculation include claim payments, recoveries and expenses relating to these events. The best estimate claims provisions consist of: > A provision for RBNS. A provision for IBNR as calculated for IFRS/BEGAAP. > A provision for claims settlement expenses, based on the amount in the IFRS/BEGAAP accounts but leaving out the prudential margin The information about the original currency of the provision is used for discounting using the related EIOPA yield curves. The prudence margin present in IFRS/BEGAAP reserves is kept in the SII valuation but on the other hand we don't do the specific adjustment for ENID's (events not in data) which is required under Best Estimate calculation. The company plans in the future (when more statistical information is available) to do the more detailed analysis of above-mentioned impacts. However on the current basis we feel confident that the prudence margin in IFRS/BEGAAP reserves should be much higher than possible adjustment for ENID's.
Risk margin		The overall risk margin (RM) is calculated based on a full projection of all future SCRs necessary to support

TECHNICAL PROVISIONS	IFRS/BEGAAP financial statements	Solvency II balance sheet
		the (re)insurance obligations over the lifetime thereof: $$RM = CoC \cdot \sum_{t \geq 0} \frac{SCR(t)}{(1 + r(t+1))^{t+1}}$$ where: > CoC denotes the Cost-of-Capital rate (6%) > SCR(t) denotes the Solvency Capital Requirement after t years > r(t + 1) denotes the basic risk-free interest rate for the maturity of t + 1 years The simplification level 2 was applied meaning the simplified projection of future SCR's as described in Method 1 in point 1.114. of EIOPA's "Guidelines on the valuation of technical Provisions" (EIOPA-BoS-14/166). The future SCR is calculated with the approximation of the individual risks or sub-risks within some or all modules and sub-modules to be used for the calculation of future Solvency Capital Requirements as referred to in Article 58(a) of Commission Delegated Regulation 2015/35. The calculation takes into account the future development of best estimates and current observed SCR in order to calculate the future SCR (t).

D.2.1. Homogeneous risk groups

To achieve an accurate valuation of technical provisions and avoid introducing distortions which might arise from combining dissimilar business, Credendo XS's (re)insurance obligations are segmented into homogeneous risk groups. As a mono-line non-life insurance group, segmentation is facilitated as there is no need to unbundle insurance policies into life and non-life parts or into various business lines. The segmentation is applied both to gross premium provisions and gross claims provisions.

Credendo XS's underwritten risks portfolio is segregated into five homogeneous risk groups:
> Credit insurance
> Captive business
> Suretyship – individual business
> Suretyship – SME business
> Suretyship – MGA business

D.2.2. Premium provisions

The premium provisions at the valuation date include the valuation of all recognised obligations within the boundary of the (re)insurance contracts, for all exposure to future claims events, where cover has incepted prior to the valuation date.

- The best estimate *BE* for the premium provisions is calculated according to the following simplification based on an estimate of the combined ratio *CR* per homogenous risk group:
  *BE = CR*VM+ (CR-1)*PVFP + AER*PVFP.*
  The above formula is rewritten in the more details to the level of the specific flows (premium, acquisition expenses, NCB and profit sharing, claims, claims handling expenses, recoveries and other expenses). The specific ratios per homogenous risk group are applied.

  The future cash flows, derived from a pay-out pattern based on chain ladder projection of a paid loss triangle, have been discounted with the EIOPA Euro yields curve. The latter impact however is negligible.

- The used parameters are calibrated on current as well as expected for the future rates and compare against experience what should reduce significantly the level of uncertainty associated with the best estimate premium provisions for solvency purposes.

D.2.3. Claims provisions

Provisions for claims outstanding relate to the cash flows in respect of claims events occurring before or at the valuation date, whether the claims arising from those events have been reported or not. The cash flows projected comprise all future claims payments and recoveries and include all claims management and claims administration expenses.

- Credit insurance

  The best estimate provision for claims incurred but not yet reported is estimated based on the chain ladder methodology, assuming that the claims development patterns seen in the past will be appropriate for the future.

  The data used for the incurred loss development method are defined as the sum of cumulative underwriting year paid losses plus underwriting year RBNS claims reserves. Age-to-age or development or link factors track the yearly changes in incurred losses on historical claims since 2005. This statistical series is considered long enough to allow the use of the chain ladder methodology. The development factors are reviewed (and if needed adjusted) to avoid atypical patterns. The average factors (weighted by incurred loss volume) are then used to project incurred losses into the future and estimate ultimate losses. This is accomplished by multiplying the incurred losses for each underwriting year as of a given accounting date by the appropriate factor.

  Due to slower development at the beginning of the pattern, the above method is not used for the latest year. For the latest underwriting period the ratio based approach is used: estimated LR times the premium earned.

  The undiscounted best estimate of the projected ultimate losses and the claims handling expenses provisions are then split into different currencies according to their share in the IFRS/BEGAAP claims provisions and discounted using the related EIOPA yield curves.

- The best estimate incurred claims provisions for the suretyship and captive business equal the IFRS/BEGAAP RBNS claims provisions. For suretyship the best estimate provision for claims incurred but not yet reported is estimated using the ratio based approach on bond level: estimated LR times the premium earned.

- The best estimate provision for claims handling expenses equals the amount in the BEGAAP accounts.

D.2.4. Risk margin

The calculation of the risk margin assumes that the whole portfolio of (re)insurance obligations is taken over by another (re)insurance undertaking (the reference undertaking). The Solvency Capital Requirement of that reference undertaking captures the underwriting risk with respect to the transferred business, market risk if it is material, credit risk with respect to reinsurance contracts, intermediaries, policyholders and any other material exposures which are closely related to the (re)insurance obligations, and operational risk. There is no loss-absorbing capacity of technical provisions and deferred taxes and no future management actions assumed.

Credendo XS's risk margin has been calculated from projecting all future SCRs necessary to support the (re)insurance obligations over the lifetime thereof and without taking renewals and future business into account. The simplification level 2 was applied meaning the simplified projection of future SCR's as described in Method 1 in point 1.114. of EIOPA's "Guidelines on the valuation of technical Provisions" (EIOPA-BoS-14/166). The future SCR is calculated with the approximation of the individual risks or sub-risks within some or all modules and sub-modules to be used for the calculation of future Solvency Capital Requirements as referred to in Article 58(a) of Commission Delegated Regulation 2015/35.The calculation takes into account the future development of best estimates and current observed SCR in order to calculate the future SCR(t).

No allocation of the overall risk margin is needed as Credendo XS is only active in one LoB ('credit & suretyship').

D.2.5. Level of uncertainty

As said in C.1.1b, the estimation of the ultimate liability arising from claims is Credendo XS's most critical accounting estimate. The claims development triangles in Annex V provide a measure of the Company's ability to estimate the ultimate value of claims. However, as Credendo XS mainly deals with short-term business, the gravity of the claims provisions is situated within the accident and one or two following years, after which the development flattens. Parameter & modelling uncertainty for technical provisions is further reduced by lodging responsibility for provisions valuation methodology and its maintenance with the actuarial function. Yearly boni-mali analyses back-test the methods used for claims provisions against accounting data and guarantee the reliability of the methods chosen.

D.3. Other liabilities

The value for material classes of other liabilities and quantitative differences according to the IFRS financial statements and Solvency II balance sheet are as follows:

Credendo XS	31/12/2020		31/12/2019	
in thousands EUR	Solvency II value	IFRS value	Solvency II value	IFRS value
LIABILITIES				
Technical provisions – non-life	110 875	98 208	44 211	48 757
Best Estimate	106 483	0	40 781	0
Risk margin	4 392	0	3 430	0
Other technical provisions	0	0	0	0
Contingent liabilities	0	0	0	0
Provisions other than technical provisions	0	0	1 073	1 073
Pension benefit obligations	163	163	0	0
Deposits from reinsurers	1 205	1 205	2 929	2 929
Deferred tax liabilities	0	490	0	191
Derivatives	0	0	0	0
Debts owed to credit institutions	0	0	0	0
Financial liabilities other than debts owed to credit institutions	0	0	0	0
Insurance & intermediaries payables	1 051	1 051	1 784	1 784
Reinsurance payables	2 824	2 824	5 469	5 469
Payables (trade, not insurance)	1 821	1 821	3 331	3 331
Subordinated liabilities	0	0	0	0
Any other liabilities, not elsewhere shown	4 405	4 405	4 046	4 046
Total liabilities	**122 345**	**110 167**	**62 843**	**67 579**

Major differences in the above table between Solvency II and IFRS values for Credendo XS, explaining a substantially higher total liabilities value in the latter statements, relate to:

> Technical provisions: the Solvency II best estimate is lowered with the expected profits on future premiums as well as some profit released from IFRS/BEGAAP UPR.

The following table describes the valuation bases, methods and main assumptions used for the valuation for solvency purposes and those used for their valuation in financial statements.

OTHER LIABILITIES	IFRS financial statements	Solvency II balance sheet
Provisions other than technical provisions	IAS 37 The amount recognised is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. The best estimate is the amount an entity would rationally pay to settle the obligation or to transfer it to a third party at the balance sheet date.	Idem
Pension benefit obligations	IAS 19	Idem to IFRS valuation
Deposits from reinsurers	IAS 39	Idem
Deferred tax liabilities	IAS 12 A deferred tax liability should be recognised for all taxable temporary differences	Other than the carry forward of unused tax credits and the carry forward of unused tax losses, include deferred taxes based on the difference between the values ascribed to assets and liabilities in the Solvency II balance sheet and the values ascribed to the same assets and liabilities for tax purposes

OTHER LIABILITIES	IFRS financial statements	Solvency II balance sheet
Payables	IAS 39 Measured at amortised cost	Idem
Any other liabilities, not shown elsewhere	IAS Other liabilities differ from payables as they arise from non-insurance-related activities.	Idem

Credendo XS has no financial liabilities other than lease liabilities and, thus, explaining valuation differences between the Solvency II balance sheet and the general purpose financial statements from the impact of (changes in) its own credit risk is not applicable, except for this item.

As from 1 January 2019, in accordance with IFRS 16, the lease liabilities arising from the operating lease contracts where Credendo XS acts as the lessee, are recognised in the balance sheet. The lease liabilities are initially measured at the net present value of the minimum lease payments. Subsequently, they are measured using the effective interest rate method. For solvency purposes, the lessee does not recognise any lease asset or liability under an operating lease.

D.3.1. Provisions other than technical provisions

Accounting provisions other than technical provisions (and contingent liabilities) 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 amounts recognized in the financial statements equal to zero for 2020 closing.

D.3.2. Employee & termination benefits

Short-term employee benefits
Short-term employee benefits represent accruals for bonuses, social security charges and holiday pay. Credendo XS recognises a liability and an expense for bonuses. Credendo XS recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Post-employment benefits: pension obligations
Credendo XS operates a defined contribution plan.

A defined contribution plan is a pension plan under which the employer pays fixed contributions per employee into a separate fund. The employer has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits they are entitled to under the existing schemes. However, because of the Belgian legislation applicable to 2nd pillar pension plans, all Belgian defined contribution plans have to be considered under IFRS as defined benefit plans.[9]

The pension obligations are valuated according to the accounting standard 'IAS19R'. This valuation was outsourced to Nexyan (Actuaries & Benefit Consultants). Based on the 'project unit credit' method, the result shows a net defined liability of KEUR 163 as per 31/12/2020.

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

Other long-term benefits
No other long-term employee benefits are granted to Credendo XS employees..

D.3.3. Deferred tax liabilities

[9] The legislation 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. This minimum was applicable until 31/12/2015. Due to the significant decrease of the interest rates on the financial market, the new guarantee for minimum return was lowered to 1,75% as from 1 January 2016 (on employer's contributions as well as on employee's contributions).Because of this minimum guaranteed return for defined contributions plans in Belgium, the employer is exposed to a financial risk (there is a legal obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods). Therefore all pension plans operated by Credendo are accounted for as defined benefit plans under IFRS.

Deferred tax liabilities in the Solvency II balance sheet arise from:

- The SII valuation of reinsurance recoverables calculated on best estimate technical provisions that are higher than the BEGAAP technical provisions and adjusted for expected losses due to counterparty default risk: DTL of 1.3 mio EUR (2019: DTA of 1.6).
- Tax-profit carried forward: DTL of 0.5 mio EUR (2019: 0.2 mio EUR)

However as the calculated DTA is higher than calculated DTL the resulting net amount is shown under DTA position in SII balance sheet.

D.4. Alternative methods for valuation

Credendo XS's use of quoted market prices is based on the criteria for active markets, as defined in international accounting standards adopted by the Commission in accordance with Regulation (EC) No 1606/2002. As the criteria are satisfied, there is no need for using alternative valuation methods.

D.5. Any other information

Other material information regarding the valuation of assets and liabilities for solvency purposes concerns:

D.5.1. Assumptions on future management actions & policy holder behaviour

No assumptions about future management actions or about policyholder behaviour have been made for the valuation of assets and liabilities, including technical provisions.

D.5.2. Governance on valuation of assets & liabilities

The Company's Board of Directors has approved the policy on the Solvency II valuation of assets and liabilities as to ensure that valuation is compliant with Article 75 of Directive 2009/138/EC. That policy covers the process of valuation, including:

- the description and need for documentation of the relevant models, and the sources of information to be used
- the need for adequately documenting the valuation process and related controls
- a description of the control procedures for data quality
- the description and definition of roles and responsibilities of the personnel involved with the valuation
- the independent valuation or verification of the value of material assets and liabilities.

E. Capital Management

E.1. Own funds

E.1.1. Own funds management framework

Own funds are managed 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 agency 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:

- To capture changes in the risk profile that may affect future capital requirements the business and capital planning horizon includes minimum 5 years
- Capital requirements are projected according to the risk-based capital concepts used in the risk appetite framework for defining the overall risk tolerance
- Capital planning includes projection of the expected development of own funds over the planning period (including changes in structure and quality and the need to raise new own funds)
- The ORSA processes include testing sensitivity to the assumptions used in the business plan by subjecting identified risks to a sufficiently wide range of sensitivity and scenario analyses as well as reverse stress-tests. The ORSA report includes a contingency plan if stress testing points to capital inadequacy under adverse circumstances occurring with realistic frequency. The contingency plan outlines how the Company might respond in the result of a stressed situation, especially what relevant compensating measures and offsetting actions it could realistically take to restore or improve capital adequacy, and the ability to raise own funds of an appropriate quality in an appropriate timescale to ensure that capital requirements can be met.

Optimising capital management includes assessing whether to retain or transfer risks, taking the projection of capital required into account. The risks transferred especially relate to underwriting risk while the risk transfer takes the form of reinsurance where a portion of the risks assumed is ceded to other insurers. The reinsurance programme should support the business objectives and strategies and help to mitigate risk, identifying the level of risk transfer appropriate to the approach to risk and defined risk limits (i.e. established risk tolerances and maximum net risk to be retained) and taking into consideration the risk appetite framework and the availability and cost of reinsurance.

Capital management discipline is enforced by an effective monitoring process on a quarterly basis of the Solvency II capital adequacy and other key indicators related to the risk appetite framework. Reviewing the reinsurance strategy is part of the annual review of the business strategy (i.e. business plan). That review is underpinned by the assessment of whether the existing reinsurance programme and reinsurance counterparties continue to provide adequate, appropriate and secured risk transfer – without gaps resulting in more risks being retained than intended – and of the impact of likely adverse events through stress testing and scenario analysis to ensure that the catastrophe reinsurance cover can be relied upon to reduce the impact to a magnitude that will not threaten viability.

E.1.2. Structure & quality of own funds

Annex VI details the structure and quality of Credendo XS's own funds at the end of 2020. The reconciliation reserve is uniquely determined by the excess of assets over liabilities from valuation differences vis-à-vis the BEGAAP financial statements.

Key elements of that reconciliation reserve concern the valuation differences mentioned in Chapter D, especially:

- Solvency II technical provisions calculated as a sum of best estimates and risk margin. The best estimates include the expected profits on future premiums as well as some profit released from BEGAAP UPR.
- Solvency II reinsurance recoverables based on best estimate technical provisions and adjusted for expected losses due to counterparty default. The Solvency II amounts include the ceded part of expected profits on future premiums as well as some profit released from BEGAAP UPR.
- And vis-à-vis BEGAAP :
  - The rewinding of the BEGAAP provision for equalization and catastrophe
  - The market valuation of financial instruments
  - The value of intangible assets is set to zero

The following table discloses the valuation differences vis-à-vis the BEGAAP financial statements:

Own Funds : structure & quality In thousands EUR	31/12/2020	31/12/2019
Tier 1		
Ordinary paid-up share capital	70 093	70 093
Reconciliation reserve - excess of assets over liabilities - valuation differences vis-à-vis BEGAAP	-9 741	4 236
Difference in the valuation of assets	-325	-956
Difference in the valuation of technical provisions	-7 310	2 676
Difference in the valuation of other liabilities	-2 107	2 516
Tier 2		
Tier 3		
Net deferred tax assets	4 583	944
Available own funds	**64 934**	**75 273**
Eligible own funds	**64 934**	**75 273**

Credendo XS has no capital instruments issued as (subordinated) debt and does not hold own shares. Apart from the net deferred tax assets, all own fund items are classified in Tier 1 as all items are undated, permanently available to absorb losses and completely subordinated. Net deferred tax assets are recognised as Solvency II Tier 3 own funds and eligible to cover capital requirements up to 15% of the Solvency Capital Requirement. As the latter condition is fulfilled and as there are no restrictions on the Tier 1 items taken into account, all funds available are eligible for covering the regulatory capital requirements of the Company.

E.1.3. Deferred taxes

The net deferred tax assets recognized as Tier 3 own funds amount to K EUR 4 583 (cf. D.1.1 and D.3.3 for more detail on the amounts). The recognition and assessment of deferred tax assets (DTAs) is established in different paragraphs in IAS12 and in Article 15 of the Commission Delegated Regulation 2015/35. Deferred tax assets are only recognised for deductible temporary differences and for unused tax losses and tax credits carried forward if it is probable that future taxable profit will be available against which the deferred tax asset can be utilised, taking into account any legal or regulatory requirements on the time limits relating to the carry-forward of unused tax losses or the carry-forward of unused tax credits.

Credendo XS's ability to recover deferred tax assets is assessed annually through an analysis which is mainly based on the business plan and the uncertainty surrounding economic conditions and uncertainties in the markets in which Credendo XS operates. The underlying assumptions of this analysis are reviewed annually.

Based on that analysis which takes into account:

- the probability of future taxable profits for the Company, assuming the going concern status of the Company and its branches as a given and considering the recent earnings history and the profitability included in the 2021-25 business plan
- the fact that neither IAS12 nor Article 15 of the Delegated Regulation imposes a deadline for using the DTAs,
- the fact that under the applicable tax laws, no expiry dates are applicable to the current DTAs, and
- the Company has feasible tax planning strategies available in the unlikely event that no sufficient taxable profit has been made,

the Company is confident that the current IAS 12 DTAs will be offset on taxable profits in the coming years. DTAs from valuation differences regarding Solvency II reinsurance recoverables on best estimate technical provisions, which are lower than the IFRS/BGAAP values, are to be utilized to the reversion of deferred tax liabilities from valuation differences regarding the corresponding Solvency II best estimate technical provisions and relating to taxes levied by the same taxation authority. Therefore, the calculated amount of DTAs have been fully recognized and no impairment is necessary.

The net DTAs, calculated as the difference between the amount of recognized DTAs and the amount of deferred tax liabilities, are available as basic own-fund items classified as Tier 3 in accordance with Article 76(a)(iii) of Commission Delegated Regulation 2015/35 and are recognized as eligible own funds applying the eligibility limits set out in Article 82 of Commission Delegated Regulation 2015/35.

E.2. Solvency Capital Requirement and Minimum Capital Requirement

E.2.1. Regulatory capital requirements

Annex VII includes the amounts of the Solvency Capital Requirement as calculated by the standard formula and split by risk modules, as well as of the Minimum Capital Requirement. At the end of 2020, the Solvency Capital Requirement and the Minimum Capital Requirement for Credendo XS amounted to:

Solvency & Minimum Capital Requirement In thousands EUR	31/12/2020	31/12/2019
Non-life underwriting risk	17 709	18 565
Market risk	11 760	1 306
Counterparty default risk	6 770	9 125
Diversification	-8 643	-4 154
Basic Solvency Capital Requirement	27 597	24 842
Loss-absorbing capacity of TP/DF [1]	0	-3 962
Operational risk	3 194	1 223
Solvency Capital Requirement (A)	30 792	22 103
Minimum Capital Requirement	7 698	5 526
Eligible own funds (B)	64 934	75 273
Solvency ratio (B)/(A)	**211%**	**341%**

[1] Loss-absorbing capacity of technical provisions (TP): not applicable
Loss-absorbing capacity of deferred taxes (DF): applied - equals zero

The solvency ratio, calculated as eligible own funds as a percentage of the SCR, amounts to 211%. No undertaking-specific parameters have been used for the standard formula parameters. No simplified calculations have been used for the risk- and sub-modules of the standard formula. The amount of

notional deferred tax assets taken into account for the loss-absorbing capacity is determined by the cap set by the supervisory authorities[10], which is lower than the amount according to the recoverability test.

The MCR equals the floor set at 25% of the SCR amount as that result is higher than the linear Minimum Capital Requirement component calculated for non-life insurance and reinsurance obligations:

$$MCR_{(linear,nl)} = \sum_s \alpha_s \cdot TP_{(nl,s)} + \beta_s \cdot P_s$$

, where

- $TP_{(nl,s)}$ denotes the technical provisions without a risk margin for non-life insurance and reinsurance obligations in respectively the segments credit and suretyship insurance and non-proportional property reinsurance after deduction of the amounts recoverable from reinsurance contracts and special purpose vehicles, with a floor equal to zero
- P_s denotes the premiums written for insurance and reinsurance obligations in respectively the segments credit and suretyship insurance during the last 12 months, after deduction of premiums for reinsurance contracts, with a floor equal to zero
- the factors α_s and β_s are set for respectively the segments credit and suretyship insurance (α 17.7%; β 11.3%)

E.2.2. Loss-absorbing capacity of deferred taxes

The Solvency Capital Requirement is not adjusted for the loss-absorbing capacity of notional deferred taxes.

E.3. Use of the duration-based equity risk sub-module in the calculation of the SCR

Being a non-life insurer, Credendo XS is not using the duration-based equity risk sub-module for the calculation of its Solvency Capital Requirement.

E.4. Differences between the standard formula and any internal model used

No (partial) internal model is used by Credendo XS to calculate the Solvency Capital Requirement.

E.5. Non-compliance with the MCR and significant non-compliance with the SCR

Credendo XS has not experienced any non-compliance with either the Minimum Capital Requirement or Solvency Capital Requirement during 2020 or previous periods.

E.6. Any other information

There is no other information considered material that warrants disclosure.

Annexes

These Annexes contain the templates that need to be disclosed as part of the SFCR. However, the following templates have not been included as they are empty or not-relevant for Credendo XS:

- template S.12.01.02 specifying information on the technical provisions relating to life insurance and health insurance pursued on a similar technical basis to that of life insurance ('health SLT');
- template S.22.01.21, specifying information on the impact of the long-term guarantee and transitional measures;
- template S.25.02.21 specifying information on the Solvency Capital Requirement calculated using the standard formula and a partial internal model;
- template S.25.03.21 specifying information on the Solvency Capital Requirement calculated using a full internal model;
- template S.28.02.01 specifying the Minimum Capital Requirement for insurance undertakings engaged in both life and non-life insurance activity.

All amounts in the templates are expressed at unit values.

ANNEX I Balance sheet using the valuation in accordance with Article 75 of Directive 2009/138/EC

S.02.01.02.01

Balance sheet

		Solvency II value
		C0010
Assets		
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	0
Deferred tax assets	R0040	4 582 658
Pension benefit surplus	R0050	0
Property, plant & equipment held for own use	R0060	2 032 465
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	50 723 453
Property (other than for own use)	R0080	0
Holdings in related undertakings, including participations	R0090	0
Equities	R0100	0
Equities - listed	R0110	0
Equities - unlisted	R0120	0
Bonds	R0130	0
Government Bonds	R0140	0
Corporate Bonds	R0150	0
Structured notes	R0160	0
Collateralised securities	R0170	0
Collective Investments Undertakings	R0180	50 723 453
Derivatives	R0190	0
Deposits other than cash equivalents	R0200	0
Other investments	R0210	0
Assets held for index-linked and unit-linked contracts	R0220	0
Loans and mortgages	R0230	0
Loans on policies	R0240	0
Loans and mortgages to individuals	R0250	0
Other loans and mortgages	R0260	0
Reinsurance recoverables from:	R0270	79 438 410
Non-life and health similar to non-life	R0280	79 438 410
Non-life excluding health	R0290	79 438 410
Health similar to non-life	R0300	0
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	0
Health similar to life	R0320	0
Life excluding health and index-linked and unit-linked	R0330	0
Life index-linked and unit-linked	R0340	0
Deposits to cedants	R0350	0
Insurance and intermediaries receivables	R0360	6 993 454
Reinsurance receivables	R0370	5 317 021
Receivables (trade, not insurance)	R0380	0
Own shares (held directly)	R0390	0
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	0
Cash and cash equivalents	R0410	35 711 830
Any other assets, not elsewhere shown	R0420	2 479 442
Total assets	R0500	187 278 733
Liabilities		
Technical provisions – non-life	R0510	110 875 391
Technical provisions – non-life (excluding health)	R0520	110 875 391
Technical provisions calculated as a whole	R0530	0
Best Estimate	R0540	106 483 286
Risk margin	R0550	4 392 105
Technical provisions - health (similar to non-life)	R0560	0
Technical provisions calculated as a whole	R0570	0
Best Estimate	R0580	0
Risk margin	R0590	0
Technical provisions - life (excluding index-linked and unit-linked)	R0600	0
Technical provisions - health (similar to life)	R0610	0
Technical provisions calculated as a whole	R0620	0
Best Estimate	R0630	0
Risk margin	R0640	0
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	0
Technical provisions calculated as a whole	R0660	0
Best Estimate	R0670	0
Risk margin	R0680	0
Technical provisions – index-linked and unit-linked	R0690	0
Technical provisions calculated as a whole	R0700	0
Best Estimate	R0710	0
Risk margin	R0720	0
Other technical provisions	R0730	
Contingent liabilities	R0740	0
Provisions other than technical provisions	R0750	0
Pension benefit obligations	R0760	163 321
Deposits from reinsurers	R0770	1 205 328
Deferred tax liabilities	R0780	0
Derivatives	R0790	0
Debts owed to credit institutions	R0800	0
Financial liabilities other than debts owed to credit institutions	R0810	0
Insurance & intermediaries payables	R0820	1 050 830
Reinsurance payables	R0830	2 823 745
Payables (trade, not insurance)	R0840	1 821 290
Subordinated liabilities	R0850	0
Subordinated liabilities not in Basic Own Funds	R0860	0
Subordinated liabilities in Basic Own Funds	R0870	0
Any other liabilities, not elsewhere shown	R0880	4 404 784
Total liabilities	R0900	122 344 689
Excess of assets over liabilities	R1000	64 934 044

ANNEX II Premiums, claims and expenses

S.05.01.02.01

Non-Life (direct business/accepted proportional reinsurance and accepted non-proportional reinsurance)

		Line of Business for: Credit and suretyship insurance	Total
		C0090	C0200
Premiums written			
Gross - Direct Business	R0110	46 335 387	46 335 387
Gross - Proportional reinsurance accepted	R0120	0	0
Gross - Non-proportional reinsurance accepted	R0130		0
Reinsurers' share	R0140	36 417 850	36 417 850
Net	R0200	9 917 537	9 917 537
Premiums earned			
Gross - Direct Business	R0210	46 797 774	46 797 774
Gross - Proportional reinsurance accepted	R0220	0	0
Gross - Non-proportional reinsurance accepted	R0230		0
Reinsurers' share	R0240	36 685 701	36 685 701
Net	R0300	10 112 073	10 112 073
Claims incurred			
Gross - Direct Business	R0310	59 172 448	59 172 448
Gross - Proportional reinsurance accepted	R0320	0	0
Gross - Non-proportional reinsurance accepted	R0330		0
Reinsurers' share	R0340	45 555 729	45 555 729
Net	R0400	13 567 924	13 567 924
Changes in other technical provisions			
Gross - Direct Business	R0410	-2 734 481	-2 734 481
Gross - Proportional reinsurance accepted	R0420	0	0
Gross - Non-proportional reinsurance accepted	R0430		0
Reinsurers' share	R0440	578 411	578 411
Net	R0500	-3 312 892	-3 312 892
Expenses incurred	R0550	3 174 047	3 174 047
Other expenses	R1200		0
Total expenses	R1300		3 174 047

ANNEX III Premiums, claims and expenses by country

S.05.02.01.02

Top 5 countries (by amount of gross premiums written) - non-life obligations

		Home country	ITALY	FRANCE	GERMANY	LUXEMBOURG	SPAIN	Total Top 5 and home country
		C0080	C0090	C0090	C0090	C0090	C0090	C0140
Premiums written								
Gross - Direct Business	R0110	6 630 340	15 831 145	7 819 123	4 507 075	4 449 146	4 297 499	43 534 327
Gross - Proportional reinsurance accepted	R0120							
Gross - Non-proportional reinsurance accepted	R0130							
Reinsurers' share	R0140	5 708 201	11 836 247	5 783 901	3 385 030	4 401 702	3 202 039	34 317 121
Net	R0200	922 139	3 994 897	2 035 222	1 122 045	47 444	1 095 459	9 217 206
Premiums earned								
Gross - Direct Business	R0210	7 126 717	15 779 793	7 868 711	5 880 427	4 668 034	3 133 494	44 457 176
Gross - Proportional reinsurance accepted	R0220							
Gross - Non-proportional reinsurance accepted	R0230							
Reinsurers' share	R0240	6 001 648	11 758 480	5 821 099	4 414 629	4 605 424	2 329 039	34 930 318
Net	R0300	1 125 069	4 021 313	2 047 613	1 465 798	62 610	804 456	9 526 858
Claims incurred								
Gross - Direct Business	R0310	8 561 301	21 469 398	13 152 835	9 926 834	412 535	4 458 990	57 981 894
Gross - Proportional reinsurance accepted	R0320							
Gross - Non-proportional reinsurance accepted	R0330							
Reinsurers' share	R0340	6 634 028	16 995 261	9 864 626	7 445 827	379 052	3 344 018	44 662 814
Net	R0400	1 927 273	4 474 137	3 288 208	2 481 007	33 483	1 114 972	13 319 081
Changes in other technical provisions								
Gross - Direct Business	R0410	-4 066 742	581 217	517 607	86 010	22 281	77 352	-2 782 275
Gross - Proportional reinsurance accepted	R0420							
Gross - Non-proportional reinsurance accepted	R0430							
Reinsurers' share	R0440	164 898	166 597	204 956	4 358	16 054	0	556 863
Net	R0500	-4 231 640	414 620	312 651	81 651	6 227	77 352	-3 339 139
Expenses incurred	R0550	440 314	1 051 329	519 259	299 310	295 463	285 392	2 891 067
Other expenses	R1200							0
Total expenses	R1300							2 891 067

ANNEX IV Non-life technical provisions

S.17.01.02.01

Non-Life Technical Provisions

		Direct business and Credit and suretyship insurance	Total Non-Life obligation
		C0100	C0180
Technical provisions calculated as a whole	R0010	0	0
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole	R0050	0	0
Technical provisions calculated as a sum of BE and RM			
Best estimate			
Premium provisions			
Gross	R0060	23 954 679	23 954 679
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	17 429 096	17 429 096
Net Best Estimate of Premium Provisions	R0150	6 525 582	6 525 582
Claims provisions			
Gross	R0160	82 528 607	82 528 607
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	62 009 314	62 009 314
Net Best Estimate of Claims Provisions	R0250	20 519 293	20 519 293
Total Best estimate - gross	R0260	106 483 286	106 483 286
Total Best estimate - net	R0270	27 044 876	27 044 876
Risk margin	R0280	4 392 105	4 392 105
Amount of the transitional on Technical Provisions			
Technical Provisions calculated as a whole	R0290	0	0
Best estimate	R0300	0	0
Risk margin	R0310	0	0
Technical provisions - total			
Technical provisions - total	R0320	110 875 391	110 875 391
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	R0330	79 438 410	79 438 410
Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total	R0340	31 436 981	31 436 981

ANNEX V Non-life insurance claims in the format of development triangles

S.19.01.21.01

Gross Claims Paid (non-cumulative) - Development year (absolute amount). Total Non-Life Business

Accident year / Underwriting year	Z0021	Underwriting year [UWY]

		0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											73 983
N-9	R0160	2 292 411	2 969 854	6 058 696	3 231 347	580 263	257 082	138 393	0	0	0	
N-8	R0170	722 743	1 655 702	6 504 925	2 530 755	703 451	267 158	15 325	0	0		
N-7	R0180	78 557	3 758 282	924 964	868 945	22 617	-70 177	0	31 173			
N-6	R0190	78 919	2 637 320	1 259 602	583 399	110 776	35 000	0				
N-5	R0200	1 992 806	3 184 666	2 060 456	653 778	0	0					
N-4	R0210	198 309	5 012 595	6 963 712	55 439	76 307						
N-3	R0220	201 085	5 559 460	2 568 914	517 311							
N-2	R0230	663 221	6 281 039	5 638 549								
N-1	R0240	6 813 171	5 067 832									
N	R0250	159 916										

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Gross Claims Paid (non-cumulative) - Current year, sum of years (cumulative). Total Non-Life Business

Accident year / Underwriting year	Z0022	Underwriting year [UWY]

		In Current year	Sum of years (cumulative)
		C0170	C0180
Prior	R0100	73 983	73 983
N-9	R0160	0	15 528 046
N-8	R0170	0	12 400 059
N-7	R0180	31 173	5 614 361
N-6	R0190	0	4 705 017
N-5	R0200	0	7 891 705
N-4	R0210	76 307	12 306 361
N-3	R0220	517 311	8 846 770
N-2	R0230	5 638 549	12 582 809
N-1	R0240	5 067 832	11 881 003
N	R0250	159 916	159 916
Total	R0260	11 565 072	91 990 031

S.19.01.21.03

Gross undiscounted Best Estimate Claims Provisions - Development year (absolute amount). Total Non-Life Business

Accident year / Underwriting year	Z0023	Underwriting year [UWY]

		0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											
N-9	R0160						350 008	43 263	43 264	108 825	108 826	
N-8	R0170					1 294 435	291 131	113 471	122 276	122 276		
N-7	R0180				1 462 974	221 381	124 215	82 841	58 936			
N-6	R0190			1 736 088	200 104	111 270	45 369	45 032				
N-5	R0200		9 574 356	1 139 172	356 904	103 759	89 686					
N-4	R0210	10 795 797	14 297 937	4 396 159	1 655 920	1 098 425						
N-3	R0220	12 082 155	5 320 542	1 182 523	2 362 980							
N-2	R0230	9 918 384	9 228 087	9 856 645								
N-1	R0240	19 851 592	33 460 266									
N	R0250	34 403 677										

S.19.01.21.04

Gross discounted Best Estimate Claims Provisions - Current year, sum of years (cumulative). Total Non-Life Business

Accident year / Underwriting year	Z0024	Underwriting year [UWY]

		Year end (discounted data)
		C0360
Prior	R0100	0
N-9	R0160	109 850
N-8	R0170	124 114
N-7	R0180	59 897
N-6	R0190	45 959
N-5	R0200	91 394
N-4	R0210	1 112 487
N-3	R0220	2 385 748
N-2	R0230	9 941 252
N-1	R0240	33 763 470
N	R0250	34 894 436
Total	R0260	82 528 607

ANNEX VI Own funds

S.23.01.01.01

Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	70 092 800	70 092 800		0	
Share premium account related to ordinary share capital	R0030	0	0		0	
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	0	0		0	
Subordinated mutual member accounts	R0050	0		0	0	0
Surplus funds	R0070	0	0			
Preference shares	R0090	0		0	0	0
Share premium account related to preference shares	R0110	0		0	0	0
Reconciliation reserve	R0130	-9 741 414	-9 741 414			
Subordinated liabilities	R0140	0		0	0	0
An amount equal to the value of net deferred tax assets	R0160	4 582 658				4 582 658
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	0	0	0	0	0
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220	0				
Deductions						
Deductions for participations in financial and credit institutions	R0230	0	0	0	0	
Total basic own funds after deductions	R0290	64 934 044	60 351 386	0	0	4 582 658
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	0			0	
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	0			0	
Unpaid and uncalled preference shares callable on demand	R0320	0			0	0
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330	0			0	0
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	0			0	
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350	0			0	0
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	0			0	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	0			0	0
Other ancillary own funds	R0390	0			0	0
Total ancillary own funds	R0400	0			0	0
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	64 934 044	60 351 386	0	0	4 582 658
Total available own funds to meet the MCR	R0510	60 351 386	60 351 386	0	0	
Total eligible own funds to meet the SCR	R0540	64 934 044	60 351 386	0	0	4 582 658
Total eligible own funds to meet the MCR	R0550	60 351 386	60 351 386	0	0	
SCR	R0580	30 791 514				
MCR	R0600	7 697 879				
Ratio of Eligible own funds to SCR	R0620	211%				
Ratio of Eligible own funds to MCR	R0640	784%				

S.23.01.01.02

Reconciliation reserve

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	64 934 044
Own shares (held directly and indirectly)	R0710	0
Foreseeable dividends, distributions and charges	R0720	0
Other basic own fund items	R0730	74 675 458
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	0
Reconciliation reserve	R0760	-9 741 414
Expected profits		
Expected profits included in future premiums (EPIFP) - Life business	R0770	0
Expected profits included in future premiums (EPIFP) - Non-life business	R0780	-7 251 807
Total Expected profits included in future premiums (EPIFP)	R0790	-7 251 807

ANNEX VII Solvency Capital Requirement calculated using the standard formula

S.25.01.21.01

Basic Solvency Capital Requirement

		Gross solvency capital requirement	Simplifications
		C0110	C0120
Market risk	R0010	11 760 223	
Counterparty default risk	R0020	6 770 421	
Life underwriting risk	R0030	0	
Health underwriting risk	R0040	0	
Non-life underwriting risk	R0050	17 709 125	
Diversification	R0060	-8 642 754	
Intangible asset risk	R0070	0	
Basic Solvency Capital Requirement	R0100	27 597 016	

S.25.01.21.02

Calculation of Solvency Capital Requirement

		Value
		C0100
Operational risk	R0130	3 194 499
Loss-absorbing capacity of technical provisions	R0140	0
Loss-absorbing capacity of deferred taxes	R0150	0
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency Capital Requirement excluding capital add-on	R0200	30 791 514
Capital add-on already set	R0210	0
Solvency capital requirement	R0220	30 791 514
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

S.25.01.21.03

Basic Solvency Capital Requirement (USP)

		USP
		C0090
Life underwriting risk	R0030	
Health underwriting risk	R0040	
Non-life underwriting risk	R0050	

S.25.01.21.04

Approach to tax rate

		Yes/No
		C0109
Approach based on average tax rate	R0590	Approach based on average tax rate

S.25.01.21.05

Calculation of loss absorbing capacity of deferred taxes

		LAC DT
		C0130
LAC DT	R0640	
LAC DT justified by reversion of deferred tax liabilities	R0650	
LAC DT justified by reference to probable future taxable economic profit	R0660	
LAC DT justified by carry back, current year	R0670	
LAC DT justified by carry back, future years	R0680	
Maximum LAC DT	R0690	

ANNEX VIII Minimum Capital Requirement for insurance and reinsurance undertakings engaged in only life or only non-life insurance or reinsurance activity

S.28.01.01.01

Linear formula component for non-life insurance and reinsurance obligations

		MCR components
		C0010
MCRNL Result	R0010	5 907 625

S.28.01.01.02

Background information

		Background information	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020	0	0
Income protection insurance and proportional reinsurance	R0030	0	0
Workers' compensation insurance and proportional reinsurance	R0040	0	0
Motor vehicle liability insurance and proportional reinsurance	R0050	0	0
Other motor insurance and proportional reinsurance	R0060	0	0
Marine, aviation and transport insurance and proportional reinsurance	R0070	0	0
Fire and other damage to property insurance and proportional reinsurance	R0080	0	0
General liability insurance and proportional reinsurance	R0090	0	0
Credit and suretyship insurance and proportional reinsurance	R0100	27 044 876	9 917 537
Legal expenses insurance and proportional reinsurance	R0110	0	0
Assistance and proportional reinsurance	R0120	0	0
Miscellaneous financial loss insurance and proportional reinsurance	R0130	0	0
Non-proportional health reinsurance	R0140	0	0
Non-proportional casualty reinsurance	R0150	0	0
Non-proportional marine, aviation and transport reinsurance	R0160	0	0
Non-proportional property reinsurance	R0170	0	0

S.28.01.01.03

Linear formula component for life insurance and reinsurance obligations

		C0040
MCRL Result	R0200	0

S.28.01.01.04

Total capital at risk for all life (re)insurance obligations

		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210	0	
Obligations with profit participation - future discretionary benefits	R0220	0	
Index-linked and unit-linked insurance obligations	R0230	0	
Other life (re)insurance and health (re)insurance obligations	R0240	0	
Total capital at risk for all life (re)insurance obligations	R0250		0

S.28.01.01.05

Overall MCR calculation

		C0070
Linear MCR	R0300	5 907 625
SCR	R0310	30 791 514
MCR cap	R0320	13 856 181
MCR floor	R0330	7 697 879
Combined MCR	R0340	7 697 879
Absolute floor of the MCR	R0350	3 700 000
Minimum Capital Requirement	R0400	7 697 879