100

ANNUAL REPORT 2020

TURNING UNCERTAINTIES
INTO **OPPORTUNITIES**
SINCE 1921

CREDENDO 100 YEARS


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MESSAGE OF THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

Throughout 2020, Credendo has remained steadfast in its support of the business community as companies deal with the devastation caused by the Covid-19 pandemic.

With unprecedented levels of uncertainty and upheaval as a result of Covid-19, the last 12 months have been a truly turbulent time for the global business community. Certain sectors, such as aviation, tourism and hospitality, continue to suffer.

The situation caused by the pandemic has certainly brought the credit insurance sector to the fore as a vital means of supporting companies and facilitating bank lending around the world.

Within Credendo, our response to the pandemic has been focused on the continued delivery of our services, while ensuring the safety of our employees, and we rapidly implemented a successful remote work strategy.

Well aware that the Belgian economy also required our assistance – and urgently – we acted quickly to provide the necessary support in the form of a reinsurance programme on behalf of the Belgian State to prop up the private credit insurance market, as well as a new financial guarantee. These measures were very well-received by the exporting community and domestic businesses, and we are proud of the important role we have played during this critical time.

Still, the economic impacts of the pandemic are inescapable, and a higher level of loss will probably be an inevitable consequence. Whilst the losses anticipated at the outbreak of the pandemic in early 2020 have not materialised to the level expected by now, we are nevertheless ending the year with a shortfall of EUR 83 million. This is largely due to the investment portfolio, which was severely hit in the first quarter as a result of the pandemic's deleterious impact on the financial markets, but which has since progressively stabilised and recovered, ending the year with a much reduced EUR 45 million financial loss. Additional 'incurred but not reported' and 'risk deterioration' provisioning explain the negative technical result.

Our insurance premium revenue remains strong at EUR 334 million, an increase of 6.1% over the previous year, indicating that the pandemic has not had an impact on our turnover. More significantly, our insurance premium ceded to reinsurance has seen an increase of almost 19% over the previous year as a result of the various European Covid-19-related state support schemes.

In terms of claims, our net loss ratio has increased to 72.5% from 41% the previous year.

All things considered, while the results are not favourable, the sense is that it could certainly have been substantially worse.

Looking ahead, as one of Europe's top four credit insurers, our business growth ambitions remain clear, and we see a number of opportunities to drive this. In order to do so, we continue to increase the efficiency of the group, as demonstrated with the merger between our two specialised entities, Credendo – Excess & Surety and Credendo – Single Risk. The new entity, Credendo – Guarantees & Speciality Risks, with its increased capital base and extensive European footprint, will be key to our continued advancements, particularly in the surety business, where we have an already growing profile.

EUR 334 MILLION
INSURANCE PREMIUM REVENUE

6.1%
INCREASE IN INSURANCE PREMIUM REVENUE

> **Within Credendo, our response to the pandemic has been focused on the continued delivery of our services, while ensuring the safety of our employees.**
>
> **DIRK TERWEDUWE,**
> **CHIEF EXECUTIVE OFFICER**

VINCENT REUTER,
CHAIRMAN OF THE BOARD OF DIRECTORS

DIRK TERWEDUWE,
CHIEF EXECUTIVE OFFICER

Our innovation efforts are another string to our bow, and we continue to invest in research and development to further facilitate this work. Through our AREA42 innovation vehicle, we are committed to finding solutions for digital B2B platforms, still at a nascent stage within the credit insurance market.

As 2021 will be the year in which we celebrate our 100th anniversary as an export credit agency, we hope that business – and life – will soon return to normal as Covid-19 vaccines are rolled out and the virus is progressively brought under control. We know that businesses face a long road to recovery and that help from the government will be even more critical. We stand ready to continue to extend our support.

Dirk Terweduwe
Chief Executive Officer

Vincent Reuter
Chairman of the Board of Directors

100 YEARS OF NEW OPPORTUNITIES

OUR **LIFT OFF! STRATEGY** (2019-2021)

In 2020, Credendo's performance was proof of the efficiency and correct focus of our 'Lift Off!' strategic plan. Even in exceptional circumstances, it steers our actions and decisions towards sustainable growth.

VISION

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

MISSION

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

We turn uncertainties into opportunities.

VALUES

Customer intimacy

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

You get bespoke solutions.

Respect

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

You can trust us.

Reliability

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

You can count on us.

OUR STRATEGIC GOALS

We have a century's worth of history. Since our beginnings, we've grown to become the fourth biggest European credit insurance group. But our DNA hasn't changed: we're a solid credit insurance group anchored in Belgium, promoting international trade and serving companies.

Delivering an excellent customer experience

Focusing on customer needs is at the core of our strategy. Our ambition is to provide simple, fast, relevant and personalised solutions.

We've been optimising our internal processes and group structure in order to deliver smooth and best-in-class services.

We're making sure that our analyses and advice are well supported with available internal and external data, so our customers can make the best decisions.

Being relevant

We strive to develop ourselves to remain a relevant and reliable partner.

Even in a challenging year like 2020 we were able to react very quickly and introduce additional products in response to Covid-19: the Credendo Bridge Guarantee and the State Reinsurance scheme for private credit insurers.

We're investigating how we can serve our customers in new geographic areas and help them expand their international trade. In 2020, Credendo opened a new branch in Ireland, the 15th European country in which we're present.

Welcoming innovation and engagement

We want to address the future changes in our industry and the new expectations of our stakeholders.

We've been actively experimenting with blockchain, innovative solutions for marketplaces and new ways to support trade activities.

Our organisation, culture and people are being oriented towards new ways of working.

We've developed a corporate sustainability action plan. This will ensure that we take care of our society, the environment, our stakeholders and our people, today and tomorrow.

Aiming for profitable growth

While developing, we want to maintain our financial discipline and guarantee profitable growth.

During the Covid-19 crisis in 2020, we managed to introduce a number of initiatives so as to keep all our financial positions under control.

HIGHLIGHTS OF THE YEAR

Pandemic-related support was a key feature of Credendo's activities in 2020. Throughout the year we also took several steps closer to achieving our growth ambitions.

78%
OF RESPONDENTS REPORTED A NEGATIVE IMPACT ON THEIR BUSINESS AS A RESULT OF THE PANDEMIC (EXPORT BAROMETER 2020)

EUR 42 BILLION
CREDITS FOR BELGIAN COMPANIES

A century of innovation

Going into 2021, we celebrate our 100th anniversary, providing us with an opportunity to reflect on Credendo's rich history. We are proud of the progress we have made in our support of trade, from our beginnings as an agency focused only on Belgian exporting firms, founded by the Belgian government, to what we have evolved to become today – an international group with a presence across Europe.

But when speaking about history, it is also important to highlight one's preparations for the future. At Credendo, we will continue to adapt to the shifting dynamics of trade, both global and local, and the needs of our clients, as was demonstrated in 2020 with the launch of new products and the changes we have made to our structure.

100 years later, we are still active and relevant, and ready for what the future will bring.

Support through unprecedented times

Since the outbreak of Covid-19, Credendo has been keeping a close eye on the impact of the pandemic on our clients and their export business as they deal with major challenges such as the effects of government lockdown measures, supply chain shifts and cash flow issues.

In terms of the bearing on Belgian exports specifically, among the companies surveyed as part of our Export Barometer 2020, 78% of respondents reported a negative impact on their business as a result of the pandemic, with reduced and cancelled orders cited as one of the main obstacles.

Credendo prides itself on its ability to act with agility, and we were quick to roll out the necessary support. This included two support measures to facilitate continued access to bank credit and credit insurance for internationally active Belgian enterprises, as approved by the European Commission.

One of these measures was a new financial guarantee, the Credendo Bridge Guarantee, implemented for a couple of months. The other component of support was the establishment of a state reinsurance programme, which sees Credendo – acting on behalf of the Belgian State – taking on the role of reinsurer, enabling private insurers to maintain their credit limits at the same level as was used in the 12 months leading up to 01/03/2020, representing a total amount of over EUR 42 billion for Belgian companies.

The European Commission announced in October that it would extend reinsurance support measures, which were due to expire at the end of 2020, until 30/06/2021 and even longer if required by the economic situation. It was a move welcomed by Credendo as we are fully aware of the increased strain that businesses will suffer as and when the various substantial government-led financial measures that have been extended to companies worldwide in the wake of the pandemic are phased out. It is only then that we will be fully aware of the extent to which the real economy has been impacted.

Credendo's own, internal response to the pandemic largely focused on our ability to ensure business-as-usual operations with all of our clients, as well as the safety of our employees. To that end, we took measures to enable employees to work remotely, while at the same time adapting our workplaces and equipping our staff in line with the governmental guidance. Unable to sustain the usual close personal contact that we have with our clients, our conversations with them moved to the virtual world.

Increasing our positive impact

Credendo – Export Credit Agency supports many projects that contribute directly to the achievement of the UN's Sustainable Development Goals (SDGs), and we have identified 11 SDGs that match our global aspirations and activities. There are a number of Belgian champions taking the lead on projects around the world that contribute to the achievement of SDGs, including those that relate to drinking water and wastewater treatment, hospitals and public health infrastructure, energy efficiency and renewable energy. All of these details can be found in our 'Corporate Social Responsibility Report 2018-2020', published last year.

Having identified our goal as fostering the development of businesses that are fully consistent with these SDGs while simultaneously meeting clients'

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Credendo's own, internal response to the pandemic largely focused on our ability to ensure business-as-usual operations with all of our clients, as well as the safety of our employees.

EUR 135 MILLION
PAID-IN CAPITAL FOR CREDENDO — GUARANTEES & SPECIALITY RISKS

expectations for long-term objectives, we have reinforced our due diligence procedure to examine and address potential environmental and social risks associated with transactions or investment projects. All requests for cover are submitted for screening so that transactions can be classified according to their potential impact and an Environmental and Social Action Plan is developed in order to avoid, reduce, mitigate or cancel potential adverse impact. We have also entered into dialogue with key clients and industry partners to discuss areas in which we are able to improve.

In terms of our own impact, Credendo continues to respond to environmental and social concerns in relation to our day-to-day activities. For the last 10 years, we have been measuring our carbon footprint, and since then have managed to reduce it by one third. Aware that we are not able to cancel all of our emissions, we are compensating for this by backing an offsetting project in Ghana that supports the distribution of insulated and efficient cooking stoves to Ghanaian families.

In 2020, for the second year in a row, our efforts towards credible climate action were rewarded with a 'CO_2-Neutral®' label from environmental consultant CO2logic.

Becoming a bigger player

Another important development for Credendo in 2020 was the announcement of the merger between our two specialised trade credit insurance entities, Credendo – Excess & Surety and Credendo – Single Risk.

The merger will not only simplify our structure, by bringing all of our speciality lines of trade credit insurance and surety into one company, but it will also power our growth ambitions for these businesses.

The new entity, Credendo – Guarantees & Speciality Risks, will have a paid-in capital of EUR 135 million and will offer surety, excess-of-loss and top-up cover and single-risk policies from its headquarters in Brussels and its extensive network of branches in Austria, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Poland, Spain and Switzerland.

Equipped with this enhanced capital base and financial solidity, we look forward to taking a leading position in the speciality insurance market. As a bigger player, we will be able to address growing demand from large corporates and SMEs, as well as banks, and open up to new markets and clientele.

In the meantime, S&P Global assigned an 'A-' rating to Credendo – Excess & Surety for the first time, and affirmed the 'A-' rating of Credendo – Single Risk.

Our European expansion

2020 saw Credendo opening up a new branch in Ireland, bringing the number of European countries in which we have a presence to 15.

The new Credendo – Excess & Surety branch in Cork offers surety bonds, guarantee facilities, excess-of-loss and top-up cover. Ireland is an important marketplace for surety, and in order to address the specific needs of the Irish market, the branch focuses on performance bonds, advance payment bonds, retention bonds, development bonds and revenue bonds.

In terms of future expansion, we will also be opening a second office in the Netherlands in 2021.

Innovation to prepare our next century

Over the last century, as our remit has broadened from the Belgian economy to international companies, so has our investment in innovation, and this continues today.

Our AREA42 trade innovation ecosystem continues to work on initiatives to transform trade for the digital era. This cooperative environment has resulted in the operational launch of new company Marjory in early 2020, which provides solutions for companies building marketplace platforms, and brings together various service providers, such as insurers and fintechs, in areas such as payments, working capital and logistics.

AREA42 is now working to complement the Marjory offering with a payment term solution for B2B platforms.

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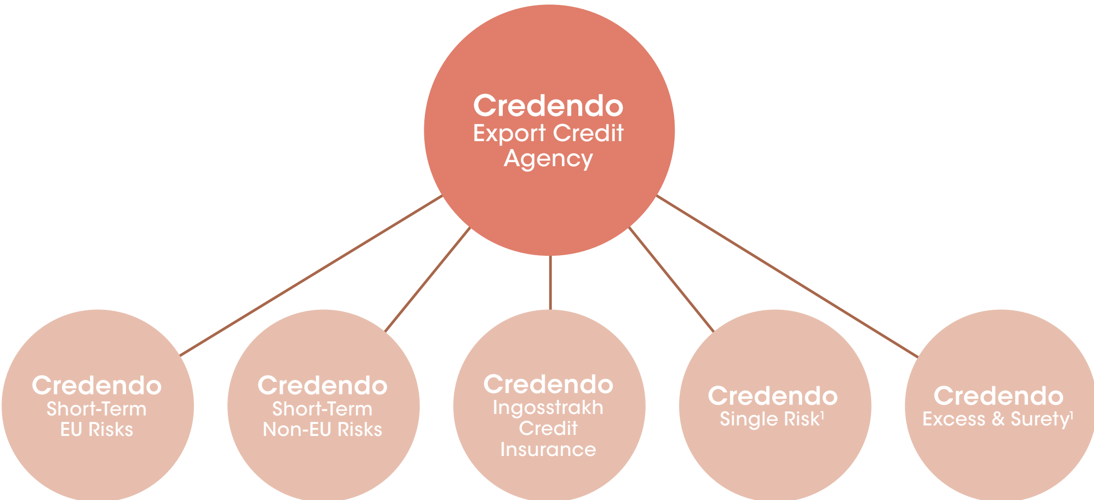
GROUP STRUCTURE

Through its parent company Credendo – Export Credit Agency and its five subsidiaries, Credendo provides the full range of insurance and financing products required to protect companies exporting and investing overseas.



Where to find which product?

ENTITY	PRODUCTS OFFERED
Credendo – Export Credit Agency	> ECA products for Belgian companies and banks: – Single-risk credit insurance – Investment insurance (political risk) – Financial guarantees – Direct financing > Market Window products: – Participation in bank and insurance syndicates (unfunded) – Cover to banks for trade finance instruments (e.g. confirmation of letters of credit (L/Cs)) > Reinsurance of credit and surety
Credendo – Short-Term EU Risks	> Whole turnover short-term credit insurance, with focus on risks within the EU
Credendo – Short-Term Non-EU Risks	> Whole turnover short-term credit insurance, with focus on non-EU risks
Credendo – Ingosstrakh Credit Insurance	> Whole turnover short-term credit insurance (for clients in Russia and the CIS)
Credendo – Single Risk[1]	> Single-risk credit insurance > Investment insurance (political risk) > Unfair calling of bonds
Credendo – Excess & Surety[1]	> Excess-of-loss insurance > Top-up cover > Captive reinsurance > Surety

1. The merger process between our two specialised entities, Credendo – Excess & Surety and Credendo – Single Risk, should be completed in June 2021, with retroactive effect as from 01/01/2021. The new entity will be named Credendo – Guarantees & Speciality Risks.

SERVING CUSTOMERS FOR ONE CENTURY

Credendo is the world's second-oldest public credit insurer. Since it was founded in 1921 our company has grown to become the 4th largest European credit insurance group and covers risks worldwide. Some of the key milestones in our history are presented below:

1921

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

1939

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

1996

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

2004

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

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

2005

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

2006

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

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

> Credendo – Export Credit Agency works with the Belgian State guarantee for its own activities. Via its 5 subsidiaries it also heads a European credit insurance group present in 15 European countries.

2007

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

2009

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

2013

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

2017

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

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

2020

Credendo – Excess & Surety opens a branch office in Ireland, making it the **15th European country** where Credendo is present.

Credendo starts the process of merging Credendo – Excess & Surety and Credendo – Single Risk into its new specialist entity **Credendo – Guarantees & Speciality Risks**.

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

RISK MANAGEMENT IN COVID TIMES

An overview of the global risk environment in 2020 and the impact on Credendo's political risk classifications.

The economic impact of Covid-19

2020 will remain forever etched as the year of the Covid-19 pandemic and its unprecedented health and socioeconomic shocks across the globe. After the first outbreak was reported in China in late 2019, the virus spread rapidly to the rest of the world. Besides the health impacts and the dramatic loss of lives worldwide, the situation resulted in a sharp global economic recession of 3.3% in 2020 according to the IMF. The many measures (travel restrictions, social distancing, curfews, lockdowns and so on) imposed by most governments have weighed heavily on economic activity.

Many sectors took a significant hit, which had a spillover effect on economies across the globe. The tourism sector was one of the most affected by containment measures and social distancing. The prolonged crisis and slow recovery ahead will continue to significantly impact many tourism-reliant countries.

Prices of energy and commodities such as metals and minerals, plunged at the start of the year, but have since seen a partial recovery. In the case of metals, this recovery is being driven by a pickup in China's industrial activity. Meanwhile, despite a rebound, oil prices remained low in 2020 due to weak demand.

Workers' remittances, which contracted sharply during the early lockdown period, have since also shown signs of recovery. The magnitude of the contraction and the recovery has differed dramatically across countries.

Many economies have also suffered from a sharp decline in external demand and trade. Emerging markets suffered greatly as a result of negative global financial conditions, and saw record-high portfolio outflows at the outbreak of the Covid-19 pandemic. As the year progressed, aggregate portfolio flows to emerging markets recovered, thereby allowing many countries to issue sovereign bonds to finance their growing fiscal deficit. That being said, some countries have continued to experience capital outflows, suggesting that investors will maintain a distinction between economies with good fundamentals and a policy framework, and those without. Meanwhile, foreign direct investments – a key source of financing for some countries – remained lacklustre throughout 2020 amid considerable uncertainty and an associated reluctance to invest.

Faced with this incomparable domestic and external shock, both advanced and emerging countries sought to mitigate the economic impact through large monetary and fiscal policy support measures. Moreover, international assistance was swiftly deployed to meet substantial fiscal and external financing needs. More than 80 countries obtained IMF financial support, with low-income countries also benefitting from the G20 Debt Service Suspension Initiative (DSSI), available until at least mid-2021. This support has prevented an even greater economic contraction and alleviated liquidity pressures on private firms – preventing a large number of bankruptcies – and the public sector. As a result, within the context of a deep recession, just six sovereign defaults – Argentina, Belize, Ecuador, Lebanon, Suriname and Zambia – were recorded on the international bond market in 2020. Nevertheless, risks for private and public companies have further increased as debt has ballooned to record levels and further deepened existing financial vulnerabilities.

2020 was also marked by the election of Joe Biden as the new president of the US – a country which has reported the world's highest number of Covid-19 cases and deaths. In response to the severe health and socioeconomic shocks, the US government launched stimulus and relief packages worth some USD 2.8 trillion, accompanied by significant monetary stimulus.

These developments took place in an environment of persisting geopolitical tensions dominated by the US-China struggle. Tensions also remained high in the Middle East (specifically Iran, Libya and Syria) and in Asia (the South China Sea, North Korea and Taiwan) due to China's political and military ambitions. This was notably highlighted in a resumed conflict with India at their disputed Himalayan border. Meanwhile, armed clashes continued between India and Pakistan over the Kashmir region.

Around the world, the pandemic fuelled corruption and electoral manipulation, which – together with an increase in confrontational political dynamics – drove a large number of protests. The severe social impact of Covid-19, leading to increased poverty and unemployment, is likely to raise future political and social instability risks in many regions, notably in the Commonwealth of Independent States (CIS), Africa and Latin America.

Impact of Covid-19 on Credendo's country risk classifications

The Covid-19 pandemic has had an acute direct and indirect impact on country risks. In a year marked by a wave of downgrades, Credendo downgraded a large number of ratings, particularly for commercial risk and short-term (ST) political risk. Although no region was spared, the size of the shock varied between countries. For instance, those dependent on tourism, from the Caribbean to Southern Europe and South East Asia, were hit particularly hard. There was also some disparity in macroeconomic fundamentals as countries with high debt and poor foreign exchange reserves had less room for manoeuvre when it came to rolling out measures to support their economies.

Credendo downgraded 49 countries – including 14 very small economies – for ST political risk: Senegal, Oman and Ecuador were downgraded by two notches, as were small tourism-reliant countries (including Fiji, the Maldives and Seychelles). Just three upgrades were recorded (Moldova, Pakistan and Panama). Latin America (which saw 21 countries being downgraded, including seven very small economies) was the most impacted, followed by Asia (11 downgrades, including six very small economies) and the Europe and CIS region (nine downgrades). As for medium- to long-term (MLT) political risk, 16 countries were downgraded (including one very small economy): six in Sub-Saharan Africa (including Kenya and Zambia to 7/7, as well as Cameroon and Nigeria), four in the Middle East and North Africa region (including Morocco and Oman) and four in Latin America (including Argentina to 7/7). Five countries were upgraded before Covid-19 was declared a pandemic, four of them in the Europe and CIS region (Kyrgyzstan, Romania, Serbia and Ukraine). The relatively low number of downgrades is partly explained by the fact that, over the past few years, MLT political risk downgrades have largely exceeded upgrades. Furthermore, while many political risk indicators deteriorated – most notably fiscal balances and external debt – the current account balance showed resilience as the contraction in imports often more than offset the reduction in exports, and economies were expected to recover in 2021.

PASCALINE DELLA FAILLE, COUNTRY AND SECTOR RISK MANAGER AT CREDENDO

3.3%
GLOBAL CONTRACTION FOR 2020 (SOURCE: IMF)

The Covid-19 pandemic has had an acute direct and indirect impact on country risks. In a year marked by a wave of downgrades, Credendo downgraded a large number of commercial risk and short-term political risk ratings.

> Latin America has been the region hardest hit by the economic fallout of Covid-19, particularly its three biggest economies – Brazil, Mexico and Argentina – and the tourism-reliant Caribbean islands.

Asia

Covid-19 has led to the first Asian regional recession in 60 years. Plunging tourism revenues, weak global demand, disrupted supply chains and Covid-19-related restrictions have had a sharp contractionary effect on domestic activity and trade. Eleven countries were downgraded for ST political risk (including Malaysia, Myanmar and Sri Lanka), mainly due to the impact on exports of goods and services. The Maldives saw its MLT political risk rating downgraded from 5/7 to 6/7 given the devastating economic effect of global tourism coming to a halt. Wide economic stimulus measures, an earlier reopening of economies and a strong V-shaped recovery in China contributed to a regional rebound. China, Vietnam and Bangladesh were among the few to grow, whereas Taiwan and South Korea also showed resilience thanks to an effective handling of the pandemic and a boost in information and communications technology exports, such as laptops and mobile devices. Conversely, India suffered a historic deep recession, contracting 8% amid an already ongoing economic crisis.

Latin America

Latin America has been the region hardest hit by the economic fallout of Covid-19, particularly its three biggest economies – Brazil, Mexico and Argentina – and the tourism-reliant Caribbean islands. All countries (except new oil producer Guyana) entered a deep recession, poor public finances further deteriorated, and four sovereign debt defaults were recorded. The region's long and strict lockdown measures, a high reliance on plunging commodity prices, weaker remittances and a contracted US market largely explained the huge shock. In terms of ST political risk, 21 countries (including Brazil, Chile, Colombia, Ecuador and Paraguay) were downgraded, whereas four countries (Argentina, Aruba, Dominican Republic and El Salvador) were downgraded for MLT political risk. Given the size of the crisis, some countries (such as Colombia, Mexico and Peru) received emergency international financial support to meet suddenly soaring financing needs. In Argentina, the Covid-19 shock amplified the recession, worsened fundamentals and maintained the negative spiral of the peso and foreign-exchange reserves. Given the still unsustainable external debt, high uncertainty around government policies and external financing, and persisting capital controls, Argentina was downgraded to the highest risk category (7/7).

Sub-Saharan Africa

Although the Covid-19 fatality rates in Sub-Saharan Africa remained limited during the first wave of the pandemic, this accelerated substantially during the second wave at the end of 2020. Nonetheless, full lockdowns as instituted in early 2020 are unlikely given the devastating impact on largely informal economies. Indeed, in 2020 the Sub-Saharan African region fell into its first recession in 25 years with a contraction of 1.9% according to the IMF, meaning much of the progress made in poverty reduction has been lost due to the pandemic. As a result of the collapse in revenues and huge public spending needs for health services and support measures, large financing gaps emerged requiring substantial additional financial assistance. The IMF swiftly approved financial emergency programmes for many low-income countries and support was granted by the G20's Debt Service Suspension Initiative (DSSI). Tourism-dependent economies' external revenues were severely hit, which explains ST political risk downgrades for four countries in the region (the Seychelles and Senegal by two notches, and São Tomé and Príncipe and Uganda). Less affected economies appeared to be those that are better diversified, such as

RAPHAËL CECCHI, COUNTRY AND SECTOR RISK ANALYST AT CREDENDO

Ghana, Benin and Côte d'Ivoire. As for MLT political risk, Kenya and Zambia's ratings were downgraded to 7/7 as the Covid-19 crisis further pushed debt ratios to unsustainable levels. Namibia's deteriorating financial position motivated a downgrade to 6/7. Over-reliance on a single export commodity, especially oil, has been a principal vulnerability driving the downgrades of Nigeria (to 6/7) and Cameroon (to 6/7), or diamonds for Botswana (to 3/7). As public debt levels amassed over the past year, many governments are expected to prioritise fiscal consolidation, which could fuel social unrest across the region. On the other hand, the recovery phase might also create momentum for long-awaited structural reforms.

Middle East and North Africa (MENA)

The MENA countries faced a dual shock in 2020, and were hit by both Covid-19 and the oil price collapse. The pandemic triggered a significant supply and demand shock in the region. Supply chains and manufacturing processes were interrupted, adding to high geopolitical uncertainty and social tensions in some countries, and further damaging investor confidence. Simultaneously, consumer demand weakened, particularly across the tourism and hospitality sectors. Oil-exporting countries were the hardest hit, especially in terms of their liquidity and public finances. Four countries (Egypt, Jordan and Lebanon, and Oman by two notches) saw their ST political risk rating downgraded. Four countries (including Bahrain, Oman and Morocco) were downgraded for MLT political risk. Bahrain and Oman were both downgraded to 6/7 in the face of lower oil prices and high financial risk. Morocco was downgraded to 4/7, mainly due to the widening twin deficit and higher external and public debt. Risks of increased social tensions and slow economic reforms will delay the improvement in economic fundamentals.

Emerging-market (EM) Europe and CIS countries

EM Europe and the CIS countries were greatly impacted by the pandemic amid high numbers of Covid-19 cases and the imposition of restrictive measures, which affected domestic demand. The region also suffered as a result of the drop in oil prices, tourism revenues, remittances and external demand. As a result of the deterioration of external liquidity, Credendo downgraded the ST political risk of nine countries (including Albania, Armenia, Georgia and Kyrgyzstan). Among them, Turkey's downgrade to 5/7 from 4/7 was driven by the sharp decrease in gross foreign exchange reserves. More positively, Moldova was upgraded in early 2020 amid an improvement of its liquidity. When the magnitude of the impact of Covid-19 was not yet clear, in early 2020, Credendo upgraded the MLT political risk of four countries by one notch (Kyrgyzstan and Ukraine to 6/7, Serbia to 4/7 and Romania to 2/7). Ukraine's upgrade reflected the sharp improvement in macroeconomic policies and sharp reduction in internal and external imbalances compared to 2014. Russia's political risk remained stable, highlighting that – despite a drop in real GDP of 3.1% – the economy was largely resilient, thanks to very sound fiscal and monetary policies and large external buffers. 2020 was marked by a surge in political violence in various countries, notably in Belarus following the contested presidential elections, in Kyrgyzstan with its third revolution since 2005, and the worst confrontation since the 1990s between Armenia and Azerbaijan over the disputed Nagorno-Karabakh region.

"The MENA countries faced a dual shock in 2020, and were hit by both Covid-19 and the oil price collapse.

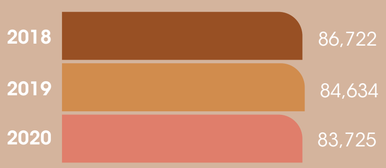
A GLOBAL **LEADER**

Activities and results

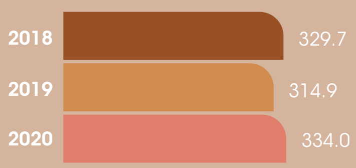
IN MILLION EUR	2020	2019	2018
Value of transactions insured during the financial year[1]	83,724.6	84,634.3	86,722.4
Total potential exposure	59,328.3	65,783.9	64,272.1
Insurance premium revenue[1]	334.0	314.9	329.7
Insurance claims and loss adjustment expenses[1]	255.0	141.0	158.3
Total profit/(loss)	-82.7	269.7	-32.1
Total comprehensive income	-88.0	276.7	-36.7
Total equity	2,719.4	2,807.7	2,531.1
Staff	550	547	520
RATIOS (IN %)			
Net loss ratio[2]	72.5%	40.8%	49.4%
Net cost ratio[3]	36.5%	38.2%	34.3%

1. Before cession to reinsurers.
2. (net insurance claims and loss adjustment expenses plus impairments on funded solutions) / net insurance premium revenue
3. (operating expenses minus other operating income and impairments on funded solutions) / net insurance premium revenue

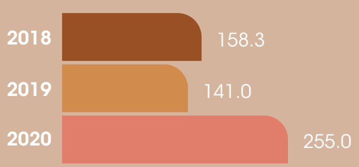
Value of transactions insured[1] (in million EUR)



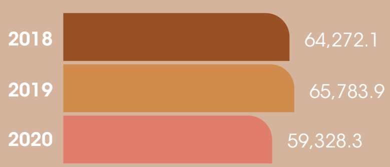
Insurance premium revenue[1] (in million EUR)



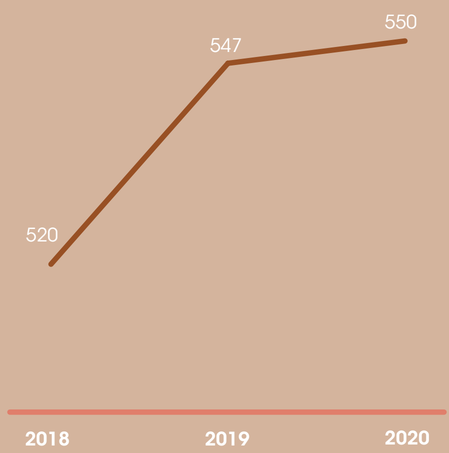
Insurance claims and loss adjustment expenses[1] (in million EUR)



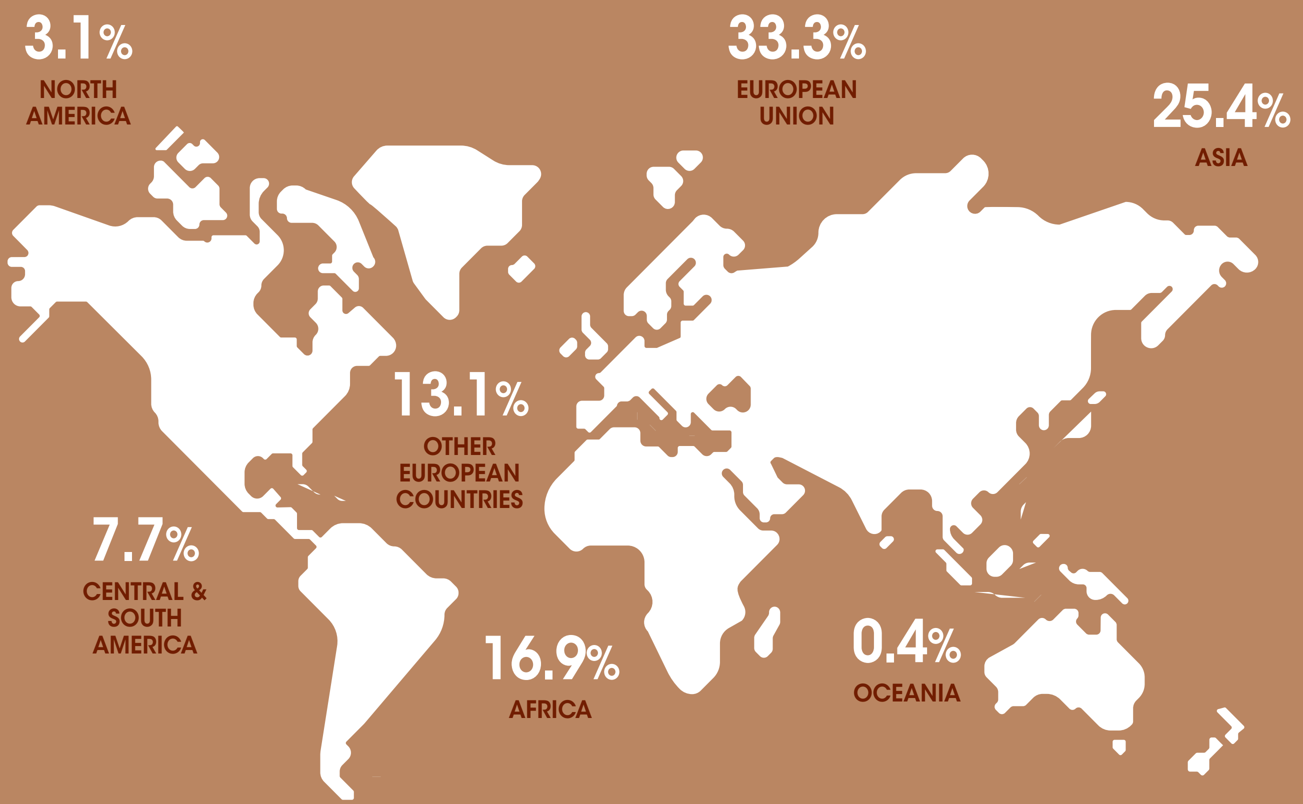
Total potential exposure (in million EUR)



Staff (in units)



Geographical spread of risk exposure



AVAILABLE PRODUCTS: BEYOND TRADITIONAL EXPORT CREDIT INSURANCE

Credendo gives direct access to a whole suite of credit insurance solutions: from tailor-made risk cover to easier access to trade financing. That is how we implement our mission of providing customised solutions of insurance, reinsurance, guarantees, bonding and financing related to domestic and international trade transactions or investments abroad. We protect companies, banks and insurance undertakings against credit and political risks or facilitate the financing of such transactions.

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

Nabil JIJAKLI,
Deputy Chief Executive Officer

Dirk TERWEDUWE,
Chief Executive Officer

Frank VANWINGH,
Deputy Chief Executive Officer

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	BELGIAN EXPORTER		FOREIGN EXPORTER	FINANCING		BELGIAN STATE GUARANTEE	TENOR	
	SME	LARGE COMPANY		BANK	CREDENDO		< 2 YEARS	≥ 2 YEARS
TRADE CREDIT INSURANCE								
Private credit insurance								
Standard comprehensive policy (whole turnover)	●	●	●				●	
Single risk	●	●	●	●			●	●
Import prefinancing	●	●	●				●	
XOL - Excess of loss		●	●				●	
XOL Partners	●		●				●	
Top up	●	●	●				●	
Public credit insurance								
Cash transaction insurance	●	●				●	●	●
Buyer credit insurance		●		●		●		●
Supplier credit insurance	●	●				●		●
Bank guarantee insurance	●	●		●		●	●	●
Contracting equipment insurance	●	●				●	●	●
Import prefinancing insurance	●	●				●	●	●
FINANCING								
Forfaiting	●	●			●	●		●
Buyer Credit Credendo	●	●			●	●		●
BONDING								
Contract surety bonds	●	●	●				●	●
Legal surety bonds	●	●	●				●	●
INVESTMENT INSURANCE								
Political risk insurance for investments abroad			●					●
Political risk insurance for Belgian investments abroad	●	●				●		●
FINANCIAL GUARANTEES								
Financial guarantees for bank loans	●	●		●		●	●	●
Financial guarantee for bond issues (private placements)	●	●				●		●
RISK PARTICIPATION								
Unfunded risk participation				●		●	●	●
Participation in insurance syndicates (Credendo – Export Credit Agency)			●	●		●		●
Participation in insurance syndicates (Credendo – Single Risk)			●	●			●	●
Participation in L/C confirmations				●		●	●	●
REINSURANCE								
Reinsurance of trade credit and surety						●	●	●

A BOOST TO **STRATEGIC GROWTH PLANS**

In the midst of a strategic transformation of its legacy portfolio of polyurethane solutions, and with sustainable innovation at the heart of its strategy, Belgian multinational **Recticel** continues to build on its leading positions in its core markets. A Credendo client for 25 years, the company recently benefited from a Credendo – Export Credit Agency financial guarantee for a strategic acquisition intended to accelerate its growth.

> **Sustainable innovation is a key component behind all our research and development efforts and a key deciding factor in everything we do.**
>
> **JEAN-PIERRE MELLEN**

With a company history that dates back all the way to 1778, Recticel, a Belgian multinational, has been producing and marketing polyurethane foams since the 1950s, and has firmly established itself as a European leader in its field.

Having traditionally focused on polyurethane solutions across five business lines, for the last few years the company's efforts have centred on pursuing growth in two key segments, flexible foams and insulation – areas where Recticel believes it can develop the highest value-adding activities – and implementing a divestment plan for the three other segments of the business.

"Recticel has taken a number of steps recently to apply this strategy, and 2020 was an exceptional year for the execution of this strategic transformation," says Jean-Pierre Mellen, Recticel's Chief Financial Officer.

Not only was the company able to divest from its automotive interiors division – having completed its divestment from seating in 2019 – but it also exited a large joint venture within the flexible foams business, and announced that it had entered into final agreements to acquire 100% of Swiss-headquartered FoamPartner, a global provider of high value-added technical foam solutions.

That impetus carried through into early 2021, and in March Recticel launched its bedding divestment process.

"We did all of this while mitigating the impact of the Covid-19 crisis and ending 2020 with an increase in sales as a result of a strong second half of the year," says Mellen.

A strategic transformation

Recticel's acquisition of FoamPartner allows the company to achieve a key goal in its bid to grow its technical foams business.

"The acquisition really represented the golden opportunity to realise our growth plans in one step," says Mellen.

The FoamPartner business will be merged with the Recticel flexible foams division to form a new engineered-foams business segment.

The acquisition will enable Recticel to strengthen its presence in speciality foam solutions in Europe, as well as in the Asia Pacific and North American markets.

A LEADER IN POLYURETHANE EXPERTISE AND SOLUTIONS, RECTICEL HAS BEEN A CREDENDO CLIENT FOR THE PAST 25 YEARS.

"Although we have always been an international business – we were largely focused on Europe. As about 30% of FoamPartner's business is outside of Europe, this provides us with an ideal complement to grow our business globally," says Mellen. "It also creates a very strong base because together we are certainly among the leading global players within the sector."

JEAN-PIERRE MELLEN, CHIEF FINANCIAL OFFICER OF RECTICEL

Financing for the deal was secured by a syndicated acquisition facility, which was arranged and fully underwritten by KBC Bank, with Credendo – Export Credit Agency providing a guarantee for the benefit of the bank for part of the financing package.

"The financing plan is an essential element of an acquisition bid, as was the case for Recticel," says Annelies Huybrechts, Senior Underwriter at Credendo – Export Credit Agency. "Credendo's financial guarantee meant that the bank was able to share part of its risk with us and achieve a suitable level of comfort."

A long-standing partnership

Recticel's relationship with Credendo – across multiple products – dates back to 1995, when the company first sought export credit insurance for its non-OECD business from what was then known as Delcredere I Ducroire.

ANNELIES HUYBRECHTS, SENIOR UNDERWRITER AT CREDENDO

Today the company makes use of Credendo – Short-Term Non-EU Risks to cover the risk of non-payment of its clients in overseas markets.

More recently, since the 2008 global financial crisis, Recticel has also turned to the credit insurer for excess-of-loss insurance, as offered now by Credendo – Excess & Surety.

"The cover has proven its value again in the current Covid-19 crisis," says Mellen, adding that, in time, Recticel hopes to be able to expand its excess-of-loss insurance with Credendo to additional countries.

Sustainable innovation

An important driving force behind Recticel's strategic choices is its strong commitment to sustainability, which Mellen says is embedded in all of the company activities, ultimately boosting its long-term competitiveness.

"Sustainable innovation is a key component behind all our research and development efforts and a key deciding factor in everything we do," he says.

For example, in recent years, Recticel has focused its research on ecodesign and repurposing its polyurethane materials after their first lifecycle.

"We are committed to finding responsible solutions to the various challenges and needs of our customers and the planet."

STRATEGIC PARTNERSHIP FOR **SOCIALLY RESPONSIBLE SME**

Belgian SME **BOSAQ**'s mission is to provide the world with sustainable premium drinking water in a socially responsible way. The company's biggest challenges when rolling out its projects are often bureaucratic, and to that end its relationship with Credendo – Export Credit Agency provides useful support for winning over government clients.

BOSAQ develops products and services to provide sustainable drinking water to people around the globe. The company was founded in 2017 by CEO Jacob Bossaer and CTO Pieter Derboven, both trade engineers with a history of working in the renewables industry. Bossaer at that time had just returned to Belgium after four years spent designing a water treatment system for the Belgian Princess Elisabeth Station in Antarctica.

Over the last three and a half years, BOSAQ has evolved as a company, and now consists of four interconnected parts. At the heart of this Belgian SME is its technology, BOSAQ's off-grid systems, with which it provides sustainable drinking water for communities around the world, working in close partnership with governments. The other branches of the business comprise Water Experts, a consultancy firm focused on integrated and sustainable water management; Source Zero, a premium bottled-water business; and Water Heroes, a non-profit organisation set up by Bossaer that provides vulnerable communities with access to sustainable sources of clean drinking water and improved sanitation facilities – and to which BOSAQ donates 10% of its profits.

BOSAQ's bespoke SolarAQ product line encompasses decentralised solar-powered purification systems capable of converting any type of water, such as rain, river water or seawater, into high-quality premium drinking water.

These off-grid systems have been deployed in Belgium, working with clients such as major drinking water supplier De Watergroep, as well as in communities elsewhere in the world, where the focus is on small, rural areas, home to no more than 5,000 people.

A business-to-government setup

Facilitating a business relationship with federal and local governments around the world is an important aspect of BOSAQ's business, and it is this process where Credendo's support has been particularly valuable, says Bossaer.

"Although our strength lies in our technology and innovation, when we're dealing with governments, it's often the case that we need to sell the concept of providing drinking water to the communities – and not the technology itself," he explains.

The most important aspect of Credendo's support has been that it helps build trust for our business with our clients.

JACOB BOSSAER

ESTABLISHED IN 2017, BELGIAN SME BOSAQ AIMS TO PROVIDE THE WORLD WITH CLEAN DRINKING WATER, ANYWHERE, AND AT ANY TIME.

LAURENS HENDRIKX, SENIOR UNDERWRITER AT CREDENDO

JACOB BOSSAER, FOUNDER AND CEO OF BOSAQ

In such instances, support from Credendo, as a state-owned entity, has been crucial to bolstering BOSAQ's credibility as a business – often a challenge for SMEs in foreign markets – in the way that it establishes ties between the Belgian and local governments.

Success in Suriname

One of the company's greatest successes thus far is a project in Suriname, secured at the start of 2020 with trade credit and political risk insurance from Credendo – Export Credit Agency. The project entails a contract signed with the Ministry of Natural Resources in Suriname for the production and supply of five SolarAQ II systems, which will provide safe drinking water to between 3,000 and 4,000 villagers living alongside the Suriname River. Installation of the project is expected to be completed by mid-2021.

To support the work on the project, Credendo – Export Credit Agency has issued a cash transaction insurance policy to BOSAQ. "This protects the company against the termination and non-payment risk of the contract signed with the government of Suriname, due to political or commercial reasons," says Credendo Analyst Laurens Hendrikx.

As per the agreement, BOSAQ is paid periodically in cash according to the achievement of predetermined milestones.

Among the benefits for BOSAQ are the assurance that it will be paid, and the fact that no credit is required. This is especially advantageous when trying to attract new investment to the business, says Bossaer, as investors can take comfort in the fact that their funds will be put to use as growth capital, and not working capital.

According to Bossaer, BOSAQ's insurance policy with Credendo is of particular importance when dealing with countries facing multiple political risk factors. "Although Suriname is not known as a non-payer, in countries such as these, which have been deemed high-risk, it's essential that we have Credendo cover. Without it, we require full payment upfront," he says.

This support is likely to be called upon in future projects that the company rolls out, including one currently being negotiated with the government of Ukraine.

A positive experience

Bossaer speaks highly of his experience of dealing with Credendo – Export Credit Agency. "It has always been very positive, in terms of facilitating a network of contacts and providing swift feedback to our queries," he says. "The most important aspect of Credendo's support has been that it helps build trust for our business with our clients."

FLEXIBLE SUPPORT FOR **FAMILY-OWNED TRADER**

Casibeans, a family-owned Belgian SME incorporated in 1935 and now run by the third generation, is a global trader of pulses. The company makes use of Credendo – Short-Term Non-EU Risks to cover the risk of non-payment of its clients based in market as far afield as Trinidad and Tobago.

CAROLINE SUY, CEO OF CASIBEANS

Pulses are experiencing an upward trend in worldwide consumption as a result of their 'superfood' status, being an alternative protein and rich in nutritional ingredients, as well as their use in a wide range of newly developed food products. They also have a lower carbon footprint in production than most sources of animal protein.

Casibeans' business is focused on the trade of this highly specialised commodity, which the Antwerp port-based company sources and delivers globally, bringing beans, peas, lentils and chickpeas to the canning, packaging and frozen-food industries.

One of the challenges of working within the pulses market is that there is no formal standardisation in terms of product quality, and no means of hedging contracts. "Product and market know-how is key to ensure that customers receive consistent qualities that meet all their requirements and are delivered to them at the right time, in accordance with their logistics requirements, and without any defaults," says Caroline Suy, the company's CEO.

What's more, as a global player, Casibeans "needs to be agile and continuously adapt to local and worldwide challenges, such as crop failures, geopolitical tensions and trade tariffs", she adds.

The company's broad network of suppliers, with which it has longstanding partnerships, stands Casibeans in good stead when faced with the complexities of global trade, including fast-evolving tariff and regulatory matters, which often require having to swiftly find alternate origins from which to source products.

"We have seen an increasing demand for alternative origins as a result of new trade tariffs being introduced. It's in our DNA to be able to easily shift from one origin to another, and it's all about maintaining good relationships," says Suy.

Critical support

Another factor that contributes to Casibeans' success is its ability to provide its clients with payment credit, which is often difficult for these companies to secure when sourcing directly from origin, but which they regard as a key element in their buying decision. Credendo's support is a critical component in this process.

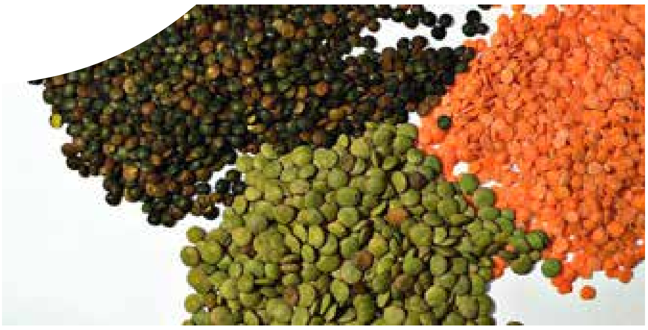
"Getting the right limit from Credendo is crucial to our business," says Suy. She explains that all of Casibeans' business is currently based on credit insurance from Credendo; without it, clients would need to make advance payments.

"At Credendo, the ability of our Underwriters to assess the creditworthiness of buyers in more than 200 countries and to insure the required payment terms is seen as a key commercial differentiator," says Credendo Account Manager Riet Vanderbruggen.

"We have chosen Credendo because of its strength and expertise in the so-called Zone 2 countries[1], such as Russia, Trinidad and Tobago, Puerto Rico and Senegal, which frequently face issues around liquidity and access to foreign exchange to pay suppliers," says Suy. This could lead to payment delays, meaning that goods are left in port for an extended period, and may be at risk of being rejected.

"In rare instances, this has led to delays in outstanding payments, with Casibeans then having to notify Credendo of payment defaults, as required under the insurance

> We have chosen Credendo because of its strength in the so-called Zone 2[1] countries, such as Russia, Trinidad and Tobago, Puerto Rico and Senegal.
>
> **CAROLINE SUY, CEO OF CASIBEANS**



RIET VANDERBRUGGEN, ACCOUNT MANAGER AT CREDENDO

FOUNDED IN 1935, CASIBEANS IS A THIRD-GENERATION FAMILY-RUN SME THAT SPECIALISES IN THE TRADING OF PULSES AROUND THE WORLD.

policy. However, because these are not strictly default cases, but rather delays that are sometimes out of the buyers' hands, Credendo has understood the situation and agreed to a procedure that affords Casibeans extended deadlines. This has allowed us to reach amicable solutions with our partners before starting official procedures," explains Suy, recalling specifically a situation in Senegal a few years ago, where payment delays crept in as a result of the client being under new management. "For an SME, full focus on the business and limiting the burden of administration and bureaucratic procedures is equally important," she adds.

Casibeans today has secured the necessary credit insurance on all of its clients in the Zone 2 markets, as well as across Europe.

This cover also directly impacts Casibeans' own financing capacity as it is able to use its credit insurance policy as additional security for its bank funding. "Our bank will pre-finance invoices of our customers only to the level at which credit insurance can be obtained," says Suy.

A long-term partner

Reflecting on a successful decade-long relationship with Credendo, Casibeans credits the success of the partnership to the flexibility and willingness adopted by Credendo when seeking solutions.

"We work together to exchange and share views on markets and customer payment experiences and make mutual adjustments when necessary," says Suy. "Like in all our business relationships, we see Credendo as a long-term partner."

1. Zone 2 countries are generally emerging markets.

PROVIDING **ADDED VALUE** AND **EXPERT ASSISTANCE**

A leading manufacturer of heating elements, Czech company **KORADO** has been making use of Credendo – Short-Term EU Risks for the last two decades, harnessing Credendo's ability to monitor the financial health of its customers across Europe, and leveraging more than just essential insurance protection.

> The long-term nature of our relationships with our customers means that the continuous monitoring of their financial well-being by Credendo is vital to our business.
>
> **TOMÁŠ KOLLERT**

Having recently celebrated its 30th anniversary – and 55 years since the creation of its predecessor – KORADO has established itself as one of the world's leading manufacturers of steel panel radiators.

During this time, the company has served over 30 million customers, the majority of which are based in Western and Eastern Europe, but also in markets elsewhere in the world, such as Asia and North Africa.

Throughout its history, the Česká Třebová-headquartered company has consistently expanded its portfolio of products and services to meet the growing demands of its customers. Its core product line now includes steel panel radiators, towel rail radiators, design radiators, ventilation units and a range of convectors, which are manufactured at the KORADO Group's production subsidiaries in the Czech Republic and Bulgaria.

Long-term relationships

During its existence, the KORADO Group has built up a very stable and financially strong portfolio of customers, and the group prides itself on its ability to sustain long-term relationships with these companies. A key component of this is its use of Credendo – Short-Term EU Risks.

Tomáš Kollert, Head of Risk Management at KORADO, explains that the true value of Credendo's support lies not only in its cash flow protection, but also in its trade credit risk assessment – its ability to monitor the

TOMÁŠ KOLLERT, HEAD OF RISK MANAGEMENT AT KORADO

ČESKÁ TŘEBOVÁ-BASED KORADO HAS ESTABLISHED ITSELF AS ONE OF THE WORLD'S LEADING MANUFACTURERS OF STEEL PANEL RADIATORS.

financial health of KORADO's customers in case of any changes in their risk profiles, and alert KORADO accordingly.

He describes this expert assistance, extended as part of credit insurance, as an invaluable supportive service to the company's sales function, allowing it to build relationships with only the best customers. "The long-term nature of our relationships with our customers means that the continuous monitoring of their financial well-being by the insurance provider is vital to our business," says Kollert.

As evidence of the success of Credendo's risk management process, Kollert says that over the course of 2020 – a year in which businesses around the world were under significant pressure as a result of the Covid-19 pandemic – just one of KORADO's customers suffered bankruptcy. "Having a portfolio of healthy customers is essential, and because all companies are properly risk assessed at the start and throughout the course of our cooperation – thanks to Credendo – this is something that is taken care of effectively and efficiently."

Where credit insurance is not an option for a customer, KORADO seeks either advance payment or alternative cover.

KORADO has always managed to resolve any disputes and not suffer any significant damages associated with failure to pay outstanding debts or questionable payments of receivables. "In the last couple of years, several of KORADO's smaller Polish customers experienced payment problems, and their debts were solved efficiently in cooperation with credit insurance companies, including Credendo," says Kollert.

Facilitating business growth

KORADO's long-term strategy is to offer a complete solution in the field of heating, with an emphasis on modern, low-energy elements and systems that combine respect for the environment with energy cost savings for its customers.

An area in which KORADO may potentially look to further leverage its relationship with Credendo is in the facilitation of business growth. "I imagine that Credendo's extensive database, which can pinpoint which companies are creditworthy, may be able to help us build relationships with new customers in other parts of the world," says Kollert.

Again, he points out that in such a situation – from a risk management perspective – KORADO would value Credendo's ability to evaluate credit risks and prequalify customers, so that the company is able to confidently add new buyers in non-traditional territories.

A flexible approach

KORADO's cooperation with Credendo dates back 20 years to when the company first established a relationship with the Czech government-owned Export Guarantee and Insurance Corporation (EGAP), the commercial business of which has since been acquired by Credendo.

"Over the course of the last two decades, Credendo's support to the company has changed significantly," says Kollert. "The approach of Credendo – Short-Term EU Risks has become much more flexible."

He adds: "Credendo's advantage is that they're willing and able to cater for our individual needs. I would also like to highlight that our relationship with the Credendo Account Manager, Kateřina Smičková, is a very good one."

Kateřina Smičková confirms: "After almost 20 years of working together, we have a very good relationship with Mr Kollert. As an Account Manager I'm very happy to work with a client who has professional knowledge of credit management and credit insurance, who understands how important it is to monitor the financial health of his customers and – last but not least – who is willing to accept the insurance company's recommendations."

FUTURE-PROOFING COMMODITY FINANCE

The global commodity trade finance unit of **Banque Cantonale de Genève (BCGE)**, active in soft commodities, metals and energy, makes use of the credit and political risk capacity offered by Credendo – Single Risk, demand for which may be growing within the commodities sector.

The last couple of years have been difficult for many players involved in the commodities sector, which was hit by plummeting energy prices, the shock of the Covid-19 pandemic, and a series of high-profile frauds and insolvencies, leading to a number of banks deciding to de-risk from the business altogether. Meanwhile, other lenders, such as BCGE, are charting a path forward for a more resilient future, supporting Geneva's internationally oriented economy and the major players based locally.

Commodity trade finance is an active business line for BCGE, which the bank launched in 2000. All global commodity trade finance transactions are booked through the unit's base in Geneva, which is also where the entire commodity finance team is headquartered.

Like many of its peers, the bank has not been left entirely unscathed by the events of 2019/20, and – driven primarily by adverse market conditions and an even greater scrutiny of risk – has since reshaped its commodity finance portfolio in specific geographical areas.

The bank is balancing its portfolio to strengthen its market position in agribusiness and non-ferrous metals – a strategic choice in support of the energy transition and driven toward a higher credit diversification.

Evolving support

It is around an enhanced soft-commodities and metals portfolio where the bank hopes to draw on even greater support from the insurance market, and Credendo specifically.

THE COMMODITY FINANCE BUSINESS OF BCGE IS FOCUSED PRIMARILY ON THE ENERGY, METALS AND SOFT-COMMODITIES SECTORS, AND BASED IN GENEVA, THE COMMODITY-TRADING CAPITAL OF THE WORLD.

NICOLAS DERVAUX, HEAD OF DISTRIBUTION AT BCGE

> **Our plan is to structure our portfolio in reflection of the industry's ongoing evolution. I'm positive about what this year, and the next, will bring.**
>
> **NICOLAS DERVAUX**

"Unlike some other insurers who are sometimes quick to exit a market, especially in difficult economic situations, Credendo is clear on its policies. As such, we may expect to see some more support from Credendo in these sectors," says Nicolas Dervaux, BCGE's Head of Distribution.

This, he says, is especially true given Credendo's merger between its two specialised trade credit insurance entities, Credendo – Excess & Surety and Credendo – Single Risk, as announced in 2020. "I'm sure with this merger, and the capital increase, Credendo will be in an even better position to be able to grow its capacity in the commodities sector," he adds.

ALINE DUPERREX, SENIOR UNDERWRITER AT CREDENDO

BCGE's relationship with Credendo dates back to 2015. The bank is an active player in the insurance market but chooses to keep more than half of the risk on its own books. "We don't consider that, thanks to the insurance product, you can make a bad risk good – so there is no adverse selection in terms of what we submit to the insurance market," says Dervaux.

The fact that both BCGE's and the Credendo – Single Risk teams are based in Geneva has facilitated a strong working relationship between the two entities.

Aline Duperrex, Credendo Senior Underwriter, who works closely with the BCGE commodity trade finance team, comments on the advantages of working in such close proximity: "Being able to share a language – and a city – makes communicating on transactions that much easier, especially during the pandemic when travelling is not an option. It also helps us to better understand one another's markets, as we're able to share our points of view and learn from each other's experiences."

A positive outlook

Despite the various market challenges, Dervaux remains positive about the future of the commodities space, and the role that BCGE can play as a financier. The exodus of various international banks, which creates tremendous challenges for the market, also brings a certain degree of opportunity for players such as BCGE – although Dervaux notes that the bank will always be prudent and follow its risk strategy.

"Our plan is to structure our portfolio in reflection of the industry's ongoing evolution. I'm positive about what this year, and the next, will bring."

TOPPING UP COVER TO **BOOST INTERNATIONAL SALES**

Having successfully established itself more than 100 years ago, German company **Floragard** is a leader in the development and marketing of premium earths and professional substrates. The company recently turned to Credendo – Excess & Surety for top-up credit insurance cover, which it says is a necessary component in achieving its sales objectives in some of the more complex markets to which it exports.

Floragard Vertriebs-GmbH is a 101-year-old German company that develops, produces and distributes horticultural products, specialising in premium potting soil and substrates for professional use and the hobby sector.

Headquartered in Oldenburg, where it houses a state-of-the-art greenhouse and experimental laboratory, Floragard began exporting to the rest of Europe in the 1950s, and to the wider international market in the 1980s. Today, in addition to its domestic sales in Germany, which make up half of its business, Floragard distributes its products to as many as 85 countries around the world.

Over the years, the company has grown from strength to strength – including throughout the recent Covid-19 crisis. The surge of home gardening and urban horticulture in 2020, driven by government-mandated stay-at-home orders, has provided a boost for Floragard and generated an increase in sales.

Nevertheless, the company has not been entirely spared from pandemic-related challenges, and since the start of 2021 has been dealing with the consequences of the global shortage of shipping containers, driven by a variety of bottleneck and backlog issues, as well as an increase in freight prices.

Securing additional cover

As an exporter to markets such as South America, Asia and Africa, the business is not without its risks, says Ulrich von Glahn, Floragard's Managing Director. "There's often a risk when exporting into countries that don't have a strong currency, for example, and problems can occur very suddenly. This is why credit insurance is a standard part of our business."

Although the company makes use of two other large underwriters for its credit insurance needs, since 2019 it has been securing top-up cover as provided by Credendo – Excess & Surety to meet the full spectrum of its requirements. This enables Floragard to cover amounts over and above the limits set by its first-line credit insurers, and provides additional protection against commercial risks.

The top-up cover is especially useful in instances where the primary insurers have limited capacity for particular markets, such as China and some South American countries, which von Glahn says can often be sensitive.

"Often it is only through the top-up cover that we are able to finally achieve our goals," he adds.

Chief among these goals is securing cover for Floragard's group companies – something which has not been possible in the past.

"We had previously worked with another top-up credit insurance provider which had not been able to provide limits to our other companies and include them in our policies. For Credendo, this hasn't been a problem, and our Credendo top-up cover has afforded opportunities both for us and our sister companies in terms of generating additional business and revenues," says von Glahn.

"Having been introduced to Credendo through our agent, who we've been working with for many years, we are very happy with how things are working out, and we appreciate the enhanced flexibility that Credendo's cover provides us," he adds.

ESTABLISHED IN 1919, GERMAN COMPANY FLORAGARD HAS GROWN INTO ONE OF THE LEADING MARKETERS OF PREMIUM EARTHS AND SUBSTRATES FOR PROFESSIONAL USE AND THE HOBBY SECTOR.

"With our tailor-made top-up solution with easy handling, plus the international focus of Credendo, we were able to meet all the requirements of a modern credit insurance company," says Sascha Molck, Country Manager at Credendo in Germany. "Together with a pleasant and very cooperative business relationship, this ensures that Floragard is able to maintain existing markets and develop new opportunities."

A growing business

One of the main challenges facing the future of the horticultural sector is the limited supply of natural materials, such as peat – an important, valuable and safe growing medium for plants – and efforts to reduce peat extraction by some European governments and environmentalists. This has led to an increased need for, and use of, more sustainable alternatives.

"Securing a supply of high-quality material is essential to our business because we're a premium supplier that delivers a first-rate product to the end-consumer," says von Glahn. "However, certain materials are not always readily available on the scale that we need."

As such, Floragard continues to dedicate itself to research and development, and the creation of new products and alternative substrate constituents, such as green compost or fine wood fibres.

A recent success in this regard has been the development of Flora Eco-Glue, a new substrate additive for the production of alternative substrates for compressed pots.

"Our focus now is on being able to supply the increased demand that we're seeing – much of which has been driven by the pandemic," says von Glahn.

> **Our Credendo top-up cover has afforded opportunities both for us and our group companies in terms of generating additional business and revenues.**
>
> ULRICH VON GLAHN

ULRICH VON GLAHN, MANAGING DIRECTOR OF FLORAGARD

HARNESSING **LOCAL PRESENCE**

Construction company **Townmore** has set its sights on becoming Ireland's leading contractor for the sectors in which it specialises. It recently established a relationship with the new Irish branch of specialised subsidiary Credendo – Excess & Surety, which issued the company with a performance bond for work it is carrying out on a new residential development.

Established in 2008, Ireland-headquartered Townmore is a highly regarded construction company with offices in Dublin, Cork, Tullamore and London.

Having delivered many quality projects in Ireland and the UK over the years, the company has a strong reputation as a market leader across numerous sectors, as is evidenced by its many repeat clients.

Townmore provides an extensive range of main contractor and specialist contractor services to both the public and private sectors, including residential, hospitality, healthcare, industrial and controlled environments. It has numerous bonding facilities in place and the financial capacity to deliver a broad spectrum of projects nationwide.

Although the construction sector was hit particularly hard by Covid-19, with government guidelines putting a stop to construction work in early 2020, Townmore remains resilient, says its Managing Director, James Godley. "Although the industry has experienced a lull because of Covid-19, several factors point to a strong return to growth for the next few years. In terms of our own foreseeable future, we have a very strong pipeline of work ahead, particularly with key repeat clients."

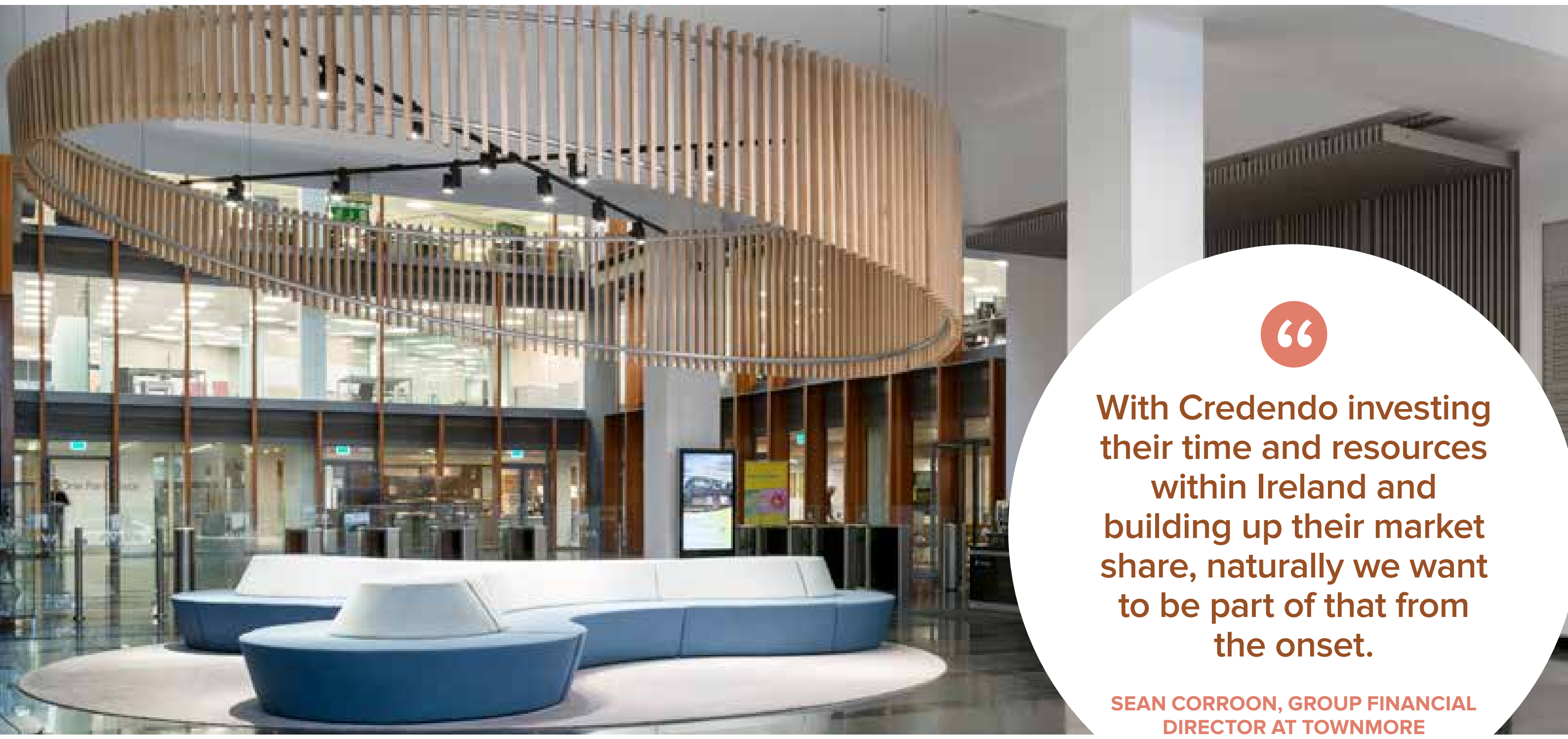
Building success

One of these projects, which broke ground at the end of 2020, marked the start of Townmore's relationship with the new Irish branch of Credendo – Excess & Surety, which itself was formally launched in December.

The project, being developed by Irish company Lioncor, is a new residential development at Southern Cross, Bray in County Wicklow which, when complete, will comprise 160 apartments across four five-storey blocks.

In December 2020, Credendo issued a performance bond on behalf of Townmore in respect of the construction of the development.

Sean Corroon, Townmore's Group Financial Director, credits this initial work with Credendo to multiple factors. Chief amongst these was the establishment of Credendo's new branch in Cork, Ireland, as well as the company's pre-existing relationship with newly appointed Credendo Surety Underwriter and Branch Manager in Cork, Stephen Comerford.



With Credendo investing their time and resources within Ireland and building up their market share, naturally we want to be part of that from the onset.

SEAN CORROON, GROUP FINANCIAL DIRECTOR AT TOWNMORE

JAMES GODLEY, MANAGING DIRECTOR AT TOWNMORE

Local market knowledge

Having a local point of contact has been pivotal. “The Credendo office in Ireland is great, and not many underwriters can have a network across Europe. Having the power of authority within the local branch has really facilitated the smooth running of our cooperation throughout the pandemic,” says Corroon at Townmore. “It’s also much easier to build a relationship with the Credendo business, which was helped by the fact that we have a history of working together with Stephen.”

In time, Townmore hopes that it is a partnership that will grow in tandem with its own organic expansion. “With Credendo investing their time and resources within Ireland and building up their market share, naturally we want to be part of that from the onset. We have many projects in the pipeline, and ultimately, what we want to see happen is to increase the facility going forward,” says Corroon. “We know that Credendo has a strong foothold in other insurance products outside of the surety business, and this is important to us because we’re at a stage now where we may look to harness their size and scalability.”

IRISH CONSTRUCTION FIRM TOWNMORE DELIVERS HIGH-END PROJECTS ACROSS IRELAND AND THE UK IN A WIDE RANGE OF SECTORS.

In order to address Irish market needs, Credendo’s Cork branch focuses primarily on surety bonds and guarantee facilities, and is also developing its excess-of-loss and top-up cover products.

“For Credendo, with our strength and capacity, coming into the Irish market is an excellent opportunity, and our timing has been really good,” says Branch Manager Comerford. “Going forward, we want to partner with more companies like Townmore, which has certainly demonstrated its longevity and resilience through hard times.”

The importance of innovation

For its part, in terms of future growth, Townmore continues to lead the charge on modern construction practices, including a lean construction business model and a commitment to adopting and investing in new technologies, such as building information modelling (BIM). Diversification remains key to its forthcoming plans, and it aims to roll out further projects in additional sectors in both Ireland and the UK.

“We’re in good shape,” says Managing Director Godley. “Despite the market turbulence over the last year, we have a robust pipeline and a good number of client requests for future work. No doubt we’ll be looking to build our relationship with Credendo as we progress.”

STEPHEN COMERFORD, COUNTRY MANAGER IRELAND AT CREDENDO

CORPORATE GOVERNANCE

Credendo consists of Credendo – Export Credit Agency and its subsidiaries. Its corporate governance structure is made up of different bodies: Board of Directors, Audit and Risk Committee, Remuneration Committee and Executive Committee.

CREDENDO – EXPORT CREDIT AGENCY*

Board of Directors

Vincent Reuter
Chairman

Michel Delbaere**
Vice-Chairman

Ludivine Halbrecq
Member, representative of the Federal Minister of Finance

Pieter-Jan Van Steenkiste***
Substitute member

Thierry Denuit
Member, representative of the Federal Minister for Foreign Affairs

Xavier De Cuyper
Substitute member

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

Ivan Van den Bergh
Substitute member

Els Haelterman
Member, representative of the Federal Minister for Development Cooperation

Yves Dricot
Substitute member

Claire Tillekaerts
Member, representative of the Flemish Government

Thomas Fiers
Substitute member

Georges Stienlet
Member, representative of the Flemish Government

Annemarie Van de Walle
Substitute member

Jean-Jacques Westhof
Member, representative of the Walloon Government

Jean-Jacques Gabriel
Substitute member

Pascale Delcomminette
Member, representative of the Walloon Government

Francis Mullers
Substitute member

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

Christopher Kashale Llunga
Substitute member

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

Frédéric Convent
Substitute member

Audit and Risk Committee

Ludivine Halbrecq
Chair

Thierry Denuit
Member

Georges Stienlet
Member

Remuneration Committee

Vincent Reuter
Chair

Georges Stienlet
Member

Katrien Van Kriekinge
Member

Jean-Jacques Westhof
Member

Executive Committee

Dirk Terweduwe
Chief Executive Officer and Chairman of the Executive Committee

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

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

Compliance Officer

Geert Goossens

Chief Internal Auditor

Laurent Massin

Chief Financial Officer

Ronny Matton

Chief Risk Officer

Hans Slock

Actuarial Officer

Jérôme Lokasso

* Legal name Delcredere I Ducroire.
** Resigning on 1/04/2018.
*** Resigning on 18/10/2019.
**** Resigning on 22/10/2020.

General Managers subsidiairies

Brigitta Ayasch
General Manager
Credendo – Single Risk

Alexey Bezdenezhnykh
General Manager
Credendo – Ingosstrakh Credit Insurance

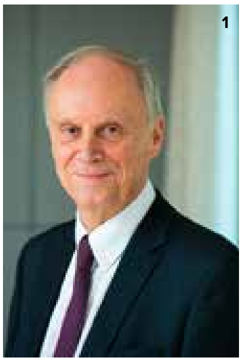
Eckhard Horst
General Manager
Credendo – Excess & Surety

Stefaan Van Boxstael
General Manager
Credendo – Short-Term Non-EU Risks

Christoph Witte
General Manager
Credendo – Short-Term EU Risks

Board of Directors

Vincent REUTER (1)
Ludivine HALBRECQ (2),
Thierry DENUIT (3),
Henk MAHIEU (4),
Els HAELTERMAN (5),
Claire TILLEKAERTS (6),
Georges STIENLET (7),
Jean-Jacques WESTHOF (8),
Pascale DELCOMMINETTE (9),
Frédéric LONCOUR (10),
Katrien VAN KRIEKINGE (11)



MANAGEMENT REPORT ON THE 2020 CONSOLIDATED FINANCIAL STATEMENTS

IFRS Consolidation

In conformity with the provisions of the European regulation No. 1606/2002 of 19/07/2002 and the Royal Decree of 27/09/2009, and in conformity with the decision of the Board of Directors of 17/12/2013 to apply IFRS standards to the consolidated accounts of Credendo – Export Credit Agency, we report on our consolidated activities over the financial year and the consolidated financial statements closed as at 31/12/2020.

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

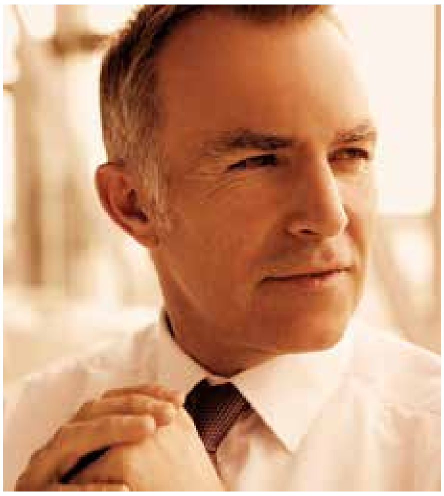
These consolidated financial statements of Credendo are presented based on the International Financial Reporting Standards (IFRS) as applicable per 31/12/2020, and as adopted by the European Union.

In July 2014, the International Accounting Standards Board (IASB) published IFRS 9, a new standard for financial instruments, which will have a significant impact on the way Credendo reports on the performance of its investment strategies. The standard was endorsed by the European Union in November 2016. Since the reporting of Credendo's financial investment results is linked to the reporting of its insurance obligations, it is important that Credendo applies both standards, i.e. IFRS 9 'Financial Instruments' and IFRS 17 'Insurance Contracts' simultaneously. IFRS 17 was published by the IASB in May 2017. In this regard, and as proposed by the IASB, Credendo opted to defer the application of IFRS 9 until 2023 when IFRS 17 will also become effective. Simultaneous application of both the financial instruments and insurance contracts standards will increase the ability of our asset liability management (ALM) to minimise any potential accounting mismatches that would arise if the new standards would be applied at different dates.

In order to ready ourselves for the implementation of these new standards, we set up a Credendo project which is still on track to be completed before 2023. The full effect of the impact of these standards will not be known until significant progress has been made on the implementation project. We will keep you informed of the progress of the implementation project.

Financials

The ongoing Covid-19 pandemic and measures taken to contain the virus have undoubtedly affected the level of economic activity, which in turn has implications for financial reporting. Regardless of the persisting uncertainty caused by the situation and the general negative effect on the overall economic outlook, the Covid-19 impact on Credendo's financials has been limited. Against expectations, insurance premium revenue increased by an average 6.1%. There was also no significant share



of Covid-19-related insurance claims. The main negative effects were registered at the financial income level, where despite the strong recovery of the financial markets in the last three quarters of the year, it was not sufficient to cover the steep financial losses of the first quarter.

Even though we expect that the impact of the pandemic will continue to be felt in 2021 and beyond, Credendo is ready to weather any further economic difficulties, with its solvency remaining very high and its balance sheet very solid.

The 2020 Consolidated Statement of Financial Position shows a balance total of EUR 3,348.1 million compared to EUR 3,386.4 million at the end of 2019. The main movements relate to the changes in working capital assets and liabilities and the small decrease of the financial investments position resulting from the volatile performance of the financial markets during 2020 after the severe impact of the pandemic in the first quarter. Thus, the financial investment portfolio value diminished from EUR 2,701.3 million in 2019 to EUR 2,660.6 million at the end of 2020 whilst the cash and cash equivalents position also declined from EUR 258.3 million in 2019 to EUR 217.6 million by the end of 2020.

The Consolidated Income Statement is showing a loss of EUR 82.7 million for the year 2020, a substantial deterioration on last year's profit of EUR 269.7 million. The 2020 insurance claims increased considerably and the operating expenses also rose. Consequently, the 2020 result from operating activities turned negative at EUR 36.1 million, down from the EUR 46.5 million operational profit in 2019.

The insurance premium revenues, including variance in unearned premium reserve, improved from EUR 314.9 million in 2019 to EUR 334.0 million in 2020, mostly due to the release of unearned premium provisions. After the cession of premium to reinsurance and to the several Covid-19-related State Support Schemes, the net insurance premium revenue slightly increased from EUR 221.9 million in 2019 to EUR 224.7 million in 2020.

The 2020 other operating income of EUR 52.8 million contains commissions received from reinsurers, recharges of investigation costs and other recoveries of expenses (EUR 44.5 million in 2019). The net insurance claims and loss adjustment expenses went up from EUR 90.5 million in 2019 to EUR 170.9 million in 2020.

> **“ Even though we expect that the impact of the pandemic will continue to be felt in 2021 and beyond, Credendo is ready to weather any further economic difficulties, with its solvency remaining very high and its balance sheet very solid.**

The operating expenses other than claims increased from EUR 129.3 million in 2019 to EUR 142.7 million in 2020, mainly because of other operating expenses due to the change in accounting treatment of forfaiting contracts as financial instruments. This is in preparation of applying the new IFRS 9 'Financial Instruments' standard.

After last year's record-breaking performance with a financial profit of EUR 228.8 million, the 2020 financial loss of EUR 44.9 million is explained by the heavy first-quarter drop of the financial markets due to the pandemic, from which the markets did not recover completely by the end of the year. The 2019 income tax expense of EUR 5.6 million turned into a EUR 1.6 million tax credit in 2020.

The 2019 negative net remeasurement result on post-employment benefits of EUR 5.5 million (net of deferred tax thereon) stayed negative in 2020 with a EUR 4.1 million loss caused again by strong movements in the main actuarial assumptions (discount rate of 0.80% in 2019 becomes 0.40% in 2020 for the Belgian plans).

The weak performance of the financial markets did not have the same negative effect on the other comprehensive income result pertaining to investments, with the 2020 fair-value changes on available-for-sale financial assets including foreign-exchange differences making for a profit of EUR 2.7 million (net of deferred tax thereon) compared to a more positive net fair-value change of EUR 10.7 million in 2019.

The 2020 exchange-rate differences on translating foreign operations turned negative with EUR 4.0 million compared to a positive exchange-rate difference of EUR 1.7 million in 2019. The total other comprehensive income for the year 2020 is a loss of EUR 5.4 million compared to the EUR 6.9 million profit in 2019. This brings the total comprehensive income to a loss of EUR 88.0 million for 2020 against a EUR 276.7 million profit in 2019.

In 2020, the operating activities used EUR 0.1 million net cash, a complete turnaround from the EUR 54.6 million generated in 2019. Together with the EUR 31.6 million cash used by investing and financing activities in 2020 (EUR 32.2 million net used in 2019) this resulted in a decrease of the 2020 cash and cash equivalents position by EUR 31.7 million compared to last year's increase of EUR 22.4 million. The 2020 exchange losses on cash and cash equivalents amount to EUR 8.9 million, down from a gain of EUR 4.8 million in 2019.

Finally, the Consolidated Statement of Changes in Equity explains the movements for each component of the total equity attributable to the owner of the parent, i.e. endowment, consolidated reserves and total other comprehensive income, and for the non-controlling interests in equity. In other words, this Consolidated Statement of Changes in Equity reconciles the financial position to the Income Statement and the Statement of Other Comprehensive Income.

In accordance with the principles of good corporate governance, the parent company of Credendo, as a Belgian autonomous body with legal personality according to the provisions of the Law of 31st August 1939, has set up a standing Audit Committee to assist its Board of Directors in its task of providing oversight of the financial reporting process, the audit process, the risk management and internal control system and compliance with applicable laws and regulations. At least one of the Audit Committee members is competent in accounting and audit matters. Furthermore, the Board of Directors of 15 December 2020 decided to extend the mission of the Audit Committee into a merged Audit & Risk Committee.

The total 2020 consolidated audit fees of our statutory auditor KPMG Belgium, newly appointed in 2020, amount to EUR 272,000. The 2020 fees for our statutory auditor's network include audit fees of EUR 209,526, and non-audit fees for other missions external to the audit amount to EUR 32,691 (mainly tax services).

Risk management and Solvency II

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

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

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

Credendo entities relate risk tolerance to risk-based capital concepts, relevant for different stakeholders. Credendo entities subject to the EU-wide Solvency II insurance regulation, that is all entities except Russia-based Credendo – Ingosstrakh Credit Insurance and parent Credendo – Export Credit Agency, have a general risk tolerance set in terms of maintaining a comfortable buffer vis-à-vis the solvency capital requirements in the context of the **Solvency II framework**. Their actual Solvency II capital adequacy is disclosed in their Solvency & Financial Condition Report. During the period under review, all Credendo entities have met the capital requirement thresholds as imposed by their respective jurisdictions. Three entities within Credendo (Credendo – Single Risk, Credendo – Excess & Surety and Credendo – Export Credit Agency) currently hold ratings from recognised rating agencies.

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

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

Events occurring after the reporting period

The strategic merger between our two specialised entities, Credendo – Excess & Surety and Credendo – Single Risk, was approved by the National Bank of Belgium on 23 March 2021. The complete merger process of this new entity, Credendo – Guarantees & Speciality Risks, should be completed in June 2021, with retroactive effect as from January 1, 2021.

After the reporting period, no events have occurred that could have resulted in a material impact on the reported figures as at 31/12/2020.

Therefore, Credendo's 2020 IFRS Consolidated Financial Statements have been established on a going-concern basis.

KPMG Réviseurs d'Entreprises-Bedrijfsrevisoren, has audited Credendo's annual accounts (statutory accounts, as well as consolidated accounts presented by applying the IFRS standards) as of and for the year ended 31/12/2020, in accordance with the legal and regulatory requirements applicable in Belgium. It has issued an unqualified audit opinion on these financial statements.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31/12/2020

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION [1,2]

IN THOUSANDS EUR	NOTE	31/12/2020	31/12/2019
ASSETS			
Intangible assets	5	78,518	61,649
Property, plant and equipment	6	27,003	27,288
Other financial assets	7	6,019	171
Financial investments	8	2,660,598	2,701,312
Deferred income tax assets	9	6,690	6,706
Reinsurance assets	10-16	134,325	88,873
Loans and receivables including reinsurance receivables	11	192,961	228,778
Other assets	12	22,826	12,290
Current tax assets		1,585	1,059
Cash and cash equivalents	13	217,616	258,274
TOTAL ASSETS		**3,348,141**	**3,386,400**

IN THOUSANDS EUR	NOTE	31/12/2020	31/12/2019
EQUITY AND LIABILITIES			
Equity			
Endowment	14	297,472	297,472
Consolidated reserves	15	2,424,687	2,508,460
Total other comprehensive income	15	-6,834	-2,543
Total equity excluding non-controlling interests		2,715,325	2,803,389
Non-controlling interests		4,041	4,323
Total equity		**2,719,366**	**2,807,712**
Liabilities			
Liabilities arising from insurance contracts	16	499,210	449,255
Deferred income tax liabilities	9	364	1,214
Provisions for other liabilities and charges	17	542	1,735
Employee benefit liabilities	18	32,470	27,151
Payables	19	60,560	67,095
Other liabilities	20	34,232	30,191
Current tax liabilities		1,397	2,047
Total liabilities		**628,775**	**578,688**
TOTAL EQUITY AND LIABILITIES		**3,348,141**	**3,386,400**

1. The consolidated statement of financial position is presented in thousands of euros, rounded to the nearest thousand using a full stop as decimal separator and a comma as thousands separator.
2. The notes 1 to 33 are an integral part of these consolidated financial statements.

CONSOLIDATED **INCOME STATEMENT** [1,2]

IN THOUSANDS EUR	NOTE	31/12/2020	31/12/2019
Insurance premium revenue		333,977	314,898
Insurance premium ceded to reinsurers		-109,244	-93,026
Net insurance premium revenue	**21**	**224,733**	**221,872**
Other operating income	22	52,783	44,530
Net income		**277,516**	**266,402**
Insurance claims and loss adjustment expenses		-255,010	-140,956
Insurance claims and loss adjustment expenses recovered from reinsurers		84,124	50,413
Net insurance claims and loss adjustment expenses	**23**	**-170,886**	**-90,543**
Employee benefit expenses	24	-50,622	-49,229
Services and other goods	25	-67,653	-65,650
Depreciation and amortisation	26	-7,443	-6,868
Other operating expenses	22	-16,975	-7,578
Operating expenses (other than claims)		**-142,693**	**-129,325**
Expenses		**-313,579**	**-219,868**
Profit/(loss) from operating activities		**-36,063**	**46,534**
Finance income	27	41,275	253,673
Finance expense	27	-86,220	-24,912
Net financial income		**-44,945**	**228,761**
Share of profit of associated and joint ventures accounted for using equity method		**-33**	**-**
Profit/(loss) of the year before tax		**-81,041**	**275,295**
Income tax credit/(expense)	29	-1,616	-5,576
Profit/(loss) of the year		**-82,657**	**269,719**
Profit/(loss) attributable to:			
Owners of the parent		-83,454	268,811
Non-controlling interest		797	908
TOTAL PROFIT/(LOSS) OF THE YEAR		**-82,657**	**269,719**

1. The consolidated income statement is presented in thousands of euros, rounded to the nearest thousand using a full stop as decimal separator and a comma as thousands separator.
2. The notes 1 to 33 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF **OTHER COMPREHENSIVE INCOME**[1,2]

IN THOUSANDS EUR	NOTE	31/12/2020	31/12/2019
Profit/(loss) of the year		-82,657	269,719
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements on post-employment benefits	18	-4,446	-6,114
Deferred tax on remeasurements on post-employment benefits	9	383	659
Subtotal of other comprehensive income that will not be reclassified to profit or loss		-4,063	-5,455
Items that may be subsequently reclassified to profit or loss			
Change in value of available-for-sale financial investments		3,541	13,128
Deferred taxes thereon	9-15.2	-846	-2,431
		2,695	10,697
Exchange differences on translating foreign operations		-4,002	1,697
Subtotal of other comprehensive income for the year that may be subsequently reclassified to profit or loss		**-1,307**	12,394
Total other comprehensive income for the year		**-5,370**	6,939
Total comprehensive income for the year		**-88,027**	276,658
Attributable to:			
Owners of the parent		-87,745	275,281
Non-controlling interest		-282	1,377
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**-88,027**	**276,658**

1. The consolidated statement of comprehensive income is presented in thousands of euros, rounded to the nearest thousand using a full stop as decimal separator and a comma as thousands separator.
2. The notes 1 to 33 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**[1,2]

IN THOUSANDS EUR	ATTRIBUTABLE TO OWNERS OF THE PARENT						
	NOTE	ENDOWMENT	CONSOLIDATED RESERVES	TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR	TOTAL	NON-CONTROLLING INTEREST IN EQUITY	TOTAL EQUITY
BALANCE AT 01/01/2020		297,472	2,508,460	-2,543	2,803,389	4,323	2,807,712
Profit/(loss) of the year		-	-83,454	-	-83,454	797	-82,657
Other comprehensive income:							
Remeasurements on post-employment benefits	9-18	-	-	-4,063	-4,063	-	-4,063
Change in value of available-for-sale financial investments		-	-	2,695	2,695	-	2,695
Exchange differences on translating foreign operations		-	-	-2,923	-2,923	-1,079	-4,002
Total other comprehensive income for the year		-	-	-4,291	-4,291	-1,079	-5,370
Total comprehensive income for the year		-	-83,454	-4,291	-87,745	-282	-88,027
Other equity movements		-	-319	-	-319	-	-319
Total equity movement for the year		-	-83,773	-4,291	-88,064	-282	-88,346
BALANCE AT 31/12/2020		**297,472**	**2,424,687**	**-6,834**	**2,715,325**	**4,041**	**2,719,366**

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

1. The consolidated statement of changes in equity is presented in thousands of euros, rounded to the nearest thousand using a full stop as decimal separator and a comma as thousands separator.
2. The notes 1 to 33 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF **CASH FLOWS**[1,2]

IN THOUSANDS EUR	NOTE	31/12/2020	31/12/2019
CASH FLOWS FROM OPERATING ACTIVITIES			
PROFIT/(LOSS) BEFORE INCOME TAX		-81,041	275,295
Adjustments for:			
Depreciation and amortisation	26	7,443	6,868
Movement of provisions	17	471	454
Write-offs on trade receivables	22	8,404	966
Fair value gains/losses on financial assets at FVTPL	27	37	-103,923
Gains on sale of available-for-sale financial investments	27	-131	-2,542
Finance income (net)		40,767	-115,318
Net of unrealised exchange-rate differences		-4,007	-3,075
Subtotal (profit + adjustments)		**-28,056**	**58,725**
Changes in working capital assets and liabilities (excluding the effect of exchange differences on consolidation):			
Liabilities arising from insurance contracts		65,961	29,235
Employee benefits (excluding remeasurements through OCI)		895	1,382
Payables		-3,243	44,336
Other liabilities and provisions		1,124	833
Reinsurance assets		-51,028	-9,288
Changes in receivables		33,931	-67,137
Changes in other financial assets		-5,848	-21
Changes in other assets		-11,201	-1,019
Cash (used in)/generated from operations		**2,535**	**57,046**
Income tax paid		-2,651	-2,419
Net cash (used in)/generated by operating activities		-116	54,627

IN THOUSANDS EUR	NOTE	31/12/2020	31/12/2019
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	-532	-976
Sale of property, plant and equipment	6	230	581
Purchase of intangible assets	5	-22,282	-21,114
Disposal of intangible assets	5	1,799	-
Purchase of financial investments	8	-262,813	-683,740
Proceeds from sale of financial investments		258,544	552,716
Finance income		6,101	120,793
Realised exchange gains/(losses) on financial assets		-10,714	1,094
Net cash (used in)/generated by investing activities		**-29,677**	**-30,646**
CASH FLOWS FROM FINANCING ACTIVITIES[3]			
Financial charges and interest costs paid		-1,921	-1,558
Net cash (used in)/generated by financing activities		**-1,921**	**-1,558**
CHANGES IN CASH AND CASH EQUIVALENTS			
Net (decrease)/increase in cash and cash equivalents		-31,714	22,423
Cash and cash equivalents at the beginning of the year		258,274	231,067
Exchange gains/(losses) on cash and cash equivalents		-8,944	4,784
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**13**	**217,616**	**258,274**

1. The consolidated statement of cash flows is presented in thousands of euros, rounded to the nearest thousand using a full stop as decimal separator and a comma as thousands separator.
2. The notes 1 to 33 are an integral part of these consolidated financial statements.
3. Credendo does not have liabilities arising from financing activities that would require a reconciliation under IAS 7 amendments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

1.1. Introduction

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

Credendo – Export Credit Agency is the official Belgian export credit agency.

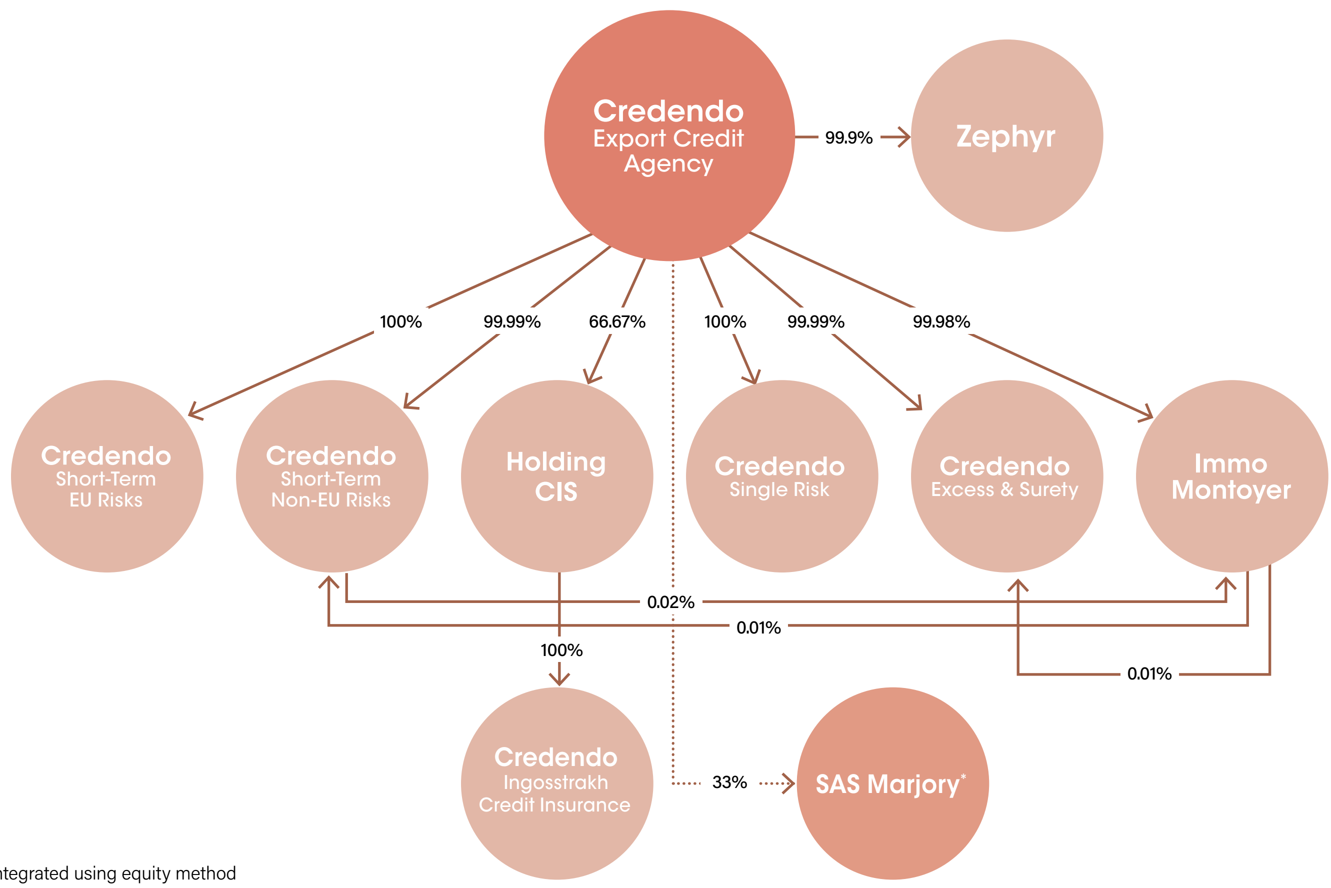
Credendo – Export Credit Agency insures companies and banks against political and commercial risks relating to international commercial transactions, mainly regarding capital goods and industrial projects, as well as contracted works and services. For these risks, Credendo – Export Credit Agency can also work alongside banks through risk-sharing schemes. Credendo – Export Credit Agency also insures against political risks relating to foreign direct investments, and directly finances commercial transactions of limited proportion.

The skills of Credendo – Export Credit Agency are complemented by those of its subsidiaries (together 'Credendo'):

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

In 2020, Credendo – Export Credit Agency has acquired a 33% stake in Marjory SAS, an iPaaS provider specialised in multi-sided platforms such as marketplaces.

Credendo – Export Credit Agency is a government body with a state guarantee, incorporated and domiciled in Belgium. The address of its registered office is rue Montoyerstraat 3, 1000 Brussels. Credendo provides insurance cover for companies within Europe, while the



*integrated using equity method

risks covered encompass the whole world. The company operates in Belgium, Austria, the Czech Republic, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Poland, Russia, Slovakia, Spain, Switzerland and the United Kingdom.

1.2. Impact of Covid-19

The ongoing Covid-19 pandemic and measures taken to contain the virus have affected the level of economic activity, which in turn has implications for financial reporting. While the containment measures have resulted in significant disruptions in the real economy, the monetary policy response has led to a significant increase in volatility on the financial markets and a prolongation of the low interest rate environment.

In addition, the uncertainty caused by the situation had a generally negative effect on the overall economic outlook, although the introduction of the first vaccines and the strong recovery in China in the closing months of 2020 have tempered this effect.

Credendo, as the Belgian export credit agency, plays an important role in export-based industries and has thus implemented a number of public support measures acting as reinsurer of the private credit insurers on behalf of the Belgian State. Other Credendo entities participated in numerous European government initiatives to support the economic recovery.

However the Covid-19 impact on Credendo's financials has been limited. Against expectations, the premium volume has remained stable and even increased slightly. Neither was there a significant share of Covid-19-related insurance claims. The main negative effects were registered at the financial-income level, where despite the strong recovery of the financial markets in the last three quarters of the year, it was not sufficient to cover the steep financial losses of the first quarter.

From an operational point of view, the lockdowns and the risk of infection have forced Credendo's staff to work from home, wherever possible. The switch to remote working went smoothly but still Credendo took all necessary steps to optimise customer interaction and staff collaboration, and to accelerate its process towards digitalisation by an increased use of business communication platforms, electronic/digital signing, etc.

Even though we expect that the impact of the pandemic will continue to be felt in 2021 and beyond, Credendo is ready to weather any further economic difficulties with its solvency remaining very high and its balance sheet very solid.

2. Summary of significant accounting policies

2.1. Basis of preparation of the consolidated financial statements

General principles

The consolidated financial statements of Credendo per 31/12/2020 have been prepared in accordance with the IFRS (International Financial Reporting Standards) as adopted by the European Union and that have been published at that date, namely the standards published by the IASB (International Accounting Standards Board) and the interpretations issued by the IFRIC (International Financial Reporting Interpretations Committee).

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

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

The following new amendments to standards are mandatory for the first time for the financial year beginning 01/01/2020 and have been **endorsed** by the European Union:

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

> Amendments to IAS 1 and IAS 8 'Definition of Material.' The amendment gives an amended definition, making further clarifications on relevant interpretations, e.g. in regard of obscuring/omitting information, primary users of general-purpose financial statements.

> References to the Conceptual Framework in IFRS Standards. The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance – in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

> Interest Rate Benchmark Reform – Phase 1 (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

The following new standards and amendments to standards have been issued, but are **not mandatory** for the first time for the financial year beginning on 01/01/2020 and have been **endorsed** by the European Union:

IFRS 9 'Financial Instruments' is effective for annual periods beginning on or after 01/01/2018. The standard addresses the classification, measurement, derecognition of financial assets and financial liabilities and general hedge accounting. However, Credendo has elected to defer the implementation of the standard, until IFRS 17 becomes effective (on 01/01/2023), with additional disclosures provided in Note 4.4 as required by IFRS 4 for the deferrers. This way the deferrers could apply the same effective date for both IFRS 17 and IFRS 9.

Credendo is in the process of implementing IFRS 9 in conjunction with the implementation of IFRS 17. The activities of both Credendo and its subsidiaries meet the criteria in paragraph 20B of the IFRS 4 amendment as they are predominantly connected with insurance. In this regard, management assessed that the group would not previously apply any version of IFRS 9 and, in accordance with paragraph 20D of the IFRS 4 amendment, the total carrying amount of the group's liabilities connected with insurance for the year ended 31/12/2015, as the standard requires a year end preceding 01/04/2016, relative to the total carrying amount of all its liabilities is 98%, which is greater than 90%. In accordance with paragraph 20G of the IFRS 4 amendment, there has been no change in the group's activities that might warrant a reassessment.

> Amendments to IFRS 9 'Prepayment Features with Negative Compensation' (effective 01/01/2019). This narrow-scope amendment permits more assets to be measured at amortised cost than under the previous version of IFRS 9, in particular some pre-payable financial assets. The amendment also deals with accounting for the modification of a financial liability, confirming that most such modifications will result in immediate recognition of a gain or loss. Credendo has decided to avail of the deferral of IFRS 9 until 01/01/2023.

> Amendment to IFRS 16 'Leases – Covid-19-Related Rent Concessions' (effective 01/06/2020). If certain conditions are met, the amendment would permit lessees, as a practical expedient, not to assess whether particular Covid-19-related rent concessions are lease modifications. Instead, lessees that apply the practical expedient would account for those rent concessions as if they were not lease modifications.

The following new standards and amendments to standards have been issued, but are **not mandatory** for the first time for the financial year beginning on 01/01/2020 and have **not been endorsed** by the European Union:

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

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

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

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

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short-duration contracts, which are often written by non-life insurers. It is expected as of now that Credendo will apply this approach for some of its contracts.

There is also a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. This approach will not be applicable for Credendo.

IFRS 17 is a significant development in accounting policy that will have a fundamental impact on the methodology, processes, systems and results across Credendo. Currently, an IFRS 17 implementation project is under way which incorporates accounting, actuarial and IT aspects. For now, it is still too early to provide a quantitative estimate of the new Standard. In June 2020 the IASB has issued a set of amendments to IFRS 17, also deferring its effective date to 01/01/2023. As the mandatory date of IFRS 9 for the deferrers is also delayed to 01/01/2023, the two standards will be implemented together.

> Amendments to IAS 1 'Presentation of Financial Statements: Classification of Liabilities as current or non-current' (effective 01/01/2023) clarify that:
  - the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the 'right' to defer settlement by at least twelve months and make explicit that only rights in place 'at the end of the reporting period' should affect the classification of a liability;
  - the classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability.

> Amendments to IFRS 3 'Business Combinations'; IAS 16 'Property, Plant and Equipment'; IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' as well as 'Annual Improvements' (effective 01/01/2022). The package of amendments includes narrow-scope amendments to three Standards as well as the Board's Annual Improvements, which are changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards.
  - Amendments to IFRS 3 'Business Combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
  - Amendments to IAS 16 'Property, Plant and Equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
  - Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' specify which costs a company includes when assessing whether a contract will be loss-making.
  - Annual Improvements make minor amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards', IFRS 9 'Financial Instruments', IAS 41 'Agriculture' and the illustrative examples accompanying IFRS 16 'Leases'.
  - Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39 and IFRS 7) (effective 01/01/2021). These amendments address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after 01/01/2021, with earlier application permitted.

2.2. Consolidation

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

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

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

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

B. Associates
Associates are all entities over which Credendo has significant influence but no control, generally through a shareholding of 20% to 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. Credendo's investments in associates include goodwill identified on acquisition.

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

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

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

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

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

2.3. Business combinations

Credendo applies the acquisition method to account for business combinations.

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

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

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

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

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

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

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

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

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

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

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

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

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

2.4. Foreign-currency translation

A. Functional and presentation currency
Items included in the financial statements of each of the Credendo entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional currency of all subsidiaries and associates of Credendo is the euro except for Credendo – Short-Term EU Risks for which the functional currency is the Czech crown and Credendo – Ingosstrakh Credit Insurance for which the functional currency is the Russian rouble.

The consolidated financial statements are presented in thousands of euros, which is Credendo – Export Credit Agency's functional and presentation currency.

B. Translation of transactions and balances
Foreign-currency transactions are translated into the functional currency using the exchange rate prevailing at the date of the transactions. Foreign-exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and/or qualifying net investment hedges.

Foreign-exchange gains and losses that relate to borrowings, cash and cash equivalents, financial investments and receivables/payables are presented in the income statement within 'Net financial income.' All other foreign-exchange gains and losses are presented in the income statement within 'Net insurance premium revenue' or 'Net insurance claims and loss adjustment expenses.'

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

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

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

> assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

> income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

> all resulting exchange differences are recognised in 'Other comprehensive income.'

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

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

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

2.5. Property, plant and equipment

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

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

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

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

Land is not depreciated. Depreciation is calculated using the straight-line method to allocate an item's cost to its residual values over its estimated useful life, as follows:

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

2.6. Intangible assets

A. Goodwill

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

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

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

B. Computer software

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

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

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

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

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

Computer software is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The capitalised development costs of the computer software not yet available for use are tested for impairment on an annual basis.

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

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

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

2.7. Financial investments and other financial assets

2.7.1 Financial investments

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

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

Loans and receivables
Loans and receivables are non-derivative financial investments with fixed or determinable payments that are not quoted in an active market. Credendo's loans and receivables also comprise 'Loans and receivables including reinsurance receivables' which is inclusive of forfaiting contracts, that are accounted for as financial instruments since 2020, and 'Cash and cash equivalents'.

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

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

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

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

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

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

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

C. Determination of fair value
For financial instruments traded in active markets, the determination of fair values of financial investments and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges (for example NYSE-Euronext) and broker quotes.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

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

D. Reclassification of financial investments
Financial investments other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, Credendo may choose to reclassify financial investments that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if Credendo has the intention and ability to hold these financial investments for the foreseeable future or until maturity at the date of reclassification.

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

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

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

> significant financial difficulty of the issuer or obligor;

> a breach of contract, such as a default or delinquency in interest or principal payments;

> it is becoming probable that the issuer or debtor will enter bankruptcy or any other financial reorganisation;

> the disappearance of an active market for that financial asset because of financial difficulties; or

> observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial investments since the initial recognition of those assets, although the decrease cannot be identified yet with the individual financial investments in the portfolio.

Credendo first assesses whether objective evidence of impairment exists individually for financial investments that are individually significant. If Credendo determines that no objective evidence of impairment exists for an individually assessed financial investment, whether significant or not, it includes the asset in a group of financial investments with similar credit-risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

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

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

Assets classified as available for sale
Credendo assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial investments is impaired.

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

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

> the liquidity of the investee fund or its underlying investments;

> the value date of the net asset value provided;

> any restrictions on redemptions;

> fair-value basis of accounting.

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

2.7.2 Other financial assets

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

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

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

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

2.8. Derivative financial instruments

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

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

Credendo does not apply hedge accounting.

2.9. Impairment of non-financial assets

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

2.10. Offsetting financial assets and liabilities

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

2.11. Cash and cash equivalents

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

2.12. Endowment and share capital

Credendo – Export Credit Agency received an endowment (capital) from the Belgian State several decades ago. This endowment is classified as equity since there is no obligation to transfer cash or other assets.

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

2.13. Insurance contracts and reinsurance contracts

Credendo issues insurance contracts and takes up the risks of the insured by insuring them. Insurance contracts are those contracts under which Credendo accepts a significant insurance risk – other than a financial risk – from a policyholder by agreeing to compensate the beneficiary on the occurrence of an uncertain event. As a general guideline, Credendo defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event that are at least 10% higher than the benefits payable if the insured event did not occur.

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

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

Insurance contracts are classified into the following main categories:

> **Credit insurance contracts:** insurance of the risk related to termination and payment default of international and domestic trade transactions which are caused by political events or by debtor insolvency or debtor default. The product range covers turnover policies, single-risk policies (supplier credit, project cash transactions, unfair calling of guarantees, contracting equipment), excess-of-loss policies and captive policies. The foreign-exchange risk can be included.

> **Investment insurance contracts:** insurance contracts for foreign direct investments (FDI) whereby the investor or bank is insured against the infringement of property rights, the non-repatriation of invested funds and dividends or the non-payment of investment credits due to political and assimilated events.

> **Financial guarantees:** guarantees for the benefit of a bank in the framework of three types of credit lines: bank guarantees, working capital (under export business) and investments and guarantees at the benefit of the bond holder.

> **Surety contracts:** also known as 'bonding contracts,' these are contracts that provide compensation to the beneficiary of the contract if Credendo's bonding customer fails to perform a contractual obligation towards the beneficiary. Contractual bonds (advance payment bond, performance bond, etc.) guarantee the proper performance as well as the technical and financial abilities of the bonding customer in favour of a commercial partner. Credendo also issues legal bonds, e.g. in favour of the VAT or customs administration.

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

Starting from the year 2020, the forfaiting contracts are accounted for as financial instruments and are included into the line 'Loans and receivables including reinsurance receivables ' in the balance sheet.

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

A. Recognition and measurement

Except for some exceptions defined in the Standard, IFRS 4 permits the continued use of previous local statutory accounting principles for the recognition and measurement of insurance and reinsurance contracts. Credendo has thus continued to apply the insurance regulations of Belgium for Credendo – Export Credit Agency, Credendo – Short-Term Non-EU Risks and Credendo – Excess & Surety, of the Czech Republic for Credendo – Short-Term EU Risks, of Austria for Credendo – Single Risk, and of Russia for Credendo – Ingosstrakh Credit Insurance. These are all substantially similar, save for the following points, which are covered by specific provisions of IFRS 4:

> removal of provisions for equalisation where applicable;

> identification and separation of embedded derivatives.

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

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

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

Credendo does not apply shadow accounting.

B. Premium provisions

The premium provisions comprise the provision for unearned premiums, the provision for profit-sharing and rebates and, for Credendo – Export Credit Agency, Credendo – Short-Term Non-EU Risks and Credendo – Excess & Surety only, the provision for deterioration of the risk as foreseen in the Belgian regulations. For all insurance contracts, other than inward reinsurance contracts not administered by Credendo, contracts with premium payment via spreads per annum and financial guarantees, a provision for unearned premiums corresponds to the pro rata temporis share of the premiums to be allocated to the period following the closing date in order to cover claims charges and operating costs of insured risks not yet expired at the closing date.

For the credit (re)insurance contracts underwritten or administered by Credendo – Export Credit Agency, Credendo – Short-Term Non-EU Risks and Credendo – Excess & Surety a provision for deterioration of the risk is constituted when for outstanding transactions the risk assessment is aggravated in comparison with the original assessment and, as a result, the unearned premiums may be insufficient to cover the estimated future charges (claims charges and operating costs). This can be caused by a deterioration in the country or debtor risk (downgrading of the rating), or by the deterioration of the business environment in a country or trade sector giving rise to an increased risk of a systemic nature.

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

C. Provision for claims

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

Credendo has three types of provisions for claims:

> a provision for claims occurring during the period but reported after the end of the reporting period, also known as IBNR provision (incurred but not reported);

> a provision for claims reported but not yet settled at the end of the reporting period, also known as RBNS provision (reported but not settled); and

> a provision for internal and external claims handling expenses.

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

D. The IBNR provision

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

All entities calculate their IBNR provision using insurance-mathematical and statistical methods.

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

E. The RBNS provision

The RBNS provision encompasses claims that have been reported by the insured party and is set by estimating on a case-by-case basis the ultimate loss to Credendo. The liability for reported claims is net of expected recoveries on expected and settled claims.

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

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

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

F. The provision for claims handling expenses
The provision for claims handling expenses at Credendo – Export Credit Agency and Credendo – Short-Term Non-EU Risks is estimated based on a historic average per claims file of internal and external handling costs adjusted for cost inflation, the expected number of files with incurred losses and the average handling life of these files. The provision includes expenses for handling settled losses as well.

For Credendo – Excess & Surety and Credendo – Ingosstrakh Credit Insurance only internal handling costs are taken into account. The provision amounts to a percentage of the sum of IBNR and RBNS provisions.

For Credendo – Single Risk and Credendo – Short-Term EU Risks only external handling costs are taken into account for provisioning. For Credendo – Short-Term EU Risks, the RBNS provision is increased with the expected expenses for the handling of claims which are, based on long-term experience, estimated as a share of that provision.

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

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

2.14. Current and deferred tax

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

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

2.15. Employee benefits

A. Post-employment benefits

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

Pension obligations

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

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

The liability recognised in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. In countries where there is no deep market in such bonds the market rates on government bonds are used.

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

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

Post-employment health benefit plan

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

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

B. Seniority bonuses

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

C. Termination benefits

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

D. Bonus plans

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

2.16. Provisions for restructuring costs and legal claims

Provisions for restructuring costs and legal claims are recognised when:

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

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

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

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

2.17. Revenue recognition

A. Premium earned

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

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

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

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

B. Net income on financial investments

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

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

2.18. Interest income and expenses

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

2.19. Dividend income

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

2.20. Leases

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

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

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

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by Credendo.

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

> fixed payments (including in-substance fixed payments), less any lease incentives receivable;

> variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;

> amounts expected to be payable by Credendo under residual value guarantees;

> the exercise price of a purchase option if Credendo is reasonably certain to exercise that option; and

> payments of penalties for terminating the lease, if the lease term reflects Credendo exercising that option.

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

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

To determine the incremental borrowing rate, Credendo:

> where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received,

> uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Credendo, which does not have recent third-party financing, and

> makes adjustments specific to the lease, e.g. term, country, currency and security.

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

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

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

> the amount of the initial measurement of lease liability;

> any lease payments made at or before the commencement date less any lease incentives received;

> any initial direct costs, and;

> restoration costs.

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

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

Extension and termination options are included in a number of property and equipment leases in different entities of Credendo. These are used to maximise operational flexibility in terms of managing the assets used in Credendo's operations. The majority of extension and termination options held are exercisable only by Credendo and not by the respective lessor.

2.21. Assets and liabilities held for sale and discontinued operations

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

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

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

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

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and that represents a separate major line of business or geographical area of operations, is part of a single coordination plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to a resale. The results of discontinued operations are presented separately in the statement of comprehensive income.

3. Critical accounting estimates and judgements

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

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

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

3.2. Impairment losses on loans and receivables

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

3.3. Pension benefits

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

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

3.4. Income taxes

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

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

4. Management of insurance and financial risk

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

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

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

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

4.1. Insurance risk

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

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

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

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

4.1.1 Credit & investment insurance risk

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

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

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

4.1.2 Surety contracts risk

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

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

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

4.1.3 Inward reinsurance contracts

Some Credendo entities reinsure similar risks and bonds underwritten or issued by other insurance/surety companies. This inward reinsurance business or reinsurance issued takes place on a facultative and on a treaty basis and is subject to a similar risk management process as direct business.

4.1.4 Sensitivity analysis

The underwriting risk being the most important risk in Credendo's risk profile, the impact of standard sensitivity analyses is larger than for other risks. A 10% fall in the average premium level would ceteris paribus lead to a lowering of pre-tax income by EUR 22.4 million (2019: EUR 22.2 million). A 10% rise in claims expenses would lower the pre-tax income by EUR 25.5 million (2019: EUR 14.1 million).

4.1.5 Change in assumptions

No assumption changes with material impact have occurred since 01/01/2020.

4.1.6 Quantitative concentrations

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

TOTAL POTENTIAL EXPOSURE BY TOP 10 DEBTOR COUNTRIES (IN MILLION EUR)					
	31/12/2020			31/12/2019	
COUNTRY	TOTAL POTENTIAL EXPOSURE	%	COUNTRY	TOTAL POTENTIAL EXPOSURE	%
Russia	4,007	7.2%	Russia	4,276	7.0%
Italy	2,748	5.0%	Italy	2,888	4.7%
France	2,085	3.8%	United States	2,106	3.4%
Germany	1,924	3.5%	Czech Republic	2,022	3.3%
China	1,923	3.5%	Poland	1,982	3.2%
Czech Republic	1,900	3.4%	Germany	1,900	3.1%
Poland	1,796	3.2%	Belgium	1,843	3.0%
Belgium	1,576	2.8%	China	1,575	2.6%
United States	1,433	2.6%	Turkey	1,543	2.5%
Bangladesh	1,297	2.3%	Brazil	1,505	2.5%
Other countries	34,758	62.7%	Other countries	39,485	64.6%
TOTAL POTENTIAL EXPOSURE	**55,447**	**100%**	**TOTAL POTENTIAL EXPOSURE**	**61,125**	**100%**

Due to portfolio optimization measures against the Covid-19 pandemic and its economic fall-out, the exposure has decreased in 2020.

4.1.7 Claims development tables

In addition to scenario testing, the development of insurance liabilities provides a measure of Credendo's ability to estimate the ultimate value of claims. The following tables give an overview of how claims payments and provisions for direct business develop through the years on a basis gross and net of reinsurance held. The claims development tables below illustrate how Credendo entities' estimates of total claims outstanding for each occurrence/underwriting year have changed at successive year ends. Amounts are gross of any intragroup transactions, net of expected recoveries on expected claims, and gross of expected recoveries on settled claims, and give insight on how uncertainties surrounding claims evolve and on possible overestimations or underestimations of ultimate payments.

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

CREDENDO – EXPORT CREDIT AGENCY – DIRECT MLT BUSINESS								
	REPORTED CLAIMS[1], GROSS OF REINSURANCE (IN MILLION EUR)							
OCCURRENCE YEAR	2014	2015	2016	2017	2018	2019	2020	TOTAL
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	54.5	143.4	285.6	68.2	8.9	59.6	52.5	
One year later	93.4	43.7	251.7	85.8	27.5	65.7		
Two years later	106.8	40.9	291.2	76.2	36.6			
Three years later	102.1	53.8	292.5	45.5				
Four years later	110.6	25.9	257.7					
Five years later	99.0	32.7						
Six years later	100.6							
Current estimate of cumulative claims	100.6	32.7	257.7	45.5	36.6	65.7	52.5	591.3
Cumulative payments to date	98.3	27.6	188.6	13.5	15.8	45.8	-0.6	389.0
Liability in respect to prior years								9.5
TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2020								**211.8**

CREDENDO – EXPORT CREDIT AGENCY – DIRECT MLT BUSINESS								
	REPORTED CLAIMS[1], NET OF REINSURANCE (IN MILLION EUR)							
OCCURRENCE YEAR	2014	2015	2016	2017	2018	2019	2020	TOTAL
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	50.8	132.8	244.5	57.1	7.7	49.9	48.2	
One year later	67.1	35.8	245.3	79.9	24.3	52.6		
Two years later	94.2	44.7	238.9	71.6	32.9			
Three years later	91.1	44.8	236.2	41.6				
Four years later	100.1	14.0	215.2					
Five years later	87.1	17.2						
Six years later	88.9							
Current estimate of cumulative claims	88.9	17.2	215.2	41.6	32.9	52.6	48.2	496.6
Cumulative payments to date	88.6	19.5	147.0	11.6	12.8	36.3	-0.6	315.3
Liability in respect to prior years								7.3
TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2020								**188.7**

1. Net of expected recoveries on expected claims, gross of expected recoveries on settled claims.

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

In the following development tables on reported claims for Credendo – Export Credit Agency's ST and Credendo – Short-Term Non-EU Risks' direct business, the accident or risk occurrence year is defined in terms of the (first) maturity date:

CREDENDO – EXPORT CREDIT AGENCY – DIRECT ST BUSINESS & CREDENDO – SHORT-TERM NON-EU RISKS	REPORTED CLAIMS[1], GROSS OF REINSURANCE (IN MILLION EUR)							
OCCURRENCE YEAR	2014	2015	2016	2017	2018	2019	2020	TOTAL
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	74.5	104.2	82.4	69.5	21.4	41.7	23.3	
One year later	106.7	126.3	78.2	149.4	55.6	54.1		
Two years later	130.0	113.3	86.7	155.1	78.8			
Three years later	123.7	124.3	84.0	93.6				
Four years later	175.4	121.3	90.6					
Five years later	143.3	124.9						
Six years later	140.8							
Current estimate of cumulative claims	140.8	124.9	90.6	93.6	78.8	54.1	23.3	606.1
Cumulative payments to date	139.9	119.0	86.6	85.0	56.2	42.8	11.4	540.9
Liability in respect to prior years								20.6
TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2020								**85.8**

CREDENDO – EXPORT CREDIT AGENCY – DIRECT ST BUSINESS & CREDENDO – SHORT-TERM NON-EU RISKS	REPORTED CLAIMS[1], NET OF REINSURANCE (IN MILLION EUR)							
OCCURRENCE YEAR	2014	2015	2016	2017	2018	2019	2020	TOTAL
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	45.9	68.4	67.8	60.1	14.3	18.4	14.6	
One year later	66.2	84.8	60.0	133.2	30.2	33.0		
Two years later	77.8	72.5	65.2	60.4	65.2			
Three years later	72.3	81.0	56.2	70.2				
Four years later	123.4	72.8	70.0					
Five years later	93.8	80.5						
Six years later	92.1							
Current estimate of cumulative claims	92.1	80.5	70.0	70.2	65.2	33.0	14.6	425.6
Cumulative payments to date	91.5	74.9	66.3	62.0	43.4	23.7	6.8	368.6
Liability in respect to prior years								14.6
TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2020								**71.6**

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

In the following claims development tables for Credendo – Short-Term EU Risks and Credendo – Ingosstrakh Credit Insurance (gross and net of reinsurance; including IBNR provisions), the accident or risk occurrence year for reported claims is defined in terms of the date of reporting of the loss:

CREDENDO – SHORT-TERM EU RISKS & CREDENDO – INGOSSTRAKH CREDIT INSURANCE	REPORTED CLAIMS[1], GROSS OF REINSURANCE (IN MILLION EUR)							
OCCURRENCE YEAR	2014	2015	2016	2017	2018	2019	2020	TOTAL
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	8.4	8.9	16.5	45.6	17.5	14.0	15.1	
One year later	7.9	18.2	14.3	43.7	13.0	12.2		
Two years later	13.1	17.1	13.8	43.9	11.7			
Three years later	13.6	16.8	13.6	44.0				
Four years later	13.6	17.1	13.6					
Five years later	13.3	17.1						
Six years later	13.3							
Current estimate of cumulative claims	13.3	17.1	13.6	44.0	11.7	12.2	15.1	127.1
Cumulative payments to date	13.4	17.3	13.7	43.1	11.7	10.9	5.5	115.7
Liability in respect to prior years								19.5
TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2020								**30.9**

CREDENDO – SHORT-TERM EU RISKS & CREDENDO – INGOSSTRAKH CREDIT INSURANCE	REPORTED CLAIMS[1], NET OF REINSURANCE (IN MILLION EUR)							
OCCURRENCE YEAR	2014	2015	2016	2017	2018	2019	2020	TOTAL
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	3.4	3.6	6.7	6.8	6.5	5.8	6.1	
One year later	3.2	7.7	5.7	6.8	4.8	5.0		
Two years later	5.4	7.2	5.4	6.9	4.3			
Three years later	5.6	7.2	5.3	6.8				
Four years later	5.6	7.2	5.3					
Five years later	5.5	7.2						
Six years later	5.5							
Current estimate of cumulative claims	5.5	7.2	5.3	6.8	4.3	5.0	6.1	40.3
Cumulative payments to date	5.5	7.2	5.3	6.8	4.2	4.4	4.2	37.7
Liability in respect to prior years								0.6
TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2020								**3.1**

1. Net of expected recoveries on expected claims, gross of expected recoveries on settled claims.

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

CREDENDO – EXCESS & SURETY	REPORTED CLAIMS, GROSS OF REINSURANCE (IN MILLION EUR)							
OCCURRENCE YEAR	2014	2015	2016	2017	2018	2019	2020	TOTAL
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	3.4	4.5	5.2	5.2	3.2	17.3	4.2	
One year later	7.1	10.1	15.0	8.7	12.4	32.8		
Two years later	5.0	8.0	15.9	9.1	20.9			
Three years later	4.8	8.2	13.8	11.0				
Four years later	4.8	8.0	13.3					
Five years later	4.7	8.0						
Six years later	4.7							
Current estimate of cumulative claims	4.7	8.0	13.3	11.0	20.9	32.8	4.2	95.0
Cumulative payments to date	4.7	7.9	12.3	8.8	12.2	11.6	0.2	57.7
Liability in respect to prior years								-
TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2020								**37.2**

CREDENDO – EXCESS & SURETY	REPORTED CLAIMS, NET OF REINSURANCE (IN MILLION EUR)							
OCCURRENCE YEAR	2014	2015	2016	2017	2018	2019	2020	TOTAL
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	0.9	1.1	1.3	1.3	0.8	4.3	1.0	
One year later	1.8	2.5	3.8	2.2	3.1	8.2		
Two years later	1.3	2.0	4.0	2.3	5.2			
Three years later	1.2	2.1	3.5	2.8				
Four years later	1.2	2.0	3.3					
Five years later	1.2	2.0						
Six years later	1.2							
Current estimate of cumulative claims	1.2	2.0	3.3	2.8	5.2	8.2	1.0	23.7
Cumulative payments to date	1.2	2.0	3.1	2.2	3.1	2.9	0.0	14.4
Liability in respect to prior years								-
TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2020								**9.3**

Credendo – Single Risk's historical claims developments (2009-2013) include the Pauschal reserve which was replaced at the end of 2014 by a separate unearned premium provision and IBNR provision. Therefore, 2014 marks the starting point of a new set of claims development tables that will be included in future reporting.

4.2. Financial risk

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

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

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

4.2.1 Market risk

4.2.1.1 Interest rate risk

The interest rate risk stems from the risk of adverse movements in interest rates. Credendo's exposure to the interest rate risk is primarily limited to fixed-income instruments and, if discounted, technical provisions due to the fact that Credendo has no borrowings. Given the nature of the insurance activity, the undiscounted insurance liabilities are not sensitive to the level of market interest rates as they are contractually non-interest bearing. A higher interest rate lowers ceteris paribus the value of bonds and, if applied, the discounted value of technical provisions. At the end of the reporting period, a sensitivity analysis on that part of the bond portfolio identified as or assumed to be at variable interest rate points to a negligible decrease/increase in pre-tax profit of maximum K EUR 729 (2019: K EUR 970) due to a change in financial income, if interest rates would have been 100 bps lower/higher respectively.

4.2.1.2 Currency risk

Credendo is active in the insurance of international trade transactions, meaning that it holds insurance liabilities and related assets in several currencies on its statement of financial position. This creates risks of losses due to adverse movements in these currencies. The most material foreign-currency positions for Credendo are as follows – note that the insurance liabilities and the reinsurers' share therein are gross of expected recoveries on expected and settled claims:

CURRENCY RISK EXPOSURES (IN MILLION EUR)	31/12/2020	31/12/2019
ASSETS DENOMINATED IN FOREIGN CURRENCY		
Financial investments		
USD	382.0	325.9
GBP	13.4	26.3
Reinsurers' share of insurance liabilities		
USD	37.8	50.6
GBP	0.3	0.4

CURRENCY RISK EXPOSURES (IN MILLION EUR)	31/12/2020	31/12/2019
LIABILITIES DENOMINATED IN FOREIGN CURRENCY		
Lease liabilities		
USD	0.9	0.3
GBP	0.0	0.9
Liabilities arising from insurance contracts		
USD	540.7	408.7
GBP	1.1	0.9

At the end of the reporting period, a sensitivity analysis on the above positions points to a decrease of the net liability position in USD of EUR 12.1 million (2019: EUR 3.2 million) and of the net asset position in GBP of EUR 1.3 million (2019: EUR 2.6 million) if these currencies would appreciate by 10% vis-à-vis the EUR, ceteris paribus. A 10% depreciation of the currencies would lead to inverse movements in the net position. Pre-tax profit for both currencies combined would respectively decrease/increase by EUR 10.8 million (2019: EUR 0.6 million).

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

MOST IMPORTANT CURRENCIES VIS-À-VIS EUR	USD	GBP	CZK	RUB
Exchange rate at the end of 2020	1.23	0.90	26.02	91.90
% fluctuation since the end of 2019	9.2%	5.7%	2.4%	31.4%
Average 2020	1.15	0.89	26.20	90.67
Exchange rate at the end of 2019	1.12	0.85	25.41	69.96
% fluctuation since the end of 2018	-1.9%	-4.9%	-1.2%	-12.2%
Average 2019	1.12	0.88	25.66	72.22

4.2.1.3 Equity price risk

Equity represents a significant percentage in the consolidated Credendo investment portfolio. Since equity is typically a higher-risk instrument that is more sensitive to volatility and possible large shocks, a safe investment strategy is pursued. The volatility risk is mitigated through the use of mixed target volatility funds and diversified hedging of risk positions also during the financial markets downturn in the earlier months of the Covid-19 crisis. While a decent return is sought after, it is equally important to hold equity in secure assets. Furthermore, also geographically, the equity portfolio generally favours safer, more mature markets over risky markets.

At the end of the reporting period, a sensitivity analysis on funds invested in equity instruments (not contained in the target volatility or other mixed funds) demonstrates that if equity market prices had been 10% higher/lower, with all other variables held constant, pre-tax impact on OCI would have been EUR 2.1 million higher/lower (2019: EUR 1.0 million) respectively, due to the change in mark-to-market of equity AFS.

4.2.2 Credit risk

Credit or counterparty default risk is defined as the risk of loss or of adverse change in the financial situation, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which Credendo is exposed. Credit risk is typically assessed through ratings reflecting the creditworthiness of the counterparty. The credit risk exposure arises from financial transactions with security issuers, debtors, intermediaries, policyholders or reinsurers. Most notably, there is a significant credit risk when considering the investment portfolio and when considering the reinsurance recoverables. The receivables from the insurance activities mostly concern exposures to typically unrated counterparties, like policyholders and brokers, for which the overall credit risk is mitigated through the very diversification of the exposures.

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

The following table demonstrates the credit quality of the consolidated financial investments that are neither overdue nor impaired. Mixed funds are classified on a look-through basis i.e. according to the category of the underlying financial investments. Therefore, amounts e.g. classified as equity instruments or cash (equivalents), are different from amounts in the balance sheet. A total amount of EUR 820 million is classified as not rated. It refers to equity investments (EUR 614 million), to debt instrument funds for which the average rating was not available (EUR 48 million), and finally, to cash held in non-rated banks (EUR 158 million). During Spring 2020, as a consequence of the Covid-19 crisis, the financial markets had strongly declined, impacting the investment portfolio (in particular the equity portfolio). However, the markets have partially recovered so far.

CREDIT RISK EXPOSURES (IN MILLION EUR)	AAA	AA	A	BBB	<BBB	Non-rated	TOTAL
FINANCIAL INVESTMENTS & CASH (EQUIVALENTS) AT 31/12/2020							
Government bonds	283	625	52	55	9	-	1,024
Funds invested in debt/security instruments	11	72	185	398	119	48	833
Funds invested in equity instruments	-	-	-	-	-	614	614
Fixed-term deposits	-	-	34	-	-	-	34
Cash and cash equivalents	-	13	191	11	-	158	373
TOTAL	**294**	**710**	**462**	**464**	**128**	**820**	**2,878**

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

While reinsurance agreements help to mitigate and manage the insurance risks, there is a possibility that the reinsurer will not fulfil its obligations. This boils down to the reinsurer not compensating an incurred loss, because it is not able or willing to do so. Credendo carefully selects its reinsurers and sets an internal requirement for all reinsurers to be rated at least investment grade. Furthermore, a strict follow-up and regular review of the relations and the performance of the agreements enable to optimise these agreements beyond the pure rating requirement. The choice of counterparties varies little from year to year, indicating an overall satisfaction with both the relationships and the creditworthiness of these counterparties.

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

COUNTERPARTY RISK EXPOSURES (IN MILLION EUR)	AAA	AA	A	BBB	<BBB	Non-rated	TOTAL
Reinsurers' share of insurance liabilities							
31/12/2020	5.2	70.4	102.4	1.9	0.0	0.4	180.3
31/12/2019	0.0	71.2	78.7	0.1	0.0	1.7	151.7

The above table does not conclude to noteworthy increased counterparty default risk on reinsurers due to the financial/economic impact of the Covid-19 pandemic. The exposition to AAA rated reinsurers in 2020 reflects the participation to Covid-19 State Support Schemes offered by AAA rated states to mitigate the Covid-19 pandemic impact.

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

4.2.3 Liquidity risk

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

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

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

4.2.4 Capital management

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

Credendo entities relate risk tolerance to risk-based capital concepts, relevant for different stakeholders. The following capital concepts are used within Credendo:

- Solvency II Capital Requirement (SCR): the regulatory SCR corresponds to a value-at-risk (VaR) of the basic own funds subject to a confidence level of 99.5% to meet the obligations to policyholders over the following 12 months.
- Rating capital: rating agencies also use risk-based capital models that indicate the VaR amount of own funds corresponding to varying confidence intervals commensurate with a target rating category.
- Economic capital: amount of own funds needed according to an internal model and a defined measure (value-at-risk, tail-value-at-risk, ...) and confidence level.

Regarding the external regulation, all Credendo entities met the minimum capital requirement thresholds in 2020 as imposed by their respective jurisdictions.

Credendo entities subject to the EU-wide Solvency II insurance regulation, that is all entities except Russia-based Credendo – Ingosstrakh Credit Insurance and parent company Credendo – Export Credit Agency, have a general risk tolerance set in terms of maintaining a comfortable buffer vis-à-vis the solvency capital requirements in the context of the Solvency II framework. Their actual Solvency II capital adequacy is disclosed in their Solvency & Financial Condition Report.

The Covid-19 crisis had so far only a limited impact on the solvency position of these entities.

Three entities within Credendo currently hold ratings from S&P Global:

- Credendo – Single Risk is rated A-, with a stable outlook;
- Credendo Excess & Surety has been assigned in 2020 an A- rating with a stable outlook;
- Parent company Credendo – Export Credit Agency is rated AA.

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

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

4.3. Fair-value hierarchy

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

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

The following tables present Credendo's assets and liabilities measured at fair value at 31/12/2020 and 2019. Note that only the financial instruments measured at fair value are included in the tables below. As loans and receivables are not measured at fair value, these have not been included in the tables below.

31/12/2020 (IN MILLION EUR)	LEVEL 1	TOTAL
ASSETS		
Financial assets at fair value through profit or loss	**2,085**	**2,085**
Government bonds	5	5
Funds invested in debt instruments	8	8
Mixed & other funds	2,072	2,072
Available-for-sale financial assets	**245**	**245**
Government bonds	1	1
Funds invested in debt instruments	27	27
Funds invested in equity instruments	21	21
Mixed & other funds	195	195
TOTAL ASSETS	**2,329**	**2,329**

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

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

At 31/12/2020, all financial investments measured at fair value on a recurring basis are classified as level 1 (31/12/2019: 100%). Fair-value measurements classified as level 1 include exchange-traded prices of fixed maturities, equity securities and derivative contracts.

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

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

There were no transfers between levels during the year.

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

4.4. IFRS 9 deferral disclosures

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

The table below presents a disclosure of the fair value at the end of the reporting period and the change in fair value during the period for the groups of financial assets that pass the SPPI (solely payment of principal and interest) test and the other financial assets separately.

ASSET CLASS	GROUP 1 - SPPI FINANCIAL INSTRUMENTS				GROUP 2 - OTHER FINANCIAL INVESTMENTS		
31/12/2020	AFS	LOANS AND RECEIVABLES	CASH AND CASH EQUIVALENTS	TOTAL	FAIR VALUE THROUGH PROFIT OR LOSS	AFS	TOTAL
FINANCIAL INVESTMENTS							
Opening balance	29,126	346,155	258,274	633,555	2,162,996	163,035	2,326,031
Additions	8,981	44,993	-	53,974	83,383	125,455	208,838
Disposals	-8,982	-59,501	-40,658	-109,141	-114,491	-75,439	-189,930
Change in fair value	-647	-244	-	-891	-47,319	3,096	-44,223
Closing balance	28,478	331,403	217,616	577,497	2,084,570	216,147	2,300,717
RECEIVABLES ARISING FROM FUNDING OPERATIONS[1]							
Opening balance	-	126,596	-	126,596	-	-	-
Additions	-	-	-	-	-	-	-
Disposals	-	-9,463	-	-9,463	-	-	-
Change in fair value	-	-	-	-	-	-	-
Closing balance	**-**	**117,133**	**-**	**117,133**	-	-	-

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

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

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

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

CREDIT RISK EXPOSURES (IN MILLION EUR) 31/12/2020	AAA	AA	A	BBB	<BBB	Non-rated	TOTAL
FINANCIAL INSTRUMENTS INCLUDED IN GROUP 1							
Financial investments	1	330	232	11	-	3	577
Receivables arising from funding operations	-	-	-	-	-	117	117
TOTAL	**1**	**330**	**232**	**11**	**-**	**120**	**694**

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

5. Intangible assets

	NOTE	GOODWILL	EXTERNALLY ACQUIRED SOFTWARE	INTERNALLY GENERATED SOFTWARE DEVELOPMENT COSTS	INTERNALLY GENERATED SOFTWARE IN DEVELOPMENT	CONCESSIONS, PATENTS AND LICENCES	OTHER	TOTAL
At cost at 01/01/2020		5,835	758	19,590	51,974	11,546	277	89,983
Additions		-	-	1,134	20,955	193	-	22,282
Disposals		-	-	-1,799	-	-	-	-1,799
Transfers		-	-	9,417	-9,506	-	89	-
Exchange differences		-	-24	-	-10	-	-7	-44
At cost at 31/12/2020		5,835	734	28,342	63,413	11,739	359	110,422
Accumulated amortisation and impairments at 01/01/2020		-5,560	-749	-10,628	-65	-11,094	-236	-28,334
Amortisation charge	26	-	-7	-3,353	-	-218	-44	-3,622
Amortisation on disposals		-	-	11	-	-	-	11
Transfers		-	-	-	54	-	-54	-
Exchange differences		-	23	-	11	-	5	41
Accumulated amortisation and impairments at 31/12/2020		-5,560	-733	-13,970	-	-11,312	-329	-31,904
BALANCE AT 01/01/2020		275	9	8,962	51,909	452	41	61,649
BALANCE AT 31/12/2020		275	1	14,372	63,413	427	30	78,518

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

The total amortisation expense of K EUR 3,622 (31/12/2019: K EUR 3,101) has been charged in 'Depreciation and amortisation' in the income statement.

The total additions of 2020 amount to K EUR 22,282 (2019: K EUR 21,114) and are mainly related to the continuing IT investment projects.

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

5.1. Impairment testing on intangible assets not yet ready for use

Policy
Intangible assets not yet ready for use are subject to annual impairment testing, which management monitors this on an ongoing basis. As such, they are allocated to the smallest identifiable group of assets that independently generates cash inflows, which in this case is Credendo – Export Credit Agency.

Cash-generating units (CGU)
The valuation of the CGU is based on the assets and liabilities held by Credendo – Export Credit Agency, two separately treated elements excluded from this exercise, minus:

> investments in consolidated entities (not included in the ECA budget);

> mandatory investment in the government bonds which is equal to the share capital investment by the government.

Method
The value-in-use of the assets was estimated using a dividend discount model, which is comparable to the practices of competitors in similar markets, albeit tailored to Credendo's specific characteristics.

The basis for the test consists of management's business forecasts for the next 5 years, which are recent and thus take into account current market conditions.

Estimating the weighted average cost of capital (WACC) resulted in a rate of 4.40%. In addition, a long-term growth rate of 2.7% was applied. This rate is an estimate, as different models use different approaches, and typically do not account for the specificities of Credendo.

Finally, the assumption was made that Credendo's tax regime remains unchanged.

The key assumptions in the model, being the long-term growth rate and the WACC, have been tested for sensitivity by applying multiple reasonable scenarios.

Increase in WACC
If the model's WACC is increased to 5%, the reduction in headroom does not result in the need to impair the intangible assets.

Decrease in permanent growth rate (g)
In case of a decrease in the g assumed in the model to 1.5%, the resulting reduction in headroom does not result in the need to impair the intangible assets.

5.2. Goodwill

Management reviews the business performance based on an entity level as this is how the goodwill is monitored by the management. The following is a summary of goodwill allocation for each entity:

31/12/2020	OPENING	IMPAIRMENT	CLOSING
Credendo – Excess & Surety	275		275
TOTAL	**275**	**-**	**275**

31/12/2019	OPENING	IMPAIRMENT	CLOSING
Credendo – Excess & Surety	275		275
TOTAL	**275**	**-**	**275**

During the fourth quarter of 2020, Credendo completed its annual impairment test for goodwill. There was no impairment of goodwill required.

6. Property, plant and equipment

6.1. Property, plant and equipment owned by Credendo

	NOTE	LAND AND BUILDINGS	PLANT, MACHINERY AND EQUIPMENT	OFFICE FURNITURE, FURNISHING AND VEHICLES	OPERATING EQUIPMENT	OTHER	TOTAL
At cost at 01/01/2020		18,746	14,789	9,615	220	17	43,387
Additions		-	289	111	17	115	532
Disposals		-	-106	-72	-	-52	-230
Exchange differences		-	-20	-45	-53	-	-118
At cost at 31/12/2020		18,746	14,952	9,609	184	80	43,571
Accumulated depreciation and impairments at 01/01/2020		-2,470	-11,404	-8,193	-177	-8	-22,252
Depreciation charge	26	-153	-980	-322	-30	-7	-1,492
Depreciation on disposals		-	61	61	-	9	131
Exchange differences		-	20	25	43	-	88
Accumulated depreciation and impairments at 31/12/2020		-2,623	-12,303	-8,429	-164	-6	-23,525
BALANCE AT 01/01/2020		16,276	3,385	1,422	43	9	21,135
BALANCE AT 31/12/2020		16,123	2,649	1,180	20	74	20,046

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

The total depreciation expense of K EUR 1,492 (2019: K EUR 1,601) has been charged in 'Depreciation and amortisation' in the income statement.

The total additions of 2020 amount to K EUR 532 (2019: K EUR 976) and are mainly related to the acquisition of furniture and hardware (K EUR 400). Credendo's current and future tangible assets are not pledged nor restricted.

6.2. Leased property, plant and equipment

6.2.1 Amounts recognised in the balance sheet

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

RIGHT-OF-USE ASSETS	31/12/2020	31/12/2019
Buildings	6,092	5,335
Vehicles	865	818
TOTAL	**6,957**	**6,153**

LEASE LIABILITIES	31/12/2020	31/12/2019
Current	2,852	1,887
Non-current	4,103	4,228
TOTAL	**6,955**	**6,115**

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

CONTRACTUAL MATURITIES OF LEASE LIABILITIES 31/12/2020	< 1 YEAR	1-5 YEARS	> 5 YEARS	TOTAL CONTRACTUAL CASH FLOWS	CARRYING AMOUNT OF LEASE LIABILITIES
Buildings	2,266	4,014	-	6,280	6,089
Vehicles	432	631	-	1,063	866
Lease liabilities	2,698	4,645	-	7,343	6,955

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

6.2.2 Amounts recognised in the P&L

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

DEPRECIATION CHARGE OF RIGHT-OF-USE ASSETS	2020	2019
Buildings	-1,900	-1,586
Vehicles	-430	-580
Subtotal	**-2,329**	**-2,166**
Interest expense (incl. in finance cost)	40	30
Expense related to leases of low-value assets not shown as short-term leases	32	28

7. Other Financial assets

The other financial assets can be detailed as follows:

(IN THOUSANDS EUR)	2020	2019
Loans to associates	5,787	-
Cash guarantees	232	171
TOTAL OTHER FINANCIAL ASSETS	**6,019**	**171**

As mentioned in section 1. General information, Credendo – Export Credit Agency has acquired a 33% stake in Marjory SAS, which is thus consolidated using the equity method. As of 31/12/2020, Marjory SAS had a profit/loss from continuing operations of EUR 1,973 (a post-tax profit of EUR 1,973). Due to this fact, the value of the investment in Marjory SAS as at 31 December 2020 is reduced to zero.

8. Financial investments

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

ANALYSIS BY CLASSES 2020	AFS	FAIR VALUE THROUGH PROFIT OR LOSS	LOANS AND RECEIVABLES	TOTAL
Government bonds[1]	**1,282**	**4,679**	**297,472**	**303,433**
Quoted	1,282	4,679	-	5,961
Unquoted	-	-	297,472	297,472
Funds invested in debt instruments	**27,196**	**7,619**	**-**	**34,815**
Quoted	27,196	7,619	-	34,815
Funds invested in equity instruments	**20,931**	**-**	**-**	**20,931**
Quoted	20,931	-	-	20,931
Mixed & other funds	**195,216**	**2,072,272**	**-**	**2,267,488**
Quoted	195,216	2,072,272	-	2,267,488
Fixed-term deposits	**-**	**-**	**33,931**	**33,931**
TOTAL FINANCIAL INVESTMENTS	**244,625**	**2,084,570**	**331,403**	**2,660,598**

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

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

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

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

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

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

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

CURRENT/NON-CURRENT SPLIT	2020	2019
Current	243,654	203,359
Non-current	2,416,944	2,497,953
TOTAL	**2,660,598**	**2,701,312**

8.1. Zephyr

The financial investments as per 31/12/2020 include financial investments in an institutional fund, called Zephyr, for an amount of EUR 2.07 billion (2019: EUR 2.15 billion). These are classified as financial investments at fair value through profit or loss (see table below for more details per asset class). Credendo chose to designate these financial investments as financial investments at fair value through profit or loss based on the fact that these relate to a group of financial assets that is managed and their performance is evaluated on a fair-value basis, in accordance with a documented risk management and investment strategy.

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

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

> two mixed funds for a total amount of EUR 917 million managed by two different asset managers within specific mandates with as primary objective to optimise the return while maintaining ex ante and ex post a predefined measure of risk budget;

> one fund that contains investments used for the Dynamic Risk Overlay of EUR 29 million, managed by one asset manager, when non-active with a traditional balanced mandate on the basis of the above-mentioned benchmark, when active investing in securities to counter decreasing financial markets.

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

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

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

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

> the valuation of financial instruments and monetary market instruments that are traded on a regulated, regularly functioning and open market is based on the last known price on such market. If such instrument is traded on more than one market, the valuation is based on the last known price on its principal trade market. If such price is not representative, the valuation is based on the likely realisation value;

> valuations that are expressed in another currency than the one of the concerned compartment are converted into EUR based on the last known exchange rate.

The financial investment portfolio in Zephyr as per 31/12/2020 can be detailed as follows:

Detail per asset class

ASSET CLASS	MARKET VALUE	
	2020	2019
Corporate bonds	875,673	832,347
Government bonds	546,864	580,815
Equity	402,970	503,102
Cash and cash equivalents	154,699	114,259
Commodities	60,640	87,040
Real estate	25,719	33,178
Other	10,479	-
Forward	-4,766	-
TOTAL	**2,072,278**	**2,150,742**

Detail per currency

CURRENCY	MARKET VALUE	
	2020	2019
EUR	1,810,342	1,782,105
USD	176,973	278,091
CHF	25,903	10,754
JPY	13,884	21,292
GBP	5,802	16,991
SEK	5,388	5,377
Other	33,985	36,132
TOTAL	**2,072,278**	**2,150,742**

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

8.2. Market risk

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

A. Interest rate risk

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

An excellent parameter to measure the interest sensitivity is the modified duration percentage. Modified duration within Zephyr at 31/12/2020 is 4.21 (31/12/2019: 4.50).

The bonds within Zephyr amount to EUR 1,377 million (2019: EUR 1,413 million). An increase (decrease) of 100 bps in interest rates at the reporting date would have decreased (increased) the market value of the bonds by EUR 57.9 million (2019: EUR 63.5 million). This analysis instrument assumes that all other variables, in particular foreign-currency rates remain constant.

B. Variation in equity prices

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

C. Currency risk

The main assets in foreign currency within Zephyr are denominated in USD and amount to USD 213 million (EUR 176 million) at 31/12/2020 (31/12/2019: USD 312 million – EUR 278 million).

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

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

8.3. Credit risk

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

Within the balanced mandates in Zephyr only investment-grade securities are allowed. Government bonds on peripheral EU countries such as Italy, Spain, Portugal and Ireland are allowed, as long as they meet all other requirements.

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

8.4. Liquidity risk

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

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

	NOTE	AFS	FAIR VALUE THROUGH PROFIT OR LOSS	LOANS AND RECEIVABLES	TOTAL
AT 01/01/2019		**187,938**	**1,922,375**	**338,705**	**2,449,018**
Additions		51,143	624,995	7,602	683,740
Disposals		-60,243	-489,644	-230	-550,117
Net gains/(losses) transferred to equity	15.2	15,670	-	-	15,670
Net (gains)/losses transferred from equity	15.2-27	-2,542	-	-	-2,542
Conversion differences		195	1,347	78	1,620
Net gains/(losses) through profit or loss	27	-	103,923	-	103,923
AT 31/12/2019		**192,161**	**2,162,996**	**346,155**	**2,701,312**
Additions		134,437	83,383	44,993	262,813
Disposals		-84,421	-114,491	-59,501	-258,413
Net gains/(losses) transfer to equity	15.2	3,662	-	-	3,662
Net (gains)/losses transfer from equity	15.2-27	-121	-	-	-121
Conversion differences		-1,093	-3,015	-244	-4,352
Net (gains)/losses through profit or loss	27	-	-44,303	-	-44,303
AT 31/12/2020		**244,625**	**2,084,570**	**331,403**	**2,660,598**

No collateral is held by Credendo against potential losses arising from impairments of available-for-sale financial investments. A specific impairment provision has been provided against each of the individually impaired financial investments for the full amount of the impairment. In 2020, no impairment was booked on the Dynamic Risk Overlay compartment (2019: no impairment).

During the period from 01/01/2020 till 31/12/2020 there were no reclassifications of financial investments.

9. Deferred income tax

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

DEFERRED TAX ASSETS AND LIABILITIES	31/12/2020	31/12/2019
Deferred tax assets to be recovered after more than 12 months	5,072	6,706
Deferred tax assets to be recovered within 12 months	1,618	-
Deferred tax assets	**6,690**	**6,706**
Deferred tax liabilities to be recovered after more than 12 months	-364	-1,024
Deferred tax liabilities to be recovered within 12 months	-	-190
Deferred tax liabilities	**-364**	**-1,214**
NET DEFERRED TAX POSITION	**6,326**	**5,492**

The amounts of deferred tax assets and liabilities before set-off are as follows:

DEFERRED TAX ASSETS AND LIABILITIES - SET-OFF	31/12/2020	31/12/2019
Deferred tax assets before set-off	12,528	11,154
Set-off of deferred tax position	-5,838	-4,448
Deferred tax assets presented in the statement of financial position	**6,690**	**6,706**
Deferred tax liabilities before set-off	6,202	5,662
Set-off of deferred tax position	-5,838	-4,448
Deferred tax liabilities presented in the statement of financial position	**364**	**1,214**

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

GROSS MOVEMENTS DEFERRED TAXES	NOTE	2020	2019
BALANCE AT 01/01		5,492	10,211
Income statement (charge)/credit	29	1,096	-2,877
Tax (charge)/credit relating to components of other comprehensive income	15.2	-463	-1,772
Exchange differences		201	-70
BALANCE AT 31/12		6,326	5,492

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

DEFERRED TAX ASSETS	TAX LOSSES	PROVISION FOR PENSIONS AND OTHER EMPLOYEE-BENEFIT OBLIGATIONS	FINANCIAL INVESTMENTS	LIABILITIES ARISING FROM INSURANCE CONTRACTS	TIMING DIFFERENCES ON PROPERTY, PLANT AND EQUIPMENT	OTHER	TOTAL
BALANCE AT 01/01/2020	7,918	2,288	-	103	462	383	11,154
Charged/(credited) to the income statement	391	209	-	10	1	456	1,067
Charged/(credited) to other comprehensive income	-	383	-	-	-	-	383
Exchange differences	-13	-	-	-	-	-63	-76
BALANCE AT 31/12/2020	8,296	2,880	-	113	463	776	12,528

The deferred tax assets before set-off include an amount of K EUR 8,296 which relates to Credendo's tax losses carried forward. Management has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets. Predominantly, the losses can be carried forward indefinitely and have no expiry date, except the part of K EUR 1,422 which can be utilised during the period of 3 to 7 years.

DEFERRED TAX LIABILITIES	PROVISION FOR PENSIONS AND OTHER EMPLOYEE-BENEFIT OBLIGATIONS	FINANCIAL INVESTMENTS	LIABILITIES ARISING FROM INSURANCE CONTRACTS	TIMING DIFFERENCES ON PROPERTY, PLANT AND EQUIPMENT	TIMING DIFFERENCES ON INTANGIBLE ASSETS	OTHERS	TOTAL
BALANCE AT 01/01/2020	963	3,033	1,156	12	175	323	5,662
Charged/(credited) to the income statement	59	-99	18	-	93	-100	-29
Charged/(credited) to other comprehensive income	-	846	-	-	-	-	846
Exchange differences	-	-9	-268	-1	-	1	-277
BALANCE AT 31/12/2020	1,022	3,771	906	11	268	224	6,202

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

10. Reinsurance assets

REINSURANCE ASSETS	31/12/2020	31/12/2019
REINSURERS' SHARE OF INSURANCE LIABILITIES		
Provision for unearned premium	26,160	29,722
Provision for risk deterioration	8,580	3,845
Provision for IBNR	47,675	20,014
Provision for incurred losses and recoveries	48,799	32,906
Provision for profit-sharing and rebates	2,683	1,741
Provision for claims management expenses	428	645
TOTAL	**134,325**	**88,873**

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

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

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

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

11. Loans and receivables including reinsurance receivables

The receivables are analysed by classes in the table below:

ANALYSIS BY CLASSES	31/12/2020	31/12/2019
RECEIVABLES ON INSURANCE AND REINSURANCE BUSINESS		
Amounts owed by policyholders and direct insurance operations	65,284	75,263
Receivables arising out of reinsurance	27,370	33,995
Provision for impairment	-28,961	-29,119
Receivables arising from funding operations	117,133	126,596
Total receivables related to the insurance activity	180,826	206,735
Other receivables	12,135	22,043
Total other receivables	12,135	22,043
TOTAL RECEIVABLES	**192,961**	**228,778**

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

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

There is no concentration of credit risk with respect to loans and receivables, as Credendo has a large number of internationally dispersed debtors. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. Credendo does not hold any collateral as security.

The other classes within receivables do not contain impaired assets.

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

MOVEMENTS IN THE PROVISION FOR IMPAIRMENT ON RECEIVABLES	2020	2019
BALANCE AT 01/01	-29,119	-28,183
Provisions for impairment on receivables	-677	-788
Reversal of provisions for impairment on receivables	469	387
Provisions for impairment on outstanding claims	-591	-1,081
Reversal of provisions for impairment on outstanding claims	977	516
Other movements	-20	30
BALANCE AT 31/12	-28,961	-29,119

The creation and release of the provision for impaired receivables of K EUR 208 (2019: K EUR 401) have been included in 'Other operating expenses' in the income statement. Amounts charged to the allowance account are generally written off, when there is no expectation of recovering additional cash.

As of 31/12/2020, total loans and receivables of K EUR 169,797 (31/12/2019: K EUR 194,383) were due but not impaired. These mainly relate to accounts receivable from indemnities for which there is no recent history of default.

LOANS AND RECEIVABLES - 31/12/2020	IMPAIRED AND PROVIDED FOR	DUE BUT NOT IMPAIRED	NOT DUE	TOTAL
Gross	28,961	169,797	23,164	221,922
Impairment	-28,961	-	-	-28,961
NET	**-**	**169,797**	**23,164**	**192,961**

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

As of 31/12/2020, K EUR 28,961 (2019: K EUR 29,119) of total receivables were impaired.

AGEING ANALYSIS - 31/12/2020	< 3 MONTHS	3 - 6 MONTHS	> 6 MONTHS	TOTAL
Impaired and provided for	-1,113	-65	-27,783	-28,961
% of total	4%	0%	96%	100%
TOTAL	**-1,113**	**-65**	**-27,783**	**-28,961**

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

AGEING ANALYSIS - 31/12/2020	< 3 MONTHS	3 - 6 MONTHS	> 6 MONTHS	TOTAL
Due but not impaired	26,777	4,358	138,662	169,797
% of total	16%	3%	81%	100%
TOTAL	**26,777**	**4,358**	**138,662**	**169,797**

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

12. Other assets

The other assets can be detailed as follows:

OTHER ASSETS	31/12/2020	31/12/2019
Deferred charges	636	155
Prepaid expenses	469	1,058
Accrued interests	174	1,679
Accrued revenue on insurance premium	15,640	8,479
Other accrued income	5,907	919
TOTAL OTHER ASSETS	**22,826**	**12,290**

13. Cash and cash equivalents

CASH AND CASH EQUIVALENTS	31/12/2020	31/12/2019
Cash at bank and in hand	217,601	258,259
Short-term bank deposits	15	15
CASH AND CASH EQUIVALENTS IN THE STATEMENT OF FINANCIAL POSITION	**217,616**	**258,274**

The effective interest rate on short-term bank deposits for 2020 amounted to 0.00% (2019: 0.00%).

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

CASH AND CASH EQUIVALENTS	31/12/2020	31/12/2019
Cash and cash equivalents	217,616	258,274
Bank overdrafts	-	-
CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS	**217,616**	**258,274**

14. Endowment

	ENDOWMENT	TOTAL
AT 01/01/2019	297,472	297,472
Change in endowment	-	-
AT 31/12/2019	297,472	297,472
Change in endowment	-	-
AT 31/12/2020	297,472	297,472

Credendo – Export Credit Agency has an endowment of EUR 297.5 million. This endowment (capital) is granted/contributed by the Belgian State in the form of financial assets. The amount of the endowment represents the fair value of the original financial assets that were granted/contributed by the Belgian State. After the original grant/contribution, these financial assets have been valued at amortised cost. At each maturity date, these financial assets representing the endowment have been replaced by other financial assets generating a market-conform interest rate. As per 31/12/2020 the endowment is represented by two Euro Medium-Term Notes (EMTNs) which will come to maturity in three to six years. These financial assets represent the capital of Credendo – Export Credit Agency and cannot be sold or liquidated without the approval of the Belgian State. The amount of the endowment has not been changed for several decades.

15. Consolidated reserves and other comprehensive income

15.1. Consolidated reserves

	2020			2019		
	TOTAL	NCI	SHARE OF PARENT	TOTAL	NCI	SHARE OF PARENT
BALANCE AT 01/01	2,512,314	3,854	2,508,460	2,242,595	2,946	2,239,649
Profit/(loss) of the year	-82,657	797	-83,454	269,719	908	268,811
Other movements	-319	-	-319	-	-	-
Share in movements consolidated reserves	-82,976	797	-83,773	269,719	908	268,811
BALANCE AT 31/12	2,429,338	4,651	2,424,687	2,512,314	3,854	2,508,460

15.2. Other comprehensive income

	NOTE	2020			2019		
		TOTAL	NCI	SHARE OF PARENT	TOTAL	NCI	SHARE OF PARENT
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS							
Remeasurements on post-employment benefits	18	-4,446	-	-4,446	-6,114	-	-6,114
Deferred tax on actuarial gains/(losses) on post-employment benefits	9	383	-	383	659	-	659
Subtotal of items that will not be reclassified to profit or loss		**-4,063**	**-**	**-4,063**	**-5,455**	**-**	**-5,455**
ITEMS THAT MAY BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS							
Fair-value changes on available-for-sale financial assets	8	3,630	-	3,630	15,726	-	15,726
Foreign-exchange differences on available-for-sale financial assets	8-28	32	-	32	-56	-	-56
Fair-value changes on available-for-sale financial assets – recycled to profit or loss	8-27	-34	-	-34	-2,504	-	-2,504
Foreign-exchange differences on available-for-sale financial assets – recycled to profit or loss	8-27-28	-87	-	-87	-38	-	-38
Deferred taxes thereon	9	-846	-	-846	-2,431	-	-2,431
Subtotal items from financial assets that may be subsequently reclassified to profit or loss		**2,695**	**-**	**2,695**	**10,697**	**-**	**10,697**
Exchange differences on translating foreign operations	28	-4,002	-1,079	-2,923	1,697	469	1,228
Subtotal of items that may be subsequently reclassified to profit or loss		**-1,307**	**-1,079**	**-228**	**12,394**	**469**	**11,925**
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR		**-5,370**	**-1,079**	**-4,291**	**6,939**	**469**	**6,470**

16. Liabilities arising from insurance contracts and reinsurance assets

	31/12/2020			31/12/2019		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Single risk	185,930	-24,585	161,345	231,262	-18,828	212,434
Investment insurance	1,097	-	1,097	863	-	863
Financial guarantees	12,167	-	12,167	3,731	-	3,731
Sureties	42,534	-34,722	7,812	20,191	-15,060	5,131
Excess of loss & captives	54,640	-36,653	17,987	28,739	-16,587	12,152
Turnover policies	52,344	-27,070	25,274	64,016	-33,053	30,963
Inward reinsurance	150,498	-11,295	139,203	100,453	-5,345	95,108
LIABILITIES ARISING FROM INSURANCE CONTRACTS PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	**499,210**	**-134,325**	**364,885**	**449,255**	**-88,873**	**360,382**

16.1. Single-risk insurance

	31/12/2020			31/12/2019		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Provision for incurred losses and recoveries	-38,593	-6,019	-44,612	12,611	-757	11,854
Claims incurred but not reported	17,792	-1,887	15,905	12,837	-2,016	10,821
Provision for profit-sharing and rebates	290	-42	248	309	-46	263
Provision for risk deterioration	36,184	-8,277	27,907	16,834	-3,800	13,034
Provision for unearned premiums	157,777	-8,176	149,601	177,538	-11,898	165,640
Provision for claims management expenses	12,480	-184	12,296	11,133	-311	10,822
TOTAL	**185,930**	**-24,585**	**161,345**	**231,262**	**-18,828**	**212,434**

16.2. Investment insurance

	31/12/2020			31/12/2019		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Provision for incurred losses and recoveries	558	-	558	484	-	484
Provision for unearned premiums	528	-	528	354	-	354
Provision for claims management expenses	11	-	11	25	-	25
TOTAL	**1,097**	**-**	**1,097**	**863**	**-**	**863**

16.3. Financial guarantees

	31/12/2020			31/12/2019		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Provision for incurred losses and recoveries	3,253	-	3,253	836	-	836
Provision for risk deterioration	6,976	-	6,976	-	-	-
Provision for unearned premiums	1,881	-	1,881	2,862	-	2,862
Provision for claims management expenses	57	-	57	33	-	33
TOTAL	**12,167**	**-**	**12,167**	**3,731**	**-**	**3,731**

16.4. Sureties

	31/12/2020			31/12/2019		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Provision for incurred losses and recoveries	18,653	-16,830	1,823	10,030	-7,461	2,569
Claims incurred but not reported	15,816	-12,058	3,758	1,475	-1,126	349
Provision for unearned premiums	7,342	-5,830	1,512	8,447	-6,471	1,976
Provision for claims management expenses	723	-4	719	239	-2	237
TOTAL	**42,534**	**-34,722**	**7,812**	**20,191**	**-15,060**	**5,131**

16.5. Excess-of-loss & captive insurance

	31/12/2020			31/12/2019		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Provision for incurred losses and recoveries	17,119	-12,883	4,236	9,603	-4,532	5,071
Claims incurred but not reported	27,478	-19,399	8,079	10,875	-8,157	2,718
Provision for profit-sharing and rebates	1,634	-1,197	437	876	-657	219
Provision for unearned premiums	7,517	-3,174	4,343	6,975	-3,241	3,734
Provision for claims management expenses	892	-	892	410	-	410
TOTAL	**54,640**	**-36,653**	**17,987**	**28,739**	**-16,587**	**12,152**

16.6. Turnover policies

	31/12/2020			31/12/2019		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Provision for incurred losses and recoveries	9,475	-3,428	6,047	24,657	-17,757	6,900
Claims incurred but not reported	21,824	-13,138	8,686	19,465	-8,313	11,152
Provision for profit-sharing and rebates	2,559	-1,443	1,116	2,698	-1,039	1,659
Provision for risk deterioration	590	-303	287	93	-45	48
Provision for unearned premiums	14,486	-8,592	5,894	13,912	-5,667	8,245
Provision for claims management expenses	3,410	-166	3,244	3,191	-232	2,959
TOTAL	**52,344**	**-27,070**	**25,274**	**64,016**	**-33,053**	**30,963**

16.7. Inward reinsurance

	31/12/2020			31/12/2019		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Provision for incurred losses and recoveries	38,727	-9,638	29,089	16,432	-2,399	14,033
Claims incurred but not reported	72,269	-1,194	71,075	58,686	-402	58,284
Provision for unearned premiums	39,296	-389	38,907	25,062	-2,445	22,617
Provision for claims management expenses	206	-74	132	271	-99	172
TOTAL	**150,498**	**-11,295**	**139,203**	**100,453**	**-5,345**	**95,108**

17. Provisions for other liabilities and charges

	LITIGATION	OTHER	TOTAL
BALANCE AT 01/01/2020	65	1,670	1,735
Charged/(credited) to the income statement:			
Additional provisions	506	16	522
Unused amounts reversed	-50	-	-50
Used during period	-66	-1,599	-1,665
BALANCE AT 31/12/2020	455	87	542
Current	455	87	542
Non-current	-	-	-

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

18. Employee benefit obligations

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

EMPLOYEE BENEFIT OBLIGATIONS	31/12/2020	31/12/2019
Short-term employee benefits	7,215	7,357
Post-employment benefits	24,749	19,303
Other long-term employee benefits	506	491
TOTAL	**32,470**	**27,151**

18.1. Short-term employee benefits

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

18.2. Post-employment benefits

18.2.1. Pension obligations

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

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

Because of the Belgian legislation applicable to 2nd-pillar pension plans (so-called ‘Law Vandenbroucke’), all Belgian defined contribution plans have to be considered under IFRS as defined benefit plans. Law Vandenbroucke states that in the context of defined contribution plans, the employer must guarantee a minimum return of 3.75% on employee contributions and 3.25% on employer contributions. As a result of a law change in December 2015, the interest rate to be guaranteed is variable starting from 01/01/2016, based on a mechanism linked to the return of the Belgian OLO bond with a minimum of 1.75% and a maximum of 3.75%. For 2020 the minimum return is 1.75%.

Because of this minimum guaranteed return for defined contribution plans in Belgium, the employer is exposed to a financial risk: there is a legal obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employment service in the current and prior periods. Therefore these plans are classified and accounted for as defined benefit plans under IAS 19 except for one pension plan. The potential additional liabilities for this pension plan as at 31/12/2020 are however assessed as not significant. For your information, some key figures related to the plan are given below:

> employer contributions 2020: K EUR 249 (2019: K EUR 244).

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

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

Until 29/12/2018, Credendo – Single Risk operated defined benefit pension plans based on employee pensionable remuneration and length of service. One plan was a final salary plan coming in addition to the Austrian legal pension. The benefits are determined by the plan rules and are defined as a retirement pension with the option to convert the pension into a retirement lump sum. The other plan is a plan in which employees are entitled to a severance payment, the amount of which depends on monthly salary and years of service and which is paid out upon resignation or at the retirement date.

As from 30/12/2018, Credendo – Single Risk introduced a new defined contribution plan for all current and newly hired employees in Austria. As from 2019, Credendo – Single Risk contributes to this new defined contribution plan a fixed percentage of the annual salary. The acquired entitlements from the former defined benefit pension plan were transferred to the new pension fund on 31/12/2018. In the new defined contribution model, there is no minimum return on the contributions guaranteed by the employer.

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

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

Credendo – Single Risk's employee benefit expense related to the defined contribution plans amounted to K EUR 44 in 2020 (as compared to K EUR 33 in 2019).

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

DEFINED BENEFIT PLAN	31/12/2020	31/12/2019
Present value of funded obligations	-63,533	-56,056
Fair value of plan assets	55,009	51,071
Deficit/surplus of funded plans	-8,524	-4,985
Present value of unfunded obligations	-16,225	-14,318
NET ASSET/(LIABILITY) IN THE STATEMENT OF FINANCIAL POSITION	**-24,749**	**-19,303**

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

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

DEFINED BENEFIT OBLIGATION - PENSION PLAN	2020	2019
DEFINED BENEFIT OBLIGATION AT 01/01	56,481	49,642
Current service cost	3,478	2,624
Interest cost	466	781
Remeasurements:	6,271	4,222
Remeasurements resulting from changes in demographic assumptions	-	238
Remeasurements resulting from changes in financial assumptions	3,219	5,355
Remeasurements resulting from experience gains/losses	3,051	-1,371
Administration expense	-77	-70
Taxes paid	-327	-241
Internal transfers	-15	-
Benefits paid from plan	-2,334	-477
DEFINED BENEFIT OBLIGATION AT 31/12	63,942	56,481

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

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

FAIR VALUE OF PLAN ASSETS	2020	2019
FAIR VALUE OF PLAN ASSETS AT 01/01	51,071	48,457
Interest income	438	789
Remeasurements: return on plan assets excluding interest income	2,779	30
Internal transfers	-15	-
Employer contributions	3,473	2,583
Administration expense	-77	-70
Taxes paid	-326	-241
Benefits paid from plan	-2,334	-477
FAIR VALUE OF PLAN ASSETS AT 31/12	55,009	51,071

Plan assets are represented by the following instruments:

PLAN ASSETS	31/12/2020	31/12/2019
Equity instruments	4,740	4,364
Government and corporate bonds	37,246	34,065
Corporate loans	5,056	4,787
Real estate	5,874	6,022
Cash	170	168
Qualifying insurance policies	1,923	1,665
TOTAL	**55,009**	**51,071**

Pension plan assets include three financing funds at insurance companies.

The amounts recognised in the income statement are as follows:

INCOME STATEMENT - PENSION PLAN	31/12/2020	31/12/2019
Current service cost	3,478	2,624
Net interest cost	28	-8
EXPENSE RECOGNISED IN INCOME STATEMENT	**3,506**	**2,616**

The total cost of post-employment benefits of K EUR 3,506 (31/12/2019: K EUR 2,616) is included within employee benefit expenses in the income statement.

Remeasurements included in other comprehensive income are as follows:

REMEASUREMENTS OTHER COMPREHENSIVE INCOME - PENSION PLAN	31/12/2020	31/12/2019
Remeasurements:	**-6,278**	**-4,222**
Remeasurements resulting from changes in demographic assumptions	-	-238
Remeasurements resulting from changes in financial assumptions	-3,233	-5,355
Remeasurements resulting from experience gains/losses	-3,045	1,371
Return on plan assets excluding interest income	**2,781**	**29**
TOTAL REMEASUREMENTS INCLUDED IN OCI	**-3,497**	**-4,193**

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

ACTUARIAL ASSUMPTIONS – PENSION PLAN	31/12/2020	31/12/2019
Discount rate	0.40%	0.80%
Future inflation rate	1.75%	1.75%
Future salary increases (after age of 30)	1.25%	1.25%
Future salary increases (up to age of 30)	5.00%	5.00%
Mortality	MR-5/FR-5	MR-5/FR-5

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

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

SENSITIVITY ANALYSIS	IMPACT ON DEFINED BENEFIT OBLIGATION	
	CHANGE IN ASSUMPTION	INCREASE + / DECREASE -
Year ended 31/12/2020		
Discount rate	-0.25%	+2.14%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. For calculating the sensitivity of defined benefit obligations to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as for calculating the pension liability recognised within the statement of financial position.

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

Expected contributions to post-employment defined benefit plans for the year ending 31/12/2021 are K EUR 2,915.

18.2.2. Other post-employment obligations

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

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

DEFINED BENEFIT OBLIGATION - HEALTH PLAN	2020	2019
DEFINED BENEFIT OBLIGATION AT 01/01	13,893	11,249
Current service cost	1,010	684
Interest cost	152	223
Remeasurements:	948	1,922
Remeasurements resulting from changes in demographic assumptions	-	-478
Remeasurements resulting from changes in financial assumptions	2,087	2,880
Remeasurements resulting from experience gains/losses	-1,138	-480
Benefits paid from plan	-188	-185
DEFINED BENEFIT OBLIGATION AT 31/12	15,816	13,893

The amounts recognised in the income statement are as follows:

INCOME STATEMENT - HEALTH PLAN	31/12/2020	31/12/2019
Current service cost	1,010	684
Net interest cost	-36	39
EXPENSE RECOGNISED IN INCOME STATEMENT	**974**	**723**

Remeasurements included in other comprehensive income are as follows:

REMEASUREMENTS OTHER COMPREHENSIVE INCOME - HEALTH PLAN	31/12/2020	31/12/2019
Remeasurements:		
Remeasurements resulting from changes in demographic assumptions	-	478
Remeasurements resulting from changes in financial assumptions	-2,087	-2,880
Remeasurements resulting from experience gains/losses	1,138	481
TOTAL REMEASUREMENTS INCLUDED IN OCI	**-949**	-1,921

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

ACTUARIAL ASSUMPTIONS - HEALTH PLAN	31/12/2020	31/12/2019
Discount rate	0.60%	1.10%
Medical increase trend	4.75%	4.75%
Mortality	MR-5/FR-5	MR-5/FR-5

Expected contributions to the post-employment health benefit plan for the year ending 31/12/2021 are K EUR 1,320.

18.3. Other long-term employee benefits

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

19. Payables

The payables are analysed in the table below:

PAYABLES	31/12/2020	31/12/2019
Payables on insurance and reinsurance business		
Amounts due to policyholders	9,047	14,557
Payables arising out of reinsurance operations	51,513	52,538
TOTAL PAYABLES	**60,560**	**67,095**

PAYABLES	31/12/2020	31/12/2019
Current	57,036	59,772
Non-current	3,524	7,323
TOTAL	**60,560**	**67,095**

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

Payables arising out of reinsurance operations relate to payables resulting from ceded claims and provisions as well as to deposits from reinsurers. These payables have a contractual profile payment within one year.

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

20. Other liabilities

The other liabilities can be detailed as follows:

	31/12/2020	31/12/2019
Lease liabilities	6,955	6,115
Other debts	15,680	19,491
Accrued charges and deferred income	11,597	4,585
TOTAL	**34,232**	**30,191**

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

As per 31/12/2020, total other debts mainly relate to invoices to be received of K EUR 5,414 (31/12/2019: K EUR 7,252), debt towards the Belgian State of K EUR 250 (31/12/2019: K EUR 5,140) and other non-insurance-related supplier debts of K EUR 9,850 (31/12/2019: K EUR 6,652).

The total accrual of K EUR 11,597 as per 31/12/2020 mainly relates to operating and administration expenses of K EUR 1,007 (31/12/2019: K EUR 368) and deferred insurance revenue of K EUR 8,938 (31/12/2019: K EUR 2,058).

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

21. Net insurance premium revenue

	31/12/2020			31/12/2019		
	GROSS	REINSURERS' SHARE	NET	GROSS	REINSURERS' SHARE	NET
SINGLE RISK						
Written premium	112,886	-4,164	108,722	108,773	-20,335	88,438
Change in provision for unearned premium	14,126	-2,203	11,923	-8,834	2,043	-6,791
Net exchange gains/(losses) from operating activities	2,847	-377	2,470	-358	-79	-437
Total	**129,859**	**-6,744**	**123,115**	**99,581**	**-18,371**	**81,210**
INVESTMENT INSURANCE						
Written premium	5,176	-	5,176	1,530	-	1,530
Change in provision for unearned premium	-177	-	-177	235	-	235
Net exchange gains/(losses) from operating activities	-	-	-	-	-	-
Total	**4,999**	**-**	**4,999**	**1,765**	**-**	**1,765**
FINANCIAL GUARANTEES						
Written premium	4,731	-	4,731	4,688	-	4,688
Change in provision for unearned premium	907	-	907	-933	-	-933
Net exchange gains/(losses) from operating activities	77	-	77	-74	-	-74
Total	**5,715**	**-**	**5,715**	**3,681**	**-**	**3,681**
SURETIES						
Written premium	10,842	-8,514	2,328	14,563	-11,055	3,508
Change in provision for unearned premium	1,103	-1,247	-144	-6,263	4,898	-1,365
Net exchange gains/(losses) from operating activities	-	-	-	-	-	-
Total	**11,945**	**-9,761**	**2,184**	**8,300**	**-6,157**	**2,143**
EXCESS OF LOSS & CAPTIVES						
Written premium	34,610	-23,170	11,440	34,417	-22,164	12,253
Change in provision for unearned premium	-700	471	-229	469	-1,927	-1,458
Net exchange gains/(losses) from operating activities	-	-	-	-	-	-
Total	**33,910**	**-22,699**	**11,211**	**34,886**	**-24,091**	**10,795**

	31/12/2020			31/12/2019		
	GROSS	REINSURERS' SHARE	NET	GROSS	REINSURERS' SHARE	NET
TURNOVER POLICIES						
Written premium	115,248	-70,128	45,120	116,530	-48,801	67,729
Change in provision for unearned premium	-1,095	1,433	338	-757	1,282	525
Net exchange gains/(losses) from operating activities	-37	2	-35	-	-	-
Total	114,116	-68,693	45,423	115,773	-47,519	68,254
INWARD REINSURANCE						
Written premium	53,933	-4,858	49,075	63,193	-876	62,317
Change in provision for unearned premium	-13,221	-126	-13,347	-2,802	-1,292	-4,094
Net exchange gains/(losses) from operating activities	966	-	966	-317	-	-317
Total	41,678	-4,984	36,694	60,074	-2,168	57,906
TOTAL WRITTEN PREMIUMS	**337,426**	**-110,834**	**226,592**	**343,694**	**-103,231**	**240,463**
Change in provision for unearned premium	943	-1,672	-729	-18,885	5,004	-13,881
Net exchange gains/(losses) from operating activities	3,853	-375	3,478	-749	-79	-828
Total profit-sharing and rebates	-8,245	3,637	-4,608	-9,162	5,280	-3,882
NET INSURANCE PREMIUM REVENUE	**333,977**	**-109,244**	**224,733**	**314,898**	**-93,026**	**221,872**

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

	31/12/2020	31/12/2019
Italy	24,442	22,796
Ivory Coast	24,348	13,197
Russia	23,800	25,238
Switzerland	17,163	16,681
Germany	17,057	19,670
Ghana	14,894	2,900
Turkey	14,322	5,986
France	12,639	13,527
Belgium	9,722	14,531
Benin	7,700	3,029
Czech Republic	7,619	10,437
Poland	6,871	5,697
Spain	6,453	5,067
United Kingdom	5,912	4,501
UAE - Dubai	4,938	1,403
United States	4,929	13,953
Netherlands	4,771	5,847
China	4,597	6,150
Luxembourg	4,539	7,293
Uganda	4,289	296
Other countries	116,421	145,495
TOTAL WRITTEN PREMIUMS	**337,426**	**343,694**

22. Other operating income and expense

	31/12/2020	31/12/2019
Commissions from reinsurers	37,465	30,588
Investigation costs recharged	4,925	5,101
Interest received on claims	2,118	3,120
Other recoveries	8,275	5,721
Other operating income	52,783	44,530
General expenses and acquisition costs	-4,024	-2,556
Investigation costs	-3,655	-3,483
Write-offs on trade receivables	-3,643	-966
Final losses on trade debtors	-4,761	-
Other expenses	-892	-573
Other operating expenses	-16,975	-7,578

23. Insurance claims and loss adjustment expenses

INSURANCE BENEFITS AND CLAIMS	31/12/2020			31/12/2019		
	GROSS	REINSURANCE	NET	GROSS	REINSURANCE	NET
SINGLE RISK						
Claims paid in the year	239,581	-38,604	200,977	283,266	-12,042	271,224
Change in provision for outstanding claims	-162,330	37,252	-125,078	-245,461	2,103	-243,358
Net exchange (gains)/losses from operating activities	-2,726	2,074	-652	-347	158	-189
Total	74,525	722	75,247	37,458	-9,781	27,677
INVESTMENT INSURANCE						
Claims paid in the year	293	-	293	54	-	54
Change in provision for outstanding claims	-82	-	-82	-909	-	-909
Net exchange (gains)/losses from operating activities	-	-	-	-	-	-
Total	211	-	211	-855	-	-855
FINANCIAL GUARANTEES						
Claims paid in the year	4,755	-	4,755	-	-	-
Change in provision for outstanding claims	12,579	-	12,579	-2,922	-	-2,922
Net exchange (gains)/losses from operating activities	-25	-	-25	-72	-	-72
Total	17,309	-	17,309	-2,994	-	-2,994
SURETIES						
Claims paid in the year	5,379	-3,397	1,982	9,290	-6,317	2,973
Change in provision for outstanding claims	31,049	-21,901	9,148	4,469	-4,424	45
Net exchange (gains)/losses from operating activities	72	-56	16	-	-	-
Total	36,500	-25,354	11,146	13,759	-10,741	3,018

	31/12/2020			31/12/2019		
	GROSS	REINSURANCE	NET	GROSS	REINSURANCE	NET
EXCESS OF LOSS & CAPTIVES						
Claims paid in the year	7,445	-4,884	2,561	13,566	-8,541	5,025
Change in provision for outstanding claims	22,263	-16,118	6,145	975	-714	261
Net exchange (gains)/losses from operating activities	-880	46	-834	148	10	158
Total	28,828	-20,956	7,872	14,689	-9,245	5,444
TURNOVER POLICIES						
Claims paid in the year	69,297	-37,417	31,880	58,461	-26,016	32,445
Change in provision for outstanding claims	-14,423	3,179	-11,244	-10,074	5,238	-4,836
Net exchange (gains)/losses from operating activities	-1,552	388	-1,164	34	-14	20
Total	53,322	-33,850	19,472	48,421	-20,792	27,629
INWARD REINSURANCE						
Claims paid in the year	22,887	-732	22,155	24,561	814	25,375
Change in provision for outstanding claims	23,425	-4,048	19,377	5,266	-664	4,602
Net exchange (gains)/losses from operating activities	-1,997	94	-1,903	651	-4	647
Total	44,315	-4,686	39,629	30,478	146	30,624
TOTAL CLAIMS PAID IN THE YEAR	**349,637**	**-85,034**	**264,603**	**389,198**	**-52,102**	**337,096**
TOTAL CHANGE IN PROVISION FOR OUTSTANDING CLAIMS	**-87,519**	**-1,636**	**-89,155**	**-248,656**	**1,539**	**-247,117**
TOTAL NET EXCHANGE (GAINS)/LOSSES FROM OPERATING ACTIVITIES	**-7,108**	**2,546**	**-4,562**	**414**	**150**	**564**
TOTAL CLAIMS EXPENSES	**255,010**	**-84,124**	**170,886**	**140,956**	**-50,413**	**90,543**

In 2020 and 2019 there were no changes in provision due to Liability Adequacy Tests.

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

CHANGE IN LOSSES ON CLAIMS TO PAY AND PAID LOSSES:	31/12/2020	31/12/2019
Kenya	37,740	-
Congo, Rep.	21,364	24,819
India	12,315	18,518
Singapore	11,558	1,025
Switzerland	10,677	10,953
Russia	8,101	18
Norway	6,426	114
Italy	6,086	4,120
Zambia	5,233	-
Mongolia	5,031	441
Argentina	4,573	-
Cameroon	4,415	261
Germany	4,350	10,649
Serbia	4,148	-
China	3,492	393
Hong Kong	3,224	242
Cuba	-2,399	2,583
Spain	-8,079	-9,042
Brazil	-18,971	14,979
United States	-21,114	-15,603
Other countries	56,917	19,082
TOTAL	**170,886**	**90,543**

24. Employee benefit expense

	31/12/2020	31/12/2019
Wages, salaries and other benefits	36,948	36,930
Social security charges	8,945	8,716
Pension costs – defined contribution plans	249	244
Pension costs – defined benefit plans	3,506	2,616
Health plan	974	723
TOTAL EMPLOYEE BENEFIT EXPENSES	**50,622**	**49,229**

The number of employees as per 31/12/2020 amounted (in FTE) to 520.9 (31/12/2019: 518.3).

25. Services and other goods

	31/12/2020	31/12/2019
Broker fees	25,319	24,692
Commissions to inward reinsurance	16,120	18,126
Administration costs	26,125	22,674
Other operating costs	89	158
TOTAL SERVICES AND OTHER GOODS	**67,653**	**65,650**

For 2020 administration costs relate to housing costs of K EUR 1,830 (2019: K EUR 2,018), management services and administration costs of K EUR 157 (2019: K EUR 11), consultancy and other fees of K EUR 9,814 (2019: K EUR 7,500), marketing expenses of K EUR 2,776 (2019: K EUR 2,456), representation and travel costs of K EUR 302 (2019: K EUR 2,091), IT expenses of K EUR 10,592 (2019: K EUR 7,376) and car expenses of K EUR 203 (2019: K EUR 271)

The total 2020 consolidated audit fees of our statutory auditor KPMG Belgium, newly appointed in 2020, amount to EUR 272,000. The 2020 fees for our statutory auditor's network include audit fees of EUR 209,526 and non-audit fees for other missions external to the audit amount to EUR 32,691 (mainly tax services).

26. Depreciation and amortisation

	NOTE	31/12/2020	31/12/2019
Amortisation intangible assets	5	3,622	3,101
Depreciation property, plant and equipment (right-of-use assets included)	6	3,821	3,767
TOTAL		**7,443**	**6,868**

27. Finance income and expense

	NOTE	31/12/2020	31/12/2019
FINANCE INCOME:			
Cash and cash equivalents – interest income		388	1,163
Other financial income		3,396	3,443
Fair-value gains/(losses) AFS – Recycled from OCI	8-15.2	121	2,542
Income from financial investments – AFS		3,066	1,245
Net gains on financial investments – AFS		3,187	3,787
Fair-value gains FVTPL	8	11,218	111,022
Net realised gains on sale of financial investments	8	3,374	-269
Income from financial investments – FVTPL		-	114,491
Net gains on financial investments – FVTPL		14,592	225,244
Interest on rescheduling agreements		10,033	-
Interest on loans and receivables		2,525	4,160
Dividends and interests		132	3
Exchange gains on financial assets (other than AFS and FVTPL)	28	7,022	15,873
		41,275	253,673
FINANCE EXPENSE:			
Exchange losses on financial assets (other than AFS and FVTPL)	28	-25,403	-10,370
Charges on financial investments		-311	-52
Financial charges and interest costs		-1,609	-1,505
Amounts written off on interests of rescheduling agreements		-	-5,886
Fair-value losses FVTPL	8	-	-7,099
Net realised losses on sale of financial investments	8	-58,897	-
Net finance cost		-86,220	-24,912
NET FINANCIAL RESULT		-44,945	228,761

Since 2014 most financial investments of Credendo – Export Credit Agency are held through an institutional fund, called Zephyr, that is accounted for as financial assets with fair-value changes through profit or loss (FVTPL) based on the fact that it concerns a group of financial assets that is managed and the performance of which is evaluated on a fair-value basis, in accordance with a documented risk management and investment strategy. Changes in the fair value of the Zephyr financial investments are therefore immediately recognised as gains or losses in the income statement.

28. Net foreign-exchange gains and losses

NET FOREIGN EXCHANGE GAINS	NOTE	31/12/2020	31/12/2019
NET EXCHANGE GAINS/(LOSSES) RECOGNISED IN PROFIT OR LOSS		-10,342	4,110
Net exchange gains/(losses) from operating activities	21-23	8,040	-1,393
Net exchange gains/(losses) from investing activities	27	-18,382	5,503
NET EXCHANGE GAINS/(LOSSES) THROUGH OTHER COMPREHENSIVE INCOME		-4,057	1,603
Net exchange gains/(losses) through other comprehensive income	15.2	-55	-94
Exchange differences on translating foreign operations	15.2	-4,002	1,697
TOTAL		**-14,399**	**5,713**

Total net exchange losses recognised in the income statement amount to K EUR 10,342 (31/12/2019: gains of K EUR 4,110). For more details relating to the exchange differences from operating activities we refer to notes 21 and 23. For more details relating to the exchange differences from investing activities we refer to note 27.

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

Exchange differences related to the translation of foreign operations are recognised in other comprehensive income and amount to K EUR -4,002 (31/12/2019: K EUR 1,697).

29. Income tax expense

INCOME TAX EXPENSE	2020	2019
Current taxes on income for the reporting period	-2,135	-2,691
Current taxes referring to previous periods	-577	-8
Total current tax	-2,712	-2,699
Origination and reversal of temporary differences	1,096	-2,877
Total deferred tax	1,096	-2,877
INCOME TAX (EXPENSE)/CREDIT	**-1,616**	**-5,576**

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

TAX RATE	2020	2019
PROFIT BEFORE INCOME TAXES	-81,041	275,295
Domestic tax rate	0.00%	0.00%
Income tax (expense)/credit calculated at domestic tax rate	-	-
Effects of:		
Tax rate effect	3,045	-3,693
Disallowed expenses	-178	-303
Other permanent differences	104	-207
Notional tax deduction	-	-2
Prior year adjustment	-4,535	-1,543
Other	-52	172
INCOME TAX (EXPENSE)/CREDIT FOR THE YEAR	**-1,616**	**-5,576**

The weighted-average applicable 2020 tax rate amounts to -2.0% (31/12/2019: +2.0%). This results from the fact that the key source of profit is Credendo – Export Credit Agency which is taxed at a 0% rate.

30. Contingencies

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

31. Related-party transactions

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

The following transactions were carried out with related parties.

31.1. Key management compensation

Key management includes members of the Board of Directors as well as the members of the Executive Committee and senior non-executive management of all Credendo entities. The compensation paid or payable to key management for employee services is shown below:

	31/12/2020	31/12/2019
Salaries and other short-term employee benefits	7,915	7,592
Termination benefits	230	-
Post-employment benefits	1,360	1,265
Leasing company car	224	259
TOTAL	**9,729**	**9,116**

31.2. Year-end balances for related-party transactions

	31/12/2020	31/12/2019
Loans to associates	5,787	-
Loans and receivables incl. reinsurance receivables	369	376
Total Receivables	369	376
Payables	2,932	5,140
Total Payables	2,932	5,140

The receivables from related parties arise from receivables on the Belgian State. The payables to related parties arise from payables to the Belgian State. The payables bear no interest. These year-end balances result from the cession to the State account which is managed and administered by Credendo – Export Credit Agency.

Above related party receivables and payables also consider the open balances as per 31/12/2020 related to the COVID-19 treaty with the Belgian State.

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

We also refer to note 14 relating to the endowment that is granted to Credendo – Export Credit Agency by the Belgian State for an amount of K EUR 297,472.

32. List of consolidated companies

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

32.1. Subsidiaries

	31/12/2020		31/12/2019		COUNTRY OF INCORPORATION
	% OF INTEREST	% OF CONTROL	% OF INTEREST	% OF CONTROL	
Credendo – Short-Term Non-EU Risks	100%	100%	100%	100%	Belgium
Credendo – Excess & Surety	100%	100%	100%	100%	Belgium
Holding CIS	66.67%	66.67%	66.67%	66.67%	Belgium
Immo Montoyer	100%	100%	100%	100%	Belgium
Credendo – Single Risk	100%	100%	100%	100%	Austria
Credendo – Ingosstrakh Credit Insurance	66.67%	66.67%	66.67%	66.67%	Russia
Credendo – Short-Term EU Risks	100%	100%	100%	100%	Czech Republic

Total non-controlling interests as per 31/12/2020 amount to K EUR 4,041 and only relate to the 33.33% participation held by *JSC InWest-Policy*, having its registered office at 41 Lesnaya Street, 127994 Moscow, Russian Federation, in Holding CIS and indirectly in Credendo – Ingosstrakh Credit Insurance.

As total non-controlling interests are not material to the consolidated financial statements of Credendo, no further detailed information on the subsidiaries with non-controlling interests are disclosed. There are no statutory, contractual or regulatory restrictions on Credendo's ability to access or use the assets and settle the liabilities of the group.

On 19/12/2019 Credendo – Excess & Surety's capital was increased by EUR 50,000,000. Credendo – Export Credit Agency decided upon such capital increase in order to support Credendo – Excess & Surety's growing business.

32.1. Associates

	31/12/2020		31/12/2019		COUNTRY OF INCORPORATION
	% OF INTEREST	% OF CONTROL	% OF INTEREST	% OF CONTROL	
Marjory SAS	33%	33%	-	-	France

33. Events after the reporting period

The strategic merger between our two specialised entities, Credendo – Excess & Surety and Credendo – Single Risk, was approved by the National Bank of Belgium on 23 March 2021. The complete merger process of this new entity, Credendo – Guarantees & Speciality Risks, should be completed in June 2021, with retroactive effect as from January 1, 2021.

After the reporting period, no events have occurred that could have resulted in a material impact on the reported figures as at 31/12/2020.

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