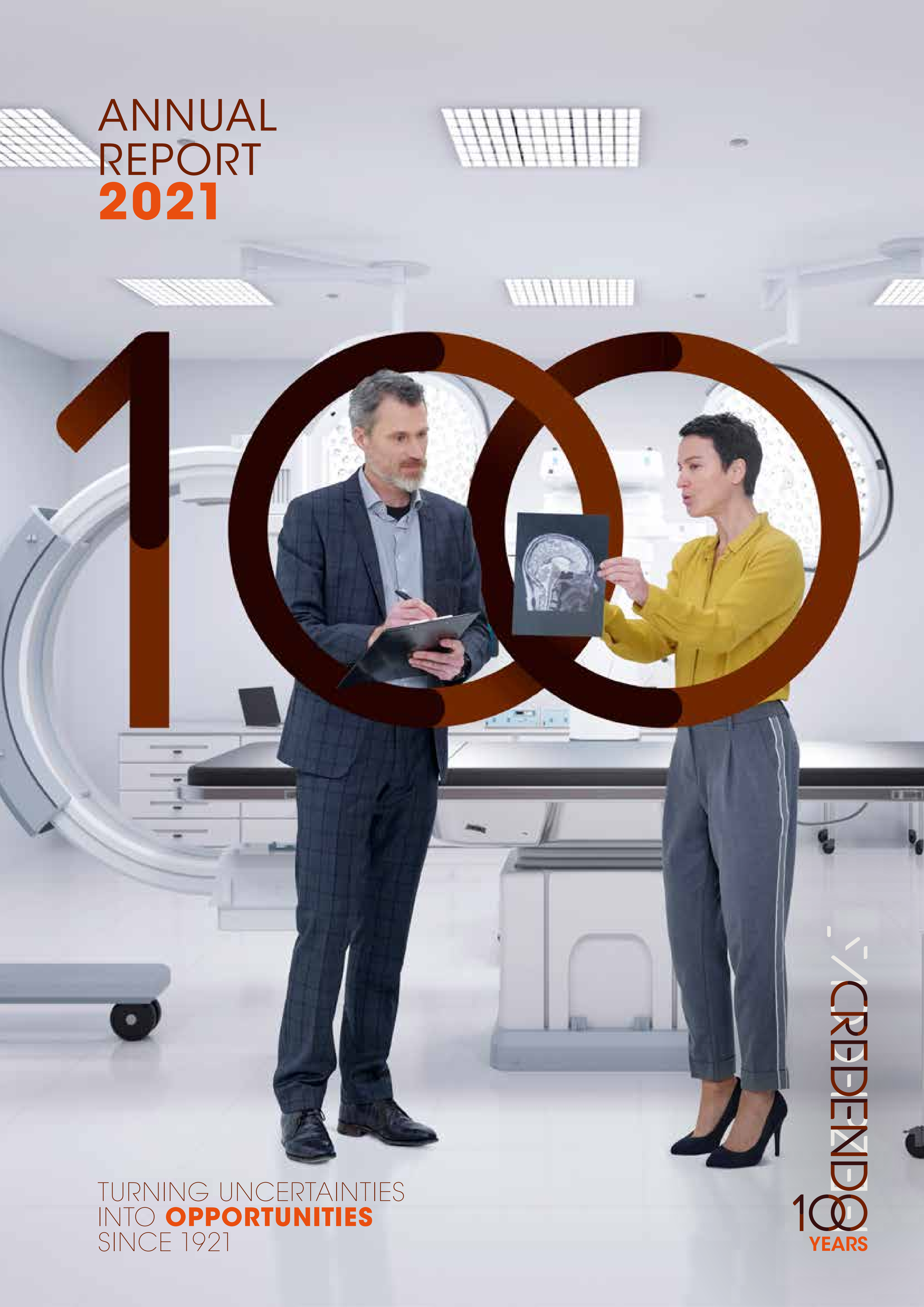
ANNUAL REPORT **2021**



TURNING UNCERTAINTIES
INTO **OPPORTUNITIES**
SINCE 1921

CREDENDO
100 YEARS

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Message of the Chairman and the Chief Executive Officer

Credendo had a record-breaking year in 2021 – the year of its centenary – as it continued to support businesses recovering from the negative effects of the Covid-19 pandemic.

The year 2021 proved to be an exceptional year for Credendo despite the lingering impact of the Covid-19 pandemic.

We are proud to say that each business entity within the group realised double-digit premium growth in combination with a profit for 2021, making it a record-breaking year. The results also mark a significant turnaround in Credendo's fortunes compared to 2020, when the onslaught of the pandemic in early 2020 contributed to an overall loss.

It was fitting with the celebration of our centenary in 2021. Our much-improved balance sheet reflected the strength and resilience of a business that has been in operation since 1921.

Over the last year, we have supported projects around the world, including large projects in Bangladesh, Egypt, Ivory Coast and Ghana. We have helped our clients across a wide range of sectors, from port development, drinking water projects, natural-gas transports and telecoms to renewables. Some of these projects are discussed in further depth in this report.

We recorded a total profit at consolidated level of EUR 209.5 million in 2021, compared to a loss of EUR 82.7 million the previous year. The 2020 operational loss of EUR 36.0 million turned into an operational profit of EUR 98.6 million. Net financial income stood at EUR 124.7 million, compared to a loss of EUR 44.9 million in 2020. There was a slight increase of 1.7% in earned premium revenue last year – reaching EUR 339.8 million – whilst total written premium grew by 14.9%, to EUR 387.8 million.

The value of transactions insured also increased by approximately 14% year-on-year.

We were pleased to see that the volume of claims fell in 2021, standing at EUR 12.2 million compared to a total claims expense of EUR 255 million the previous year. This decreased figure was partly due to none of our anticipated Covid-19-related losses materialising during the year.

Reasons for this were the strong support governments and multilaterals provided to the economy during the pandemic, as well as our prudent underwriting during the crisis.

With so few losses – of which almost none were related to Covid-19 – our net loss ratio reduced to 11.9% in 2021, from 72.5% the previous year. Our operational expenses other than claims have remained stable year-on-year.

Yet the challenges we face are far from behind us. The invasion of Ukraine by Russia in February 2022 has unnerved the European economy and will inevitably have repercussions across global supply chains as supplies of wheat, edible oils and fuels start to be affected by the conflict.

So far, we have seen a slight increase in claims in early 2022, but we are preparing for more as the Russia-Ukraine conflict continues.

We are well-positioned to weather this and other challenges thanks to our strong equity base which increased from EUR 2.7 billion in 2020 to EUR 2.9 billion last year.

There are of course other risks to monitor as well, with the pandemic far from completely over.

Government debts have soared since the outbreak began, leaving national finances – particularly those in emerging markets – vulnerable to other shocks to the economy.

Supply chains continue to be hit by delays related to Covid-19, whether it is due to new lockdowns such as the one seen in Shanghai this year or widespread staff illness and absenteeism. The pandemic has also called into question the efficacy of the 'just-in-time' model for managing supply chains with many industries wondering if there is a better way to manage the manufacture and delivery of their goods.

On the left:
Vincent Reuter,
Chairman of the Board of Directors

On the right:
Dirk Terweduwe,
Chief Executive Officer

+14%
value of transactions insured (year-on-year)

EUR 339.8 million
insurance premium revenue

The rapid increase in living costs and rising interest rates are also on our radar. Sharp increases in food and fuel prices can all too often be a cause for social unrest and political upheaval in countries and this will of course be something we will closely monitor, since our business group includes the provision of political risk insurance.

With the increased uncertainty in the world, we anticipate greater awareness of the need for credit insurance, which will push up demand as the year continues. Yet, we as the insurer will also need to exercise appropriate prudence over what risks to cover.

The coming year does contain some cause for optimism for us. We are on the verge of launching our new SAP-based IT platform which will improve our operational excellence. We have also welcomed a new board of directors this year who will help shape our future.

We will heighten our focus on how to improve our impact on the environment, with sustainability being at the core of our latest three-year strategy launched this year.

Our new ‘Credendo Green Package’ will offer a range of commercial and financing incentives to encourage our clients to invest in ‘green’ projects. We will endeavour to continue our support for the enormous opportunities in the renewable energy sector – whether that be in the offshore wind, solar or hydrogen sector.

We are also working on the implementation of the COP26 Statement on International Public Support for the Clean Energy Transition, to phase out support for the fuel energy sector, on a pathway towards net zero emissions.

The world economy is indeed confronted with more risks, more uncertainties and more challenges than in the past two decades, but such changes also create opportunities. Armed with a strong equity base, modernised IT tools and a highly motivated and skilled workforce, Credendo is well equipped to support its clients through whatever difficulties they face.

Our long history and experience coupled with enthusiasm for innovation and our desire to attract fresh talent to the company will ensure that we continue to grow sustainably in the years ahead.

Vincent Reuter,
Chairman of the Board of Directors

Dirk Terweduwe,
Chief Executive Officer

Presenting Credendo's strategy update: Rise 2022-2024

Grow and improve in a sustainable way

On 12 January 2022, Credendo's Group CEO Dirk Terweduwe announced our updated strategic plan 'Rise'. It is built upon our achievements so far, but it places the right accents and defines our priorities for the next three years. The global aim of this strategy is summarised in our strategic tagline: 'Grow and improve in a sustainable way'. While strongly focusing on our development, we want to stay responsible and future-oriented. That is why we make sure that sustainability is well addressed across all four business perspectives so that we can positively contribute to future Environmental, Social and Governance (ESG) challenges.

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, and 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. 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 – we look through the cycle and aim for sustainable financial results.

You can count on us.

Four global trends reshaping our industry and our lives

Credendo's strategy was formed as a response to global factors increasingly impacting our business, industry and people. Taking these trends into account ensures that we can continue to understand and closely monitor our customers to better serve them, so we remain their first-choice business partner to protect them against trade and investment risks.

Trend 1: Building a sustainable future

Climate change is already affecting businesses around the world, with droughts and other natural disasters negatively impacting global supply chains. On top of that, social issues such as safety and health, labour rights, wages and cost of living have come into the spotlight.

Our response:

Credendo wants to help build a better and sustainable future by improving our corporate behaviour as a company, as well as ensuring a reliable relationship with our customers, suppliers, employees and shareholders.

With Belgium having signed the COP26 Statement last year in Glasgow and joining the E3F coalition, Credendo has reconfirmed its willingness to improve its green credentials, and is adapting its policies to reflect those agreements.

Credendo is also set to launch its 'Credendo Green Package' in 2022 – a package of incentives that will help promote and stimulate 'green' business among our customers and prospects, and that will increase our support for environmentally friendly transactions and projects.

We became CO_2 neutral a few years ago and we constantly strive to continue to reduce our carbon footprint. We regularly organise internal events aiming to increase awareness around ESG issues among Credendo employees. We will continue to develop our sustainable mindset.

We are continuously working on the development of sustainability criteria to guide our investment policy, so we can actively contribute to and support future-oriented projects.

Trend 2: Customer demand for personalisation, simplicity and speed

Fast and clear solutions are more important than ever due to the switch to the digital world that became apparent in previous years. The pandemic has only boosted this switch, leading to new expectations. On the one hand, the digital world creates new opportunities and allows companies to stay in touch with their customers despite distance and different geographies. On the other hand, it challenges companies to quickly adapt their internal processes and to provide tailor-made solutions.

Our response:

At Credendo, we will continue to listen to our customers and go the extra mile to deliver the best service. We will improve our processes and regularly review our offer so we can provide flexible and versatile solutions that can be personalised for every customer's needs.

We aim, for example, for open and transparent conversations with customers about their credit limit requirements – offering the possibility to temporarily increase limits if needed. This has been an important part of our offering in times of crisis – such as the Covid-19 pandemic – when companies might need to adjust their credit limits.

In order to provide such fast and personalised solutions, we are constantly upgrading our employees' skills by offering various training possibilities, and we will continue to develop ourselves. That way we stay informed about new technologies and we are aware of the latest market developments, so we can guarantee best-in-class service for our clients.

Trend 3: Trade under pressure

Global trade flows have been under pressure in recent years, particularly due to the unprecedented impact of the Covid-19 pandemic. Several major political conflicts around the world continue to perturb economies and create serious problems for production and consumption. In such a market environment, business development is needed more than ever, but it is also quite risky, as many companies are facing financial problems and reputational challenges.

Our response:

We see more and more companies thinking about how to protect their business and their accounts receivable in such difficult times, and Credendo's mission has never been clearer: we are here to support trade relations. We want to help our customers grow by taking care of the assessment of risk and by offering our credit insurance, reinsurance, guarantee and financing products. This in turn frees up our clients to focus on their task of developing their global customer base and increasing sales, while they know their financial balance is under control.

We are constantly monitoring our risk models to guarantee consistency and reliability, so we can react quickly and provide a timely response to any rising threat.

Trend 4: War for talent

Recent years have shown that it is becoming ever harder to find – and keep – skillful employees. The widespread introduction of teleworking made people reassess their career needs. Some have developed a stronger desire for flexible time to enable a better work-life balance, some are looking for a different corporate culture, and others are interested in acquiring new skills, higher status or better pay. Many companies are competing for the best people and they are trying to accommodate these new expectations.

Our response:

At Credendo, our people are our strength. We pride ourselves on our extremely diverse team, with employees from a wide range of backgrounds and ethnicities. Employing people from 32 different nationalities across our group, we speak a multitude of languages, which only enhances our ability to understand the needs of our customers who are operating all around the world.

We have worked towards achieving gender parity within the company, and at group level we have had an equal split between male and female employees for several years now.

We will further reinforce our efforts and practices to attract, retain and help develop the most skilled people. We aim to provide the necessary training and support programmes for our people so they can enhance their skills and grow within Credendo.

We want to maintain our high standards and keep our employees happy, motivated and encouraged to build a flourishing future together.

Highlights of the year

Credendo has bounced back following the Covid-19 pandemic, marking its centenary year with strong growth, an improved market position and innovative product development. Making a positive impact on the environment is a key focus too.

Covid support

While the outbreak of Covid-19 in 2020 was a violent and sudden shock for the world economy, the ramifications of the pandemic have proven to be less severe than first anticipated.

Due to EU and state support packages implemented in the early days of the pandemic, the number of bankruptcies in Europe was lower than the number recorded in the year preceding the Covid outbreak. The economic recovery was swift and happened much earlier than the market initially expected.

By 2021, the credit insurance market had stabilised and, in Belgium, the state-backed reinsurance support programme developed by Credendo was brought to a close at the end of June after having been extended at the end of 2020.

This programme had been set up in 2020 and involved Credendo acting as the reinsurer for private credit insurers to help them maintain the same credit limits they had in place in the year preceding the outbreak of Covid-19. The aim of this programme was to ensure trade would continue and companies would not face the same problems they did during the global financial crisis of 2008, when credit insurance dried up.

The Covid-19 outbreak proved to be an ‘asymmetric shock’, meaning that it had a significant detrimental impact on specific industries such as transport, tourism and hospitality. But these businesses are not typically insured by credit insurers. Following the first lockdowns, other industries were quick to recover by the end of 2020.

We have continued to pay attention to the safety of our employees, adhering to government recommendations on creating a safe working environment, promoting telework and taking a cautious approach when implementing any change in advice or policy.

While Credendo’s offices in Brussels remained open during the pandemic and offered a safe place to work, most of our staff were able to work remotely as well. Credendo’s Crisis Management Team met weekly to assess the impact of the pandemic and take appropriate measures.

We anticipate that while there will be more staff returning to the office in the coming year, there will not be a full-scale return to the pre-pandemic way of working and we will see remote working, less frequent business travel and teleconferences remaining a significant part of the way we operate.

Centenary celebrations

2021 marked the 100th anniversary of the establishment of Credendo. The company was founded in 1921 to support Belgian international trade by providing guarantees and insurance. It has become an international group with a presence in 14 European countries. It was formerly known as the Office National du Ducroire | Nationale Delcrederedienst, and adopted the name Credendo in 2017.

Due to the ongoing Covid-19 pandemic, sadly many of the planned activities and celebrations were cancelled. However, we ran a successful communication campaign and produced three new corporate videos for the occasion of our anniversary. We also published a special celebratory book commemorating our 100 years, which was released together with our annual report. And finally, we published our own Credendo comic book in 10 languages. All these publications are available on the specific separate website we created.

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Improving market position

The merger of Credendo – Single Risk with Credendo – Excess & Surety was concluded in June 2021 to create Credendo – Guarantees & Speciality Risks. The merger was first announced in September 2020.

Credendo – Guarantees & Speciality Risks brings together three business lines: excess-of-loss and top-up cover, Single Risk insurance and surety bonds. It has a paid-in capital of EUR 135 million. Its headquarters are in Brussels with a presence across ten countries.

The newly merged entity serves as a single gateway to a range of specialised insurance products, helping improve access for businesses looking for solutions to support their needs. It has helped strengthen Credendo's market position as a provider of specialised insurance products.

The merger has been welcomed by the market, with no cancellation of policies by clients. The rating agency S&P Global Ratings assigned Credendo – Guarantees & Speciality Risks with a rating of A- with a stable outlook in 2021.

S&P Global Ratings also assigned a rating of A with a stable outlook to both Credendo – Short-Term Non-EU Risks and Credendo – Short-Term EU Risks in March 2022. These are the first ratings granted to the two entities.

We opened a new office for Credendo – Short-Term Non-EU Risks in the Netherlands in 2021. This follows on from our expansion into Ireland in 2020, with the opening of a Credendo – Guarantees & Speciality Risks branch in Cork, offering surety bonds and guarantee facilities to Ireland-based companies.

New Board of Directors

In February 2022, the Belgian government appointed a new Board of Directors for Credendo – Export Credit Agency, with Vincent Reuter remaining the chairman of the board. Board members are appointed for five years.

Credendo also added new independent members to the boards of Credendo – Short-Term Non-EU Risks and Credendo – Guarantees & Speciality Risks. We wanted to bring in external board members that offered skills and knowledge in specific competencies such as IT or banking. The new appointments are in line with Credendo's aim to improve gender equality throughout the organisation.

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Launched as a pilot project in May 2022, the 'Credendo Green Package' will be actively promoted on the market starting after summer.

New products

Credendo updated and simplified its forfaiting product in 2021 to make it more accessible to exporters.

Forfaiting works by allowing an exporter to grant a deferred payment to its buyer and sell its receivables to Credendo. Under the original product, exporters also had to take out insurance cover with Credendo to be able to apply for forfaiting for their transaction. This requirement has now been removed.

The forfaiting procedure has also been shortened, ensuring that Credendo can immediately send the exporting company a signed forfaiting agreement as soon as the transaction has been approved for financing.

In addition, we wanted to increase our support for sustainable projects, and one year ago we started to identify which incentives Credendo could implement in order to support the development of sustainable projects.

This exercise has been carried out for the following of Credendo – Export Credit Agency's products: export credit insurance, financial guarantees and the funding activity. The 'Credendo Green Package' consists of lower thresholds with regard to the Belgian content of a transaction, a higher insured percentage, an extension to domestic transactions with export potential, higher participation in financial guarantees, more resources for own financing of transactions with an increase of the maximum amounts, and an extension of the repayment terms.

Launched as a pilot project in May 2022, the 'Credendo Green Package' will be actively promoted on the market starting after summer. Besides these 'hard' incentives, it is also important to implement 'soft' incentives based on communication, training and active prospection to promote the green economy.

Environmental impact

Credendo continues to work on reducing its impact on the environment, both through its internal operations and via its clients.

We are currently developing an action plan to progressively reduce our support towards fossil-fuel projects. One measure already implemented is that we no longer support projects related to the coal industry. Credendo has not supported any coal projects for the past three years, but we officially announced our stance in September 2021.

Furthermore, we anticipate a progressive phasing out of our support for other fossil-fuel projects, in line with the commitments Belgium took under the COP26 Statement on International Public Support for the Clean Energy Transition signed last year in Glasgow.

Belgium also participated in the Export Finance for Future (E3F) coalition, which aims to align export finance with climate change objectives. The coalition was created in April 2021 and signatories include the governments of France, Denmark, Germany, the Netherlands, Spain, Sweden and the UK. Belgium, Italy and Finland signed up to the coalition in November 2021.

Internally, we continue to reduce our CO_2 footprint with the installation of solar panels at the Brussels headquarters in March 2022, as well as ensuring all company cars in the car pool are now hybrid models.

These efforts will help ensure that we maintain our 'CO_2 Neutral®' label granted by the environmental consultant CO2logic in late 2020 for the second time.

Innovation and future strategy

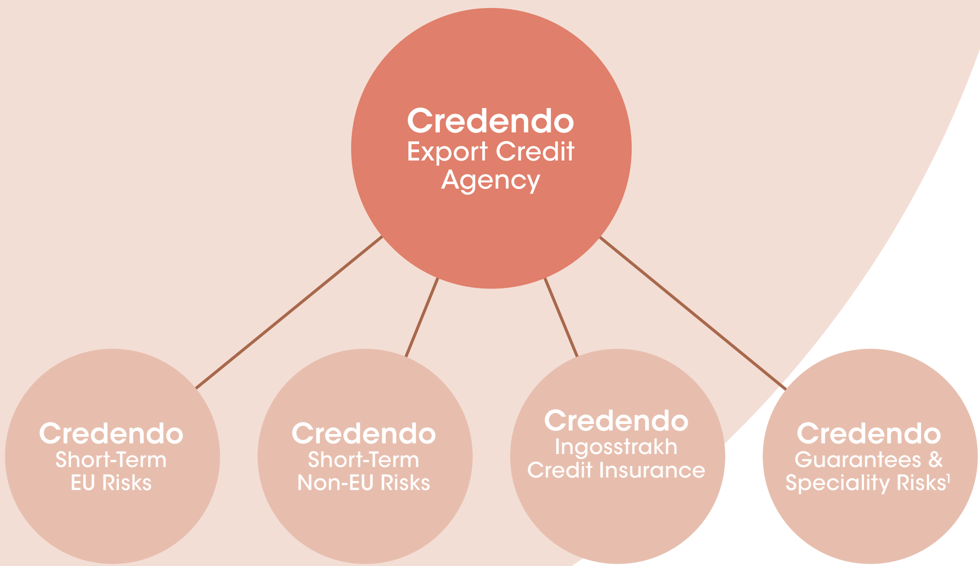
Credendo's board approved a new three-year strategy in 2021. The strategy is called 'Rise' and follows on from our previous three-year plan named 'Lift Off!'. The plan is to organise the company according to business lines with the client's needs being prioritised.

We are continuing to progress with our AREA42 trade innovation ecosystem which brings together industry expertise to encourage the digitisation of trade. Marjory is a new company set up in early 2020, created via the AREA42 platform, and is set to grow in scale in the coming year.

“Credendo's board approved a new three-year strategy in 2021. The strategy is called 'Rise' and follows on from our previous three-year plan named 'Lift Off!'.

Credendo's group structure

Credendo is headed by parent company Credendo – Export Credit Agency and the group has 4 subsidiaries and 17 branches, spread over 14 countries.



EXECUTIVE COMMITTEE CREDENDO – EXPORT CREDIT AGENCY

From left to right:

Frank VANWINGH, Deputy Chief Executive Officer

Dirk TERWEDUWE, Chief Executive Officer

Nabil JIJAKLI, Deputy Chief Executive Officer

1. Credendo – Guarantees & Speciality Risks is the company resulting from the merger of Credendo – Excess & Surety and Credendo – Single Risk.

Beyond traditional credit insurance

Credendo provides 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 carry out our mission of providing customised insurance, reinsurance, guarantee, surety and financing solutions for domestic and international trade transactions or investments abroad. We protect companies, banks and insurance undertakings against credit risks and political risks, or we facilitate financing for such transactions.

Multi-risk solutions for whole turnover protection

Credendo provides several multi-risk solutions to protect clients' whole turnover. The central product is Credendo Global Flex, a comprehensive policy designed for worldwide cover, but tailored to the client's specific needs. Credendo Global Flex is the result of the harmonisation of the whole turnover products offered by various Credendo entities, and it will gradually replace the existing products. The multi-risk product offer further includes top-up policies to complement credit insurance cover provided by a client's first-line insurer. Credendo also offers excess-of-loss solutions for companies wanting to retain full autonomy in their credit and debt management.

Single Risk solutions for large and complex transactions

Credendo also offers a range of Single Risk solutions for larger and more complex transactions. These solutions provide tailor-made and non-cancellable coverage against a wide range of commercial and political risks. Credendo's Single Risk insurance provides enhanced credit protection for single contracts or buyers and protects a client's permanent investments or mobile assets abroad. Through its Market Window activity, Credendo participates in international trade credit facilities (Unfunded Risk Participation) or in traditional trade finance instruments (mainly L/Cs) as well as in insurance syndicates.

Special products to support Belgian exports

Credendo – Export Credit Agency is the official Belgian export credit agency. Backed by the state, its mission is to promote international trade relations by providing trade credit insurance cover for transactions with a Belgian interest (supplier credit, buyer credit, cash transactions, etc.) as well as political risk insurance for Belgian investments abroad. Credendo – Export Credit Agency's offer further includes financial guarantees for bank loans to Belgian companies and for bonds issued by such companies. Financing solutions are also proposed to Belgian exporters in the form of the forfaiting and buyer credit solutions. The forfaiting product was thoroughly upgraded in 2021.

Surety to create new business opportunities

By means of a wide range of surety bonds and guarantees, Credendo helps clients secure their performance and support their business development, both locally and internationally. Credendo's surety offer includes contract surety bonds such as performance bonds, tender bonds and advance payment bonds, as well as legal surety bonds like customs and excise bonds, permit and licence bonds and environmental bonds. The online distribution platform for surety bonds – Credendo Booster – was launched a few years ago in Germany and will soon be expanded to other countries, with Belgium and Poland first in line.

Reinsurance solutions

Credendo provides reinsurance solutions across the globe for insurers and banks offering credit and political risk insurance as well as surety bonds and guarantees. By participating in proportional or non-proportional reinsurance, Credendo helps mitigate risks and reduce volatility in its clients' portfolios.

	BELGIAN EXPORTER		FOREIGN EXPORTER	FINANCING		BELGIAN STATE GUARANTEE	TENOR	
	SME	LARGE COMPANY		BANK	CREDENDO		<2 YEARS	≥2 YEARS
TRADE CREDIT INSURANCE								
Multi-risk insurance								
Credendo Global Flex (whole turnover credit insurance)	x	x	x				x	
Top-up cover	x	x	x				x	
Excess-of-loss insurance	x	x	x				x	
Single Risk insurance								
Single Risk insurance for exports	x	x	x	x			x	x
Single Risk insurance for imports	x	x	x	x			x	x
Single Risk insurance for bank loans	x	x	x	x			x	x
Public credit insurance								
Supplier credit insurance	x	x				x		x
Buyer credit insurance		x		x		x		x
Cash transaction insurance	x	x				x	x	x
Import prefinancing insurance	x	x				x	x	x
Bank guarantee insurance	x	x		x		x	x	x
Contracting equipment insurance	x	x				x	x	x
FINANCING								
Forfaiting	x	x			x	x		x
Buyer Credit Credendo	x	x			x	x		x
SURETY								
Contract surety bonds	x	x	x				x	x
Legal surety bonds	x	x	x				x	x
INVESTMENT INSURANCE								
Single Risk insurance for investments abroad			x					x
Political risk insurance for Belgian investments abroad	x	x				x		x
FINANCIAL GUARANTEES								
Financial guarantees for bank loans	x	x		x		x	x	x
Financial guarantees for bond issues (private placements)	x	x				x		x
RISK PARTICIPATION								
Participation in insurance syndicates			x	x		x	x	x
Unfunded risk participation				x		x	x	x
Participation in L/C confirmations				x		x	x	x
REINSURANCE								
Inward reinsurance of credit, surety and political risk						x	x	x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Serving customers for more than 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 fourth largest European credit insurance group and cover 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.

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**.

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 4 subsidiaries it also heads a European credit insurance group present in 14 European countries.

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

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

Credendo completes the process of merging Credendo – Excess & Surety and Credendo – Single Risk into its new entity **Credendo – Guarantees & Speciality Risks.** The new entity becomes the group's specialist provider of guarantees and specialised trade credit insurance, excess-of-loss and top-up cover, and Single Risk policies.

2007 2009 2013 2017 2021

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

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

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

1. The previous official name 'Nationale Delcrederedienst | Office National du Ducroire' was changed to '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 the commercial names are used.

Close monitoring of risks essential in uncertain times

Effective risk identification and management lies at the heart of Credendo's business to ensure we can make wise underwriting decisions and support our customers' needs.

Credendo's business is all about risk and how to support our customers when operating in markets with varying degrees of uncertainty. In turn, we must also carefully manage our own risk exposure and make sensible underwriting decisions that ensure our company's long-term financial sustainability.

Underwriting risk is the most material risk for Credendo, where the premium should be sufficient to cover our expected losses and our expenses. The technical provisions should be sufficient to cover our insurance liability vis-à-vis our policyholders. Underwriting risk also captures catastrophic risk linked to extreme or exceptional events taking place in a specific sector or country.

Credendo assesses underwriting risk using risk-based capital models. Such models are part of a larger risk management framework that also includes risks that are not captured by the capital models, and risks that are hard to quantify.

Credendo also takes a more 'qualitative' approach – which is important to identify operational risks, for example. This approach is based on an annual risk survey we conduct across all departments within Credendo to help identify failing or ineffective internal systems and processes.

It captures risks that escape the model-based approach. Together, the more top-down model approach and bottom-up surveying approach give us a very complete picture of our risk profile.

"We are constantly monitoring the economic and geopolitical situations in countries and sectors so that we can adapt our cover policy accordingly."

Country and sector risks

In terms of monitoring catastrophic risk, Credendo has developed various country and sector risk assessment models, some for long-term transactions and others for short-term ones.

The Risk Management department conducts a standard review of all short-term country and sector risks on a quarterly basis. Medium- and long-term risks are reviewed at least two times a year. Political risks are rated 1 to 7 – where a rating of 7 means a very high risk and the cover policy changing to 'off cover'.

If a big event happens that has a direct impact on country risk classifications, the Risk Management department conducts an immediate review. Credendo will either decide to adapt the cover policy and go 'off cover' on a country, or simply to adopt a more restrictive cover policy by lowering the percentage of cover for example. This ensures we have a cover policy that is fit for the risk we see.

We are constantly monitoring the economic and geopolitical situations in countries and sectors so that we can adapt our cover policy accordingly. For example, during the Covid crisis Credendo was quick to review classifications and adapt its cover policies.

Similarly, Credendo has been swift to revise the cover policies of Russia, Ukraine and Belarus following the invasion of Ukraine in February 2022. Moreover, on top of the internal monthly newsletter, the Risk Management department provided internal alerts and presentations about the global implications to keep everyone in Credendo up to date.

The Russian invasion of Ukraine is of particular concern for the Risk Management department, although at the time of writing the conflict is still in its relatively early weeks, making it hard to judge the long-term impact of the conflict.

Credendo is not willing to take on new risks in Russia and Ukraine. However, we do have existing risk exposure in our portfolios, and we now have to build reserves for those increased risks.

Future risks

Looking to the future, Credendo sees some new risks as well as a continuation of already identified risks.

When assessing risk, the Risk Management department takes into account the underlying economic and geopolitical situation. The very high financial risk in emerging markets is a particular source of concern.

In 2008, emerging markets had better macroeconomic fundamentals and were able to withstand fallout of the financial crisis.

In contrast, they are now facing higher government debt and higher external debt. Hence, many countries have less room for manoeuvre to cope with external shocks such as a sharp increase in energy and food prices and sharp tightening of global financial conditions.

Other risks we will be keeping a close eye on are the likelihood of more pandemics following the Covid-19 outbreak, as well as the impact of climate change and its influence on the economic and political situation. The climate change risk is now embedded in Credendo's catastrophic risk models – which was not the case 15 years ago.

Cyber risk has been identified as a 'new' risk that is of increasing concern for insurers and their customers alike, with many corporates facing the risk of damaging cyberattacks that threaten the safety of company data and the day-to-day running of businesses. Credendo is in the process of accelerating cyber risk mitigation measures.

Risk mitigation strategies

As well as maintaining an effective risk monitoring model, Credendo also has measures to mitigate risk, especially its most material risk: underwriting risk.

We do this through three key procedures: the selection, the pricing, and the provisioning of risks.

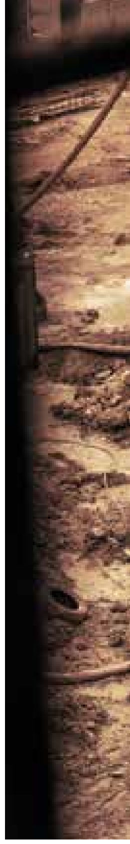
We avoid too large concentration on single counterparties by putting caps on maximum exposure we want to take on a country and debtor, for example, and we cede a proportion of our underwritten exposure to the reinsurance market.

The pricing of risk is affected by the debtor, country, and sector risk ratings – the insurance premium is consistently higher if the risk is rated higher.

Credendo's Risk Management department further ensures there are sufficient provisions to cover any potential losses within the current portfolio.

Risk management is also embedded in the whole governance system of Credendo.

The risk management strategy is ultimately defined at parent company level, where the company's appetite for different types of risk is defined. This strategy is then translated into policies and rolled out throughout the company.



Risk management in unusual times

Also in 2021, Covid-19 was the dominant risk affecting the global economic recovery. The pandemic showed resilience, as more contagious variants of the virus continued to affect the global economy – albeit unevenly across regions and countries.

The gradual recovery of the global economy allowed for a partial reversal of the many risk rating downgrades of 2020. However, the economic and financial environment remained difficult due to persisting supply chain disruptions, rising inflation pressures, geopolitical tensions and very high debt levels. Most regions were therefore in an uncertain and fragile situation until the huge political and economic shock resulting from the conflict in Ukraine was about to hit.

A global economic rebound hampered by a persisting pandemic

As in 2020, Covid-19 remained the number one risk factor hitting the global economy and shaping its path. While 2021 was the year of global economic recovery (of 5.9%) after a deep contraction in 2020 (-3.1%), such recovery was lagging behind in many emerging countries. Several factors explained the large discrepancies across regions and countries. The vaccination rate indeed had a major influence, as a high rate often allowed for faster economic normalisation. Diverging fiscal and monetary support also mattered. Large fiscal expenditures and broadly accommodative monetary policies supported the recovery in advanced economies (e.g. the 'NextGenerationEU' recovery plan and the 'American Rescue Plan'), whereas many emerging countries started to tighten their policy mix amid low fiscal space and rising inflation pressures (e.g. Brazil, Mexico and Russia).

The impact of transmission channels and countries' different economic structures also explained the pace of recovery. The sharp increase in commodity prices had a positive impact on commodity exporters – notably oil exporters – particularly in Latin America, the Middle East, Africa and the CIS. On the other hand, they negatively affected commodity importers and contributed to inflation pressures along with supply chain disruption. Despite a recovery in countries with high vaccination rates, tourism remained weak and the sector is the most affected by the pandemic. On a positive note, global financial conditions remained broadly favourable and global trade rebounded significantly on the back of sustained external demand in the US, the EU and China, which benefited their trade partners.

In China, after a strong first half-year, economic performance gradually slowed down as a result of property market turmoil and energy shortages. Meanwhile, input shortages (goods and labour) and supply chain bottlenecks hampered the recovery of the global economy in several sectors, such as the car industry. Large supply and demand mismatches were exacerbated by a lack of shipping containers. Looking ahead, high energy prices and disrupted supply chains are expected to continue for some time. Those trends in combination with last year's depreciating currencies in some countries (e.g. Turkey) have pushed inflation to record levels for years worldwide. The threat of faster-than-anticipated monetary tightening in the US and the EU, leading to a sudden deterioration of global financial conditions and possible capital flight from emerging markets, represented a high risk in a context of historically high global debt. The latter nevertheless stabilised in 2021 and the debt-to-GDP ratio declined thanks to stronger GDP growth. However, for the many beneficiary low-income countries, the conclusion of the G20 Debt Service Suspension Initiative (DSSI) at the end of 2021 will raise debt repayment pressures. For countries that benefitted from the extension of the initiative to December 2021, their two-year grace period for the delayed repayment of debts will expire in mid-2023. In 2021, international financial institutions continued to ease balance of payment pressures of many countries. A notable example was the IMF's historical SDR allocation of USD 650 billion in August, which temporarily boosted the countries' liquidity.

Besides Covid-19 uncertainty, persistent inflation pressures and a high risk of public debt crises among low-income and middle-income countries, and their sociopolitical consequences are dominant downside risks. Indeed, heightened inequality and poverty, frustration with the handling of the pandemic, eroding trust vis-à-vis the authorities and high food prices in low-income countries create conditions for social unrest, populism and political instability. Policy short-termism and the poor outcome of the COP26 in another year of extreme natural disasters also makes accelerating climate change a rising risk contributor to the global economy and future country risks. Geopolitical tensions as well – first those resulting from the US-China

rivalry – have contributed to maintaining country risks at high levels globally. While Beijing restored order in Hong Kong, Taiwan was and will remain the top conflict risk between the two superpowers. The other major sphere of tension came from risks of an expanding military conflict in Ukraine. On the back of the Russian troop build-up on Ukraine's border as of November 2021, tensions grew to a new high between Russia and the US and Europe, until Russia invaded Ukraine on 24 February 2022. The conflict in Ukraine has a large impact on Russia – targeted by severe western sanctions – and Ukraine. More globally, seeing that both countries are important commodity exporters, the fallout is particularly acute for commodity importers and sectors reliant on commodities as input.

Evolution of Credendo's country risk classifications

In 2021, a slowly waning pandemic impact and a gradually improving economic outlook for many emerging and developing countries allowed for a partial reversal of short-term (ST) risk downgrades decided during the first year of Covid-19. With risks tilted to the upside, notably driven by strong commodity prices and the extraordinarily large IMF SDR allocation, Credendo upgraded the ST political risk for 30 countries (including two small islands) – among which Chile, by two notches. Latin America (eight countries) and Sub-Saharan Africa (eight countries) recorded the highest number of country upgrades, followed by Europe and the CIS region (six countries). A total of 10 countries were downgraded (including five very small economies), among which three countries in Sub-Saharan Africa and three in Asia. The number of changes was much more impressive for the business environment risk (which uses a more granular 7-grade risk scale, and has replaced the previously used 'commercial risk' since June 2021). Business environment risk was marked by a wave of upgrades, driven by improved economic prospects. Upgrades (126 countries, of which 38 for small economies) overwhelmed downgrades (four countries) with the biggest number of upgrades recorded in Asia and Latin America (21 and 26 countries respectively), followed by Sub-Saharan Africa (16 countries). For the medium- to long-term (MLT) political risk, the trend was completely different with downgrades still dominant, just as in 2020. The reason lies in the fact that, in most cases, the pandemic's impact further increased already high country risks. Hence, it led to the downgrade of seven countries, with four in Sub-Saharan Africa (Ethiopia and Rwanda to 7/7, Seychelles and Tanzania), two in Latin America (Aruba and Bolivia) and one in Asia (Sri Lanka). Only two countries (Guyana and Mauritania) were upgraded, for country-specific reasons (see below).

"Besides Covid-19 uncertainty, persistent inflation pressures and a high risk of public debt crises among low-income and middle-income countries, and their sociopolitical consequences are dominant downside risks.

Pascaline della Faille, Country and Sector Risk Manager at Credendo

Asia

Asia suffered from its worst pandemic waves amid low vaccination rates. Recurrent strict lockdowns disrupted economic activity and continuing travel restrictions slowed down Asia's strong recovery, particularly in Southeast Asia. Besides, the region was hit by supply chain bottlenecks, high energy prices combined with coal shortages in India and China, inflation pressures and a Chinese slowdown exacerbated by a real-estate crisis. Yet, the Asian economy grew fast, and the net annual evolution of risk ratings was positive thanks to a solid first half-year, which allowed for the upgrade of 10 larger economies – including India – for the business environment risk. Six countries were upgraded for the ST political risk (among which two small islands). One of those countries was Indonesia, partly as a result of stronger commodity prices. Myanmar and Sri Lanka (along with a small economy) were downgraded for both risks. 2021 was Myanmar's annus horribilis after a military coup in February led to economic chaos and frequent protests, bringing the country to the verge of a civil war.

In Sri Lanka, the economic and financial situation deteriorated further due to the persisting tourism and Covid-19 crises. Caught in a tricky circle of low growth, unsustainable public finances, high external debt and financing needs, shrinking foreign-exchange reserves and a weak currency, Sri Lanka was the only Asian country to be downgraded (to 6/7) for the MLT political risk. In a region prone to high war risks, notably in East Asia, the year was marked by the Taliban's return into power in Afghanistan. The rapid economic collapse and a failed state could become a risk to regional stability.

In 2021, a slowly waning pandemic impact and a gradually improving economic outlook for many emerging and developing countries allowed for a partial reversal of short-term (ST) risk downgrades decided during the first year of Covid-19.

Raphael Cecchi,
Country and Sector Risk Analyst at Credendo

Latin America

For Latin America, 2021 was a year of mixed developments. On the upside, th e region was among the fastest in the world to inoculate its population against Covid-19. This was a welcome development after the disastrous toll the pandemic took in 2020, when the region was the hardest hit in per capita and economic terms. Moreover, the region experienced a robust economic recovery of 6.8% in 2021 while current account revenues significantly increased, supported by US stimuli (mainly benefiting Central America) and a mini commodity boom (largely supporting South America). Nevertheless, the economic recovery was very uneven, with Caribbean islands particularly taking a battering in 2021 due to low tourism revenues. On the downside, most economies did not recover enough to reach pre-Covid-19 real GDP levels again. Furthermore, inflation surpassed targets in all countries due to the rising global energy and food prices while the exchange rates of Latin American countries depreciated and remained under pressure. As a result, monetary policy started to tighten in most countries as of the third quarter, which was forecasted to hinder economic growth in 2022. Additionally, unrest was on the rise (in Colombia, Brazil and Cuba for instance), as poverty and unemployment increased in combination with higher income inequality and the easing of lockdown measures.

Unrest risks will remain in the foreseeable future as governments will have difficulties tackling the root causes of the unrest since public debt is in general already elevated. For the ST political risk, eight countries (among which Brazil, Chile and Ecuador) were upgraded, mainly thanks to stronger commodity prices, with only four Caribbean islands (among which Antigua and Barbuda) highly dependent on tourism seeing a downgrade. For the MLT political risk, Aruba was downgraded to 6/7 – its high reliance on tourism revenues further deteriorated its macroeconomic fundamentals – while Guyana was upgraded to 5/7 as its increasing oil exports are positively transforming the economy.

Sub-Saharan Africa

In 2021, Sub-Saharan Africa partly emerged from its Covid-19-induced recession (-1.7%) of 2020, and reached a regional growth level of 4%. The economic recovery – mainly driven by the global trade revival – was uneven across the region due to great divergence in access to vaccines and medical equipment, but also in availability of fiscal space for policy support. Resource-intensive countries were hit the hardest by the 2020 crisis, but they also benefited from high commodity prices in 2021, although this is rarely a sustainable driver for recovery. The well-diversified non-resource-intensive countries were the best performers, while fragile and tourism-dependent economies were the worst performers (except for the highly vaccinated ones like Seychelles, Cape Verde and Mauritius). In 2021, Africa's disproportionate vulnerability to food insecurity, poverty and population displacement as a result of climate change only became more apparent. The risk for political destabilisation has increased in a substantial number of countries, be it through exposure to terrorist attacks (Sahel countries and their border regions, Mozambique, Somalia and Nigeria), large popular protests (Sudan, Senegal and South Africa), unconstitutional power changes or military coups (Chad, Mali, Guinea and Sudan) or an expanding regional military conflict (Ethiopia). In addition to the fiscal challenges, public debt vulnerabilities continued to be a major concern and constrained the ability of African governments to develop a pro-active recovery strategy. According to the IMF, about 20 African countries are either in debt distress or at high risk of debt distress. The historical IMF SDR allocation in August did temporarily boost the liquidity position of an important number of African low-income countries and created welcome additional fiscal space. On the downside, the conclusion of the G20 DSSI at the end of 2021 will raise debt service pressures again.

In 2021, the business environment risk of 16 Sub-Saharan African countries was upgraded and only Ethiopia was downgraded. The ST political risk classification of Malawi and Ethiopia (and the Comoros) was downgraded and eight countries were upgraded thanks to an improvement of liquidity driven by the IMF SDR allocation, higher commodity prices and a general recovery in global trade. The MLT political risk classification was downgraded for Rwanda, Ethiopia, Seychelles, Tanzania and Mali, while Mauritania was upgraded from 7/7 to 6/7.

Middle East and North Africa (MENA)

In 2021, the MENA region began to recover from the significant contraction caused by the Covid-19 pandemic and the collapse of oil prices. In a turn of events, oil prices rebounded and reached high levels in the second half of 2021. The rapid increase of oil prices together with the gradual recovery of oil production under the OPEC+ agreement fuelled the economic recovery and improved fiscal and current account balances of oil exporters. Oil importers also began their recoveries in 2020, supported by a pickup in vaccination roll-outs in some countries (Morocco, Jordan, Tunisia), domestic consumption, and the recovery of key trade partners.

Nonetheless, real GDP remained significantly lower than pre-Covid-19 levels for several countries (Bahrain, Iraq, Kuwait, Tunisia, and United Arab Emirates) – countries with severe political crisis excluded. Moreover, the 2020 double shock still lingers on many countries' public finances (Bahrain, Egypt, Jordan, Lebanon, Morocco, Oman and Tunisia). As other regions, the MENA region experienced inflation pressures. The year was also marked by the resumption of negotiations on the Iran nuclear deal, which is key for regional stability.

As a result of buoyant oil prices, five oil exporters saw an upgrade of their business environment risk ratings (Algeria, Kuwait, Oman, Saudi Arabia and United Arab Emirates). Israel and Morocco were upgraded as well. For the ST political risk, only Oman was upgraded as a result of improved liquidity. MLT political risk ratings instead remained stable.

Emerging-market (EM) Europe and CIS countries

Geopolitical, political and social tensions persisted in the region, notably with heightened tension between Ukraine and Russia (as Russian troops amassed near the Ukrainian border as of November 2021), the imposition of sanctions on Belarus, spillover effects from Afghanistan, and still tense relations between Armenia and Azerbaijan. The heightened tensions between Russia and Ukraine in 2021 turned into an armed conflict in 2022. Fallout from the conflict would be large for the region in 2022, given the importance of Russia for many countries as a trade partner and a source of remittances. Following a sharp contraction in 2020, real GDP growth increased rapidly in 2021, but in some countries (e.g. Armenia, Moldova and Kyrgyzstan), it was not sufficient to put real GDP above its pre-pandemic level. The rebound was largely driven by higher commodity prices, robust external demand and – in some countries – higher domestic demand. Covid-19 continued to wreak havoc in the region given the large discrepancy across countries in terms of vaccination rates. In many countries, inflation rose sharply amid higher commodity prices and global demand/supply mismatches. As a result, many central banks in the region tightened their monetary policies. A notable exception was Turkey's central bank that eased its monetary policy despite fast-rising inflation. The latter along with the sharp depreciation of the Turkish lira, explained the downgrade of the business environment to category G/G despite Turkey's very strong growth performance (real GDP growth of 9.5% in 2021). Russia – the biggest economy in the region – continued to implement very prudent fiscal and monetary policies. Following a contraction in 2020 (-2.7%), real GDP growth increased by 4.5% in 2021. This along with a more stable exchange rate led Credendo to upgrade the business environment risk rating to E/G (from G/G in 2020) despite higher inflation and interest rates. In addition to Russia's, the business environment risk of 13 other countries was upgraded. The ST political risk of six countries was upgraded amid an improvement of liquidity driven by the IMF SDR allocation, higher commodity prices (Azerbaijan, Kazakhstan and Tajikistan) and moderate to strong recovery in EU countries (Albania, North Macedonia and Georgia). The MLT political risk remained stable in 2021.

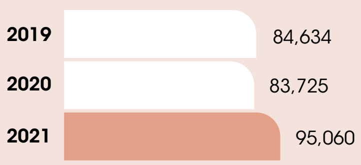
A global leader

Activities and results

IN MILLION EUR	2021	2020	2019
Value of transactions insured during the financial year[1]	95,060.3	83,724.6	84,634.3
Total potential exposure	66,987.3	59,328.3	65,783.9
Insurance premium revenue[1]	339.8	334.0	314.9
Insurance claims and loss adjustment expenses[1]	12.2	255.0	141.0
Total profit/(loss)	209.5	-82.7	269.7
Total comprehensive income	217.8	-88.0	276.7
Total equity	2,937.1	2,719.4	2,807.7
Staff	563	550	547
RATIOS (IN %)			
Net loss ratio[2]	11.9%	72.5%	40.8%
Net cost ratio[3]	41.8%	36.5%	38.2%

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

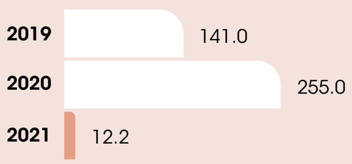
Value of transactions insured[1] (in million EUR)



Insurance premium revenue[1] (in million EUR)

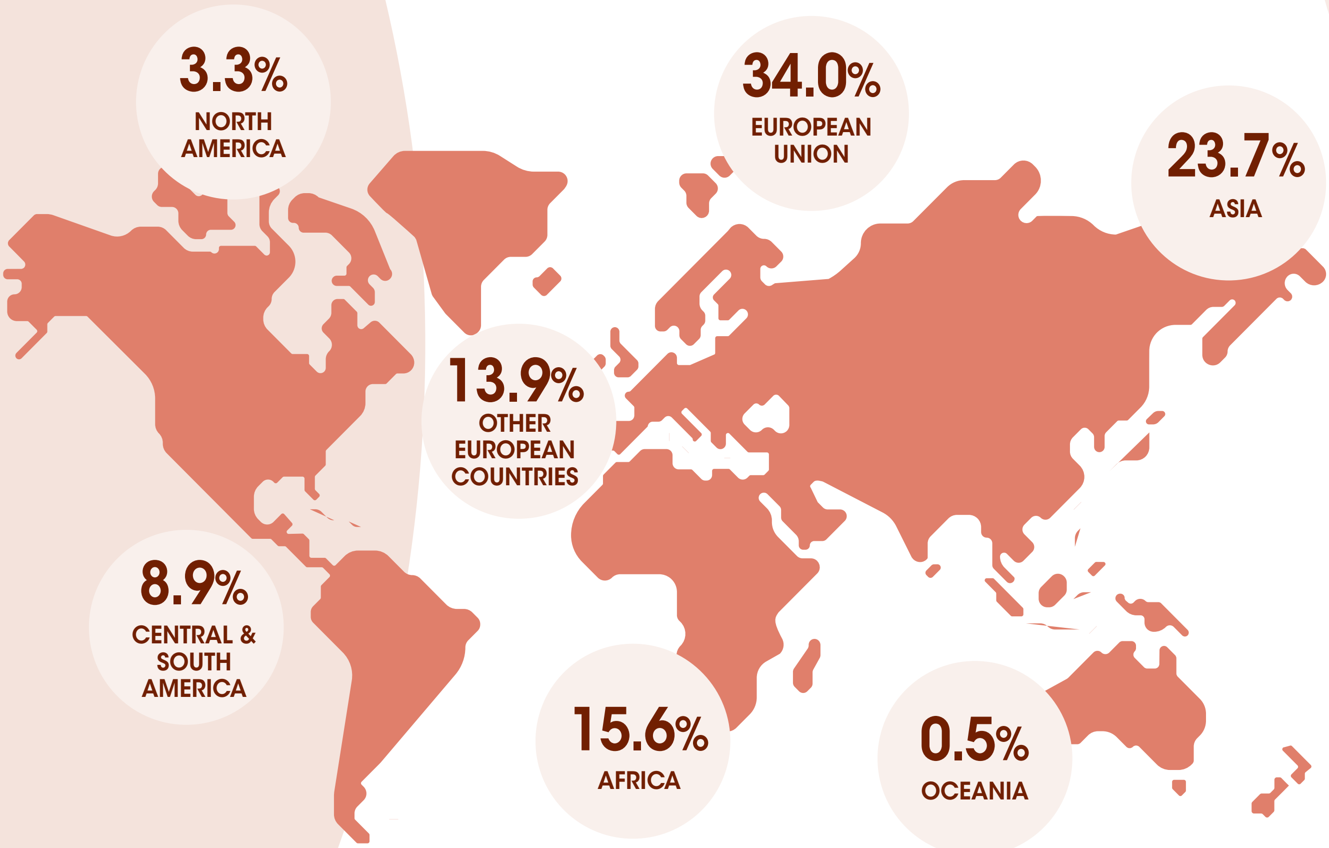
Staff (in units)

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



Total potential exposure (in million EUR)

Geographical spread of risk exposure



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

Wim VAN DEN BOSSCHE
Vice-Chairman

Florence LEPOIVRE
Member, representative of the Minister for Economy

Renaat SCHROOTEN
Substitute member

Henk MAHIEU
Member, representative of the Minister of Finance

Ludivine HALBRECQ
Substitute member

Lucas DEGROOT
Member, representative of the Minister for Foreign Affairs

Jean-François KRENC
Substitute member

Joris TOTTÉ
Member, representative of the Minister for Development Cooperation

Jan VAN DEN POEL
Substitute member

Claire TILLEKAERTS
Member, representative of the Flemish regional government

Jeroen OVERMEER
Substitute member

Georges STIENLET
Member, representative of the Flemish regional government

Koen DE RIDDER
Substitute member

Jean-Christophe DEHALU
Member, representative of the Walloon regional government

Olivier de WASSEIGE
Substitute member

Pascale DELCOMMINETTE
Member, representative of the Walloon regional government

Hubert SIEMES
Substitute member

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

Kim EVANGELISTA
Substitute member

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

Anton VAN ASSCHE
Substitute member

Audit and Risk Committee

Henk MAHIEU
Chairman

Florence LEPOIVRE
Member

Lucas DEGROOT
Member

Remuneration Committee

Wim VAN DEN BOSSCHE
Chairman

Vincent REUTER
Member

Georges STIENLET
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

Board of Directors

Vincent REUTER (1)
Wim VAN DEN BOSSCHE (2)
Florence LEPOIVRE (3)
Henk MAHIEU (4)
Lucas DEGROOT (5)
Joris TOTTÉ (6)
Claire TILLEKAERTS (7)
Georges STIENLET (8)
Jean-Christophe DEHALU (9)
Pascale DELCOMMINETTE (10)
Annelore ISAAC (11)
Sarah LOKMAN (12)

Credendo – Short-Term EU Risks

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Nabil JIJAKLI
Member

Ronny MATTON
Member

Frank VANWINGH
Member

Management Board

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Chairman

Christoph WITTE
General Manager

Martin FRITZ
Deputy General Manager

Jan KOVAČIČ
Deputy General Manager

Credendo – Short-Term Non-EU Risks

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Heidi CORTOIS
Independent Director

Karin DEESEN
Executive Director

Nabil JIJAKLI
Non-executive Director

Véronique LÉONARD
Independent Director

Jean-Paul STEENBEKE
Executive Director

Georges STIENLET
Non-executive Director

Stefaan VAN BOXSTAEL
Executive Director

Frank VANWINGH
Non-executive Director

Audit and Risk Committee

Nabil JIJAKLI
Chairman

Heidi CORTOIS
Member

Véronique LÉONARD
Member

Heidi CORTOIS
Member

Georges STIENLET
Member

Remuneration Committee

Dirk TERWEDUWE
Chairman

Executive Committee

Stefaan VAN BOXSTAEL
General Manager

Karin DEESEN
Deputy General Manager

Jean-Paul STEENBEKE
Deputy General Manager

Credendo – Guarantees & Speciality Risks

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Chairman

Cécile COUNE
Independent Director

Karin DOGUET
Independent Director

Eckhard HORST
Executive Director

Nabil JIJAKLI
Non-executive Director

Eric JOOS
Executive Director

Ronny MATTON
Non-executive Director

Liesbeth SINKE
Independent Director

Frank VANWINGH
Non-executive Director

Christian WIENEMA
Executive Director

Audit and Risk Committee

Frank VANWINGH
Chairman

Cécile COUNE
Member

Karin DOGUET
Member

Liesbeth SINKE
Member

Remuneration Committee

Dirk TERWEDUWE
Chairman

Cécile COUNE
Member

Liesbeth SINKE
Member

Executive Committee

Eckhard HORST
General Manager

Eric JOOS
Deputy General Manager

Christian WIENEMA
Deputy General Manager

Credendo – Ingosstrakh Credit Insurance

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Chairman

Alexey ILYUSHCHENKO
Non-executive Director

Nadezhda ZNAK
Non-executive Director

Ronny MATTON
Non-executive Director

Stefaan VAN BOXSTAEL
Non-executive Director

Frank VANWINGH
Non-executive Director

Executive Committee

Alexey BEZDENEZHNYKH
General Manager

Dina DMITRIEVA
Deputy General Manager

Andrey PALKIN
Deputy General Manager

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Testimonials

Credit insurance vital for contract wins

Dredging, Environmental and Marine Engineering (DEME Group) and Jan De Nul are Belgium's leading maritime companies worldwide, specialising in dredging, land reclamation and offshore services. As long-standing clients of Credendo – Export Credit Agency, they have made regular use of credit insurance products to secure multiple international contracts.

Jan De Nul and **DEME Group** are considered the jewels of Belgium's maritime construction industry. DEME has more than 140 years of experience in dredging and land reclamation while family-owned Jan De Nul's history dates back six generations, to 1849.

Both companies are active across four key sectors: offshore, marine, environmental and civil engineering.

DEME's relationship with Credendo started almost two decades ago with the creation of its export finance team to work with Credendo and make use of the insurer's various credit insurance solutions for their commercial contracts or their financial loans.

"The buyer credit product is a very interesting tool – we use it as much as possible to enhance our technical offer. By offering an export credit solution, we are also trying to help solve any financial issues a project developer might have," says Geert Wouters, Head of Structured Finance & Treasury at DEME.

"But of course, it is beneficial for us too. We know that we will be paid and we know when we will be paid," he says.

Jan De Nul has been heavily investing in ultra-low emission vessels to support both it's dredging and offshore renewables fleet.

Mathias Van De Vijver,
Financial Manager at Jan De Nul

I want to sleep at night and not be worried about a country or client getting into difficulties.

Paul Lievens,
CFO of Jan De Nul

Jan De Nul has a very long-standing relationship with Credendo, which goes back more than half a century. Jan De Nul also benefited from Credendo's support, explaining it is very rare they would bid for a tender in a risky market without having some assurance that Credendo would be able to cover the political and non-payment risks.

"I want to sleep at night and not be worried about a country or client getting into difficulties. That is what we pay for and in exchange we get a good service," says Paul Lievens, CFO of Jan De Nul.

Credendo supports many types of projects in many countries

DEME has won several contracts with the support of Credendo's buyer credit insurance product.

One of them was phase 1 of the Elmina fishing port project in Ghana.

"Without financing, we would never have won the project," says Liesbeth Rosiers, Structured Finance Manager at DEME.

In Nigeria, DEME also brought in Credendo's support for the Eko Atlantic City project, which involves a new district of Lagos being built on land reclaimed by DEME from the Atlantic Ocean.

In Egypt – a major market for DEME – the company used Credendo's cover to win its largest dredging and land reclamation contract to date in November 2020.

The Abu Qir Port project involves all dredging activities for the new greenfield port development in Abu Qir, part of the city of Alexandria.

"Egypt is an important country, and we will have a lot of work to come," says Geert Wouters.

Also Jan De Nul benefited from Credendo's buyer credit solutions to win several projects in various geographies – Africa, Latin-America and Asia – and well spread over its different activities – dredging, renewables and civil construction.

Furthermore, Credendo was involved in Jan De Nul's contract in Taiwan regarding the construction of the Formosa 2 wind farm.

More than EUR 500 million of financing was mounted for the development of the port of Takoradi in Ghana and the coastal protection works in Cotonou, Benin.

Credendo's support is vital too when banks are lacking appetite for long-term risks, like during the liquidity crisis in Europe. In that case, Credendo helped Jan De Nul in Panama, providing seven-year performance guarantees on a project to construct lock complexes on the Panama Canal.

During the same period, Credendo supported the financing of the A11 road construction in Belgium.

We speak on a daily basis. We sometimes ask Credendo difficult questions. Our cases are not always straightforward and Credendo might need to invent something new. This very close level of cooperation is needed for a company like ours where various projects will be at different stages in terms of cover they need.

Liesbeth Rosiers,
Structured Finance Manager at DEME

Environmental impact is never far from minds

DEME's Geert Wouters says the environmental impact is constantly monitored during the execution of projects, with work instantly stopped if wildlife such as whales or dolphins are spotted in the vicinity of a dredging project, for instance.

DEME has independent specialists to monitor its projects and environmental policies and sends extensive environmental reports to Credendo's specialists to ensure standards are met.

DEME is also investing in new technologies such as deep-sea harvesting which involves the collection of rock-like nodules that contain nickel, cobalt, manganese and copper from the seabed. Research is being conducted to assess if the collection of these polymetallic nodules from the seabed might be a more environmentally friendly way to extract metals needed by the world's various industries.

Jan De Nul has been investing heavily in ultra-low emission vessels to support both its dredging and its offshore renewables fleet. Already in 2019, Jan De Nul secured a EUR 300 million 'green loan' via a consortium of international banks to finance its two new, next-generation renewables installation vessels: a wind turbine installation jack-up vessel, the 'Voltaire' and the crane vessel 'Les Alizés'. Both vessels will become operational in the fleet this year.

The new vessels have a dual exhaust filter system and will be the first seaworthy installation vessels in the world with extremely low emissions.

Credendo is an asset when facing competition

DEME has greatly valued Credendo's support on all its major projects, appreciating the open line of communication between the insurer and its client.

"We speak on a daily basis. We sometimes ask Credendo difficult questions. Our cases are not always straightforward and Credendo might need to invent something new. This very close level of cooperation is needed for a company like ours, where various projects will be at different stages in terms of cover they need," says Liesbeth Rosiers.

Jan De Nul also recognises Credendo's support. "We have a very close relationship with Credendo", says Paul Lievens.

"We ask for cover, and they mostly provide it. Sometimes there are discussions - but they are always solution-oriented," he says.

"30 to 40% of our projects are becoming quite complex. Standard cover is becoming less important because we are dealing with complex countries and with different debtors that need tailor-made solutions. It is quite labour-intensive," he adds.

The environmental impact is constantly monitored during the execution of projects, with work instantly stopped if wildlife such as whales or dolphins are spotted in the vicinity of a dredging project.

Geert Wouters,
Head of Structured Finance & Treasury at DEME

Looking to the future, Geert Wouters sees a need for increased capacity from Credendo and other agencies to deal with a growing pipeline of large and increasingly complex projects.

"Projects are getting bigger – especially in renewable energy such as offshore wind. We are talking about projects well above EUR 1 billion," he says.

Paul Lievens adds: "More and more, we see clients looking for 'capex' projects with high investments in the renewables sector. The business of dredging is also becoming increasingly related to land reclamation where the client is investing in a long-term asset that needs long-term funding."

He adds that projects are becoming increasingly complex, with more deals involving private sponsors or public-private partnerships and more hybrid financing structures featuring classical export products combined with commercial and/or project financing being used.

Both companies welcome the decision of the Belgian government in 2021 to increase the capacity of the state account which will allow Credendo to support bigger deals in the future.

Ultimately, Anne Spreuwers and Laurens Hendrikx, Senior Underwriters respectively of Jan De Nul and DEME, underline how much both clients appreciate that Credendo is available, solution-based and capable of offering customised services – an asset when competing with foreign dredging companies.

Both companies welcome the decision of the Belgian government in 2021 to increase the capacity of the state account which will allow Credendo to support bigger deals in the future.

Anne Spreuwers and **Laurens Hendrikx,**
Senior Underwriters at Credendo respectively of Jan De Nul and DEME

Testimonials

Flexible cover essential for seasonal business

Internationally renowned entertainment and gaming brand Nintendo saw its sales in the Benelux region flourish during the pandemic, with more people stuck at home looking for something entertaining to do. Nintendo Benelux's existing partnership with Credendo – Short-Term Non-EU Risks proved to be essential in meeting this growing demand and the related increase in risk exposure, as well as helping the company continue to manage seasonal fluctuations in its business.

Credendo is open to work with us in difficult conditions. During a peak season it is possible that we need to double or triple the fixed credit limits and so far, it has not been a problem.

Sandra Griffet,
Credit Manager at Nintendo Benelux

Based in Nieuwegein and with an office in Antwerp, **Nintendo Benelux** – a branch of Nintendo Europe – dominates sales of physical software, representing 70% of the region's total console market in 2021. Its strong regional position was only further bolstered by the impact of the Covid-19 pandemic with more people looking for something fun to distract themselves from life in lockdown.

While Nintendo had to compete with its traditional competitors, it also had to win over audiences from non-traditional competitors such as Netflix and other streaming services.

"Nintendo, to a certain extent, was the choice of the consumer and we saw an increase in sales in lockdown in the home countries," says Frank Rittinghaus, General Manager at Nintendo Benelux.

Part of Nintendo's appeal is how it positions itself in the market as entertainment for all the family, not just gamers or young people.

"We reach a really broad audience. It is cross-generational with grandmothers and grandfathers playing games with their grandchildren. That proposition makes us unique in the industry and gives us a reason we sell well," he says, mentioning Nintendo games such as 'Big Brain Academy' or 'Ring Fit Adventure' as products that are not targeting the typical gamer.

Another family favourite launched in 2020 was 'Animal Crossing: New Horizons', which attracted a lot of attention from influencers and celebrities on social media and exemplifies Nintendo's brand. "It fitted really well the needs of many in times of isolation," he says.

"Our main goal is to put smiles on people's faces. We connect people through entertainment, by playing together and having fun together," he says.

While the pandemic caused an uptick in demand for Nintendo products, the company is used to spikes in demand due to the cyclical nature of its business. The summer season in June and July sees an increase driven mainly by handheld computing devices, while there are further spikes on Black Friday in November, St Nicholas Day in early December and Christmas at the end of the year.

The launch of certain games – particularly from the high-profile franchises such as Mario and Pokémon – can also see demand rise.

When demand spikes, Nintendo needs to be able to increase the credit limits for its clients for a temporary period. This is where Credendo – Short-Term Non-EU Risks steps in to help manage these increases in risk.

Nintendo Benelux started working with Credendo in 2019 when their previous credit insurer was unable to provide cover for an important customer. Credendo was able to step in with cover that is still in place today. "This was exceptional," says Sandra Griffet, Credit Manager at Nintendo Benelux.

"They understand our needs and have a personal approach – we have a dedicated contact, which is very important," she says, noting that Credendo respects the way Nintendo handles its own credit management.

Credendo works closely with Nintendo to ensure cover is available when it is required. For example, during low seasons, the credit limit is set at a fixed amount and then ahead of a peak season Nintendo meets with Credendo to discuss what turnover is expected and what Nintendo needs.

"Credendo is open to work with us in these difficult conditions. During a peak season it is possible that we need to double or triple the fixed credit limits and so far, it has not been a problem," she says.

Isabelle Van Durme, Credendo's Sales Operations Manager working with Nintendo adds: "Our relationship with Nintendo is very transparent. We have very open conversations with them about how to manage the company's debtors and their credit limits."

Quick decision-making is essential for Nintendo's business, with new products being launched monthly and often released under a veil of secrecy.

Nintendo, to a certain extent, was the choice of the consumer and we saw an increase in sales in lockdown in the home countries.

Frank Rittinghaus,
General Manager at Nintendo Benelux

Having a dedicated underwriter is valued by Nintendo, preferring this approach to having a credit limit determined by an algorithm, as is the case with some insurers.

"Credendo looks beyond the figures and is willing to listen. If we have information that could contribute to a positive result, Credendo will always listen and try to find a solution," Griffet says.

Currently Nintendo's strength in the region lies in physical software sales, though the company will be looking to grow its digital content in the years ahead. Nintendo recently announced new racetracks as downloadable content for its bestseller Mario Kart 8 Deluxe – launched in 2017 – as a way of reactivating lapsed gamers and pulling in new players too.

"Nintendo is at the beginning in terms of digital migration," says Rittinghaus, anticipating many opportunities for growth for the brand in the coming years.

Our relationship with Nintendo is very transparent. We have very open conversations with them about how to manage the company's debtors and their credit limits.

Isabelle Van Durme,
Sales Operations Manager at Credendo

Czech steel producer benefits from large credit limits

Moravia Steel is one of the biggest producers of metallurgical products in the Czech Republic with a high level of exposure on debtors within the EU and beyond. Credendo has supported the business through the provision of large credit limits to help manage the company's exposure, coupled with a flexible approach to problem-solving.

Moravia Steel is a major seller of metallurgical products in the Czech Republic and in many EU countries. The company's history can be traced back to 1839 when Třinec Iron and Steel Works – also known as Třinecké železárny – was founded. The creation of the blast furnaces has been central to the improving fortunes of the Czech town of Třinec, helping transform the place from a small agricultural village to an industrial hub.

Today, Moravia Steel is a key source of employment for the area as well as a strong supporter of the town's cultural, sporting, and educational activities. It is the sponsor for Třinec's well-regarded ice hockey team.

Since 1996, Třinec Iron and Steel Works has been a fully privatised company, with Moravia Steel as its major shareholder. Moravia Steel recorded a consolidated turnover of EUR 2.3 billion last financial year.

Credendo – Short-Term EU Risks has had a relationship with the steel producer for more than 15 years, providing cover for non-payment of insured receivables due to insolvency of the customer, as well as cover for protracted default risks.

Moravia Steel has benefited from Credendo's ability to provide large credit limits to the company, which has helped cover its large debtor exposure. The steel producer naturally has a high level of debt exposure given its significant market share of the market of metallurgical products in the Czech Republic and in the rest of the EU.

Credendo provides cover for both Moravia Steel's commercial and political risks. It also covers both public and private debtors.

"We currently see Credendo as a stable partner with whom we have built strong business relationships based on long-term cooperation and mutual trust," says Bohdan Kožusznik, Receivables Management Specialist at Moravia Steel.

Credendo prides itself on the close day-to-day human contact between its Risk Underwriter and the steel company's Finance team. Kožusznik reflects that the

We currently see Credendo as a stable partner with whom we have built strong business relationships based on long-term cooperation and mutual trust.

Bohdan Kožusznik,
Receivables Management Specialist at Moravia Steel

relationship with the insurer has benefited from good communication and a "human approach" to doing business.

"We have always managed to find solutions that were able to support and provide coverage for our business interests," he says, despite the challenges of recent years.

The impact of the Covid-19 pandemic and the uncertainties of the global steel industry have contributed to difficult market conditions for Moravia Steel.

Yet, even at the height of the Covid pandemic, the company did not have to shut down any of its production units.

Looking to the future, Moravia Steel is planning to ramp up investment in efforts to improve the environment. The company has numerous projects in the pipeline to reduce CO_2 emissions, including the partial transformation of its primary steel production to scrap-based steel production using electric arc furnaces (EAF). The company has a strategy in place to reduce its CO_2 emissions by more than half of its current level.

Steel production using scrap-fuelled EAFs represents around 42% of new crude steel in the EU and 71% in the US, according to research published in December 2021 by The Institute of Energy Economics and Financial Analysis (IEEFA).

The steel producer is also planning to install two photovoltaic power plants this year at production plants in the Uherské Hradiště region. The switch to more renewable sources of energy should cut the company's energy costs and improve its impact on the environment.

There are potentially more turbulent times ahead for steel producers and the wider economy, given the lingering impact of Covid-19, the invasion of Ukraine by Russia in early 2022 and its ramifications for commodity supply chains.

Moravia Steel is monitoring the Ukraine issue and is working on strengthening the range of suppliers it has, in order that its factories can continue to operate smoothly.

Despite the uncertain times ahead, Kožusznik hopes to continue to enjoy the support of Credendo.

"We strongly believe that we will find support from Credendo even during this difficult time marked by the Russia-Ukraine conflict and the fight against the pandemic, as has been the case so far," he says.

"Our long-term business relationship with Moravia Steel is primarily based on teamwork, mutual trust and communication, which is crucial for a successful cooperation. Together with our dedicated team of professionals, we always strive to find the solution that best suits our client's requirements and needs", says Hana Štecherová, Account Manager.

Our long-term business relationship with Moravia Steel is primarily based on teamwork, mutual trust and communication, which is crucial for successful cooperation.

Hana Štecherová,
Account Manager at Credendo

Credit limit autonomy strengthens partnership

Italian family-owned industrial group Estral values setting its own credit limits for its customers – recognising that assessing risk is about getting to know the customer well and not just relying on commercial information available. Credendo has been supporting the company's credit management processes, which is part of the reason why Estral's partnership with the insurer has lasted for more than two decades.

For 48 years, Italian family-owned industrial group **Estral** has been producing custom-shaped extruded aluminium profiles that are used by customers across Europe, active in construction, the automotive industry, the renewable-energy sector, and many other industries.

After starting with just one small extrusion press with a 600-ton capacity, the company now has five extrusion presses and produces 40,000 tons of high-precision profiles every year.

The company has also prioritised its focus on the environment. In its foundry, it recycles aluminium scrap, which helps the company avoid mining for bauxite and saves energy costs related to producing aluminium from raw materials.

Estral has benefited from Credendo's support for 22 years and is currently making use of the insurer's excess-of-loss product.

"Estral is a very good customer for Credendo," says company CEO Michele Cibaldi.

Credendo has been supporting Estral's business growth, even during several economic crises, and Estral has been improving its credit management know-how and procedures.

Marco Censi,
Head of Trade Credit Europe and Country Manager Italy at Credendo

"When Estral asks for something different, Credendo follows our requests. Historically, we haven't made many claims to cover losses with our customers. We are in a very good relationship," says Cibaldi, mentioning just one medium-sized claim made in 2011.

Of particular importance to Cibaldi is the ability for Estral to set its own credit limits for its customers, which are then sent to Credendo for approval. He appreciates Credendo's support and trust in the company's internal credit management systems, which makes the insurer stand out compared to other European insurers.

"Normally the insurance company dictates the credit limit for the customer's customers. With Credendo, it is different. We decide whether the credit limit is OK for our customer."

"Credendo believes in our professionality," he says.

Under Credendo's excess-of-loss insurance, clients have full autonomy to implement their own credit management procedures. They can decide on their policy parameters including liability – the risk borne by Credendo – and the deductible – the risk retained by the insured client.

"We have a flexible and mutually respectful relationship with Estral," says Marco Censi, Head of Trade Credit Europe and Country Manager Italy at Credendo.

Cibaldi adds that it is important to look beyond the commercial information available when making a credit limit decision. Estral also takes into account how well they know the customer and how long-standing the relationship with the customer is. Cibaldi adds that in today's market, the larger players

are not always the better payers compared to their smaller counterparts.

Looking to the future, Cibaldi expects the company's relationship with Credendo to strengthen, particularly as risks in Europe are increasing, partly due to the impact of Covid and perhaps more urgently the impact of the Russia-Ukraine conflict that broke out in February.

"Estral managed to weather the Covid pandemic reasonably well," he says. In 2020, the company gave its customers some breathing space by postponing payment deadlines. These outstanding amounts have eventually all been settled within three or four months and no claims have been made under insurance policies.

Estral is one of the first companies in Italy that believed in the excess-of-loss solution and it has been insured with Credendo for more than 20 years.

The partnership has always been a great opportunity for Credendo and Estral to strengthen and improve their relations: Credendo has been supporting Estral's business growth, even during several economic crises, and Estral has been improving its credit management know-how and procedures.

The situation improved in 2021 despite the ongoing presence of Covid. "It was a completely different year.

The economy was so strong. All the customers needed materials, and if they didn't pay, we wouldn't send the materials, so everyone respected their payment terms," Cibaldi says.

In early 2022, against the backdrop of the Russia-Ukraine conflict, Cibaldi says the company is facing huge increases in costs of material – in some cases a doubling of costs – which is pushing up the company's risk exposure.

"Estral may require a greater degree of cover from Credendo if costs continue to soar," he says.

The increases are already forcing Cibaldi to ask his sales team to request a small proportion of orders made in the third quarter to be paid up front in order to minimise the company's risk exposure. "We are asking the customer 'stay with us but let's divide the risk'. We can no longer bear 100% of the risk," he says.

In these changing and worrying times, he notes that "we must be quick to turn with the wind and not hit the storms ahead".

"We are a big boat, and it is obviously easier to turn in a smaller boat, so for us it will take time to turn. We must continue to move carefully day-to-day."

We are a big boat, and it is obviously easier to turn in a smaller boat, so for us it will take time to turn. We must continue to move carefully day-to-day.

Michele Cibaldi,
CEO of Estral

Cash flow boost for major construction project near Paris

Unperturbed by the impact of the Covid-19 pandemic, family-owned construction and property development company Legendre Group has cemented its strong position in France, remaining committed to building long-term projects within its domestic market while also looking at opportunities abroad. As a new client of Credendo, it benefited from a French retention money bond that supported a new arena project near Paris that will hopefully spark a pipeline of similar projects across the country.

Legendre Group is a family-owned construction and property development group headquartered in Rennes and founded in 1946. Operating with three distinct business lines – construction and public works, property development and energy services – it is ranked within the top 15 largest players in the domestic market.

While enjoying a strong position within France, the company has also set its sights on international expansion, having already established a presence in London, Jersey, and Portugal. It aims to generate 25% of its revenues in 2025 from outside of France's borders.

Even the Covid-19 crisis has not been able to knock the company off course. Legendre Group has maintained all its contracts and has not lost any of its customers to bankruptcy during the pandemic. During the initial lockdown in 2020, it faced two months of stalled construction works, but since then the company has bounced back. "By the end of 2020, the group reported positive earnings before income and tax and high net income," says Grégoire Charmetant, Finance Director of Legendre Group.

"We came out of this crisis stronger than we were before," he adds, reflecting how Covid-19 had failed to put a significant dent in the growth of the wider construction industry, which had been enjoying a strong recovery in the two years preceding the pandemic. "Volume is there, and margins are back," he says.

Capitalising on this growth, Legendre Group is exploring different types of projects including the construction of

arenas to host sport and cultural events. It completed its first arena near Rennes in 2019 and is now in the process of executing the Colisée Grand Paris project for a public client, which will be a mixed-use building built in Tremblay-en-France in the north-eastern suburb of Paris, set to be completed in 2024.

“It is a very important project for us. It is not the biggest project in terms of size, but it is very visible,” says Charmetant, explaining that the group hopes this development will lead to a strong pipeline of arena projects across France.

To support the complex nature of the arena project, Legendre Group enlisted the help of Credendo. The credit insurer issued a French retention money bond – a type of performance bond that usually guarantees that the contractor would fix any problems after a construction project is completed.

Typically, in France, clients would hold back up to 5% of the due funds to a contractor as a form of security to ensure a project is successfully completed. The use of this bond ensures that no retention money was held, which is an enormous benefit to Legendre Group’s cash flow. “There was an immediate cash impact for us,” says Charmetant.

Although this was the first time Credendo had worked with Legendre Group, the company already had an existing relationship with Credendo’s Surety Underwriter and Country Manager France, Arnaud de la Houplière, who had worked with the construction group in a previous role.

“That mutual trust was already there,” explains Charmetant. He praised the transparency of the business relationship with de la Houplière, explaining how the underwriter was able to clearly communicate what risks he was comfortable or not comfortable with.

“One thing we appreciate when we enter into such a business relationship is that the person we talk to is transparent, reactive, able to build some trust and understand the underlying business issues,” he added.

Beyond that existing relationship with de la Houplière, he praised Credendo’s “quick decision-making processes”. “It all went very smoothly,” he says.

Credendo is most relevant to us through its support for our complex operations with its ability to deal with complex business issues and to understand the particulars of a project. I am sure there will be more operations together in 2022.

Grégoire Charmetant,
Finance Director of Legendre Group

Working on the Colisée Grand Paris also provided Credendo with an opportunity to diversify its surety business in France, which tends to focus on property developers. “We are trying to duplicate what we did with Legendre with other clients’ operations in the construction market in France, and diversify away from the GFA business we have been too focused on,” de la Houplière says.

Both Credendo and Legendre Group aim to build on the success of their first project together and collaborate on future developments.

“Credendo is most relevant to us through its support for our complex operations with its ability to deal with complex business issues and to understand the particulars of a project. I am sure there will be more operations together in 2022,” says Charmetant.

We are trying to duplicate what we did with Legendre with other clients’ operations in the construction market in France, and diversify away from the GFA business we have been too focused on.

Arnaud de la Houplière,
Surety Underwriter and Country Manager France at Credendo

Testimonials

Strengthening broker's 'one-stop shop' strategy

Insurance broker Miller wants to be a 'one-stop shop' for insurance needs throughout the global commodity supply chain, from cargo and marine cover to political risk insurance. Long-standing partner Credendo is playing a key role in supporting the broker's ambitions through the provision of various products including single-risk and short-term whole turnover cover.

"Where we see added value from Miller is in its ability to match, translate and communicate expectations of the underwriters to the clients – whether they are banks, traders or corporates. This is not always an easy thing to do.

Michael Conio,
Head of Underwriting Switzerland at Credendo

Miller Insurance is an independent specialist broking firm founded in 1902, and is headquartered in Lloyd's of London with operations around the world. It employs more than 650 staff and supports more than 4,500 clients, placing USD 3 billion worth of premium every year.

In 2021, the broker was acquired by Singapore's sovereign wealth fund GIC and global private-equity firm Cinven. The acquisition signalled a new phase of growth in the company's history that already spans more than 115 years.

Part of this growth strategy is to enhance its specialist offerings in the commodity supply chain, with the broker aiming to be a 'one-stop shop' for clients including financial institutions, commodity traders, exporters and investors.

"If you want cargo insurance, you want transit insurance, or you want political risk insurance – come to see us and we can insure the whole supply chain," says Arnaud de Froideval, Head of Credit and Political Risks in Europe.

With that goal in mind, the broker opened a branch in Geneva in 2020. The new Swiss branch is initially focusing on credit and political risk cover before expanding to other products.

In March 2022, the broker expanded its cargo insurance capabilities with the creation of a new French team based in Marseille, further reflecting the company's commitment to supporting commodity supply chains.

Miller has had a long-standing relationship with Credendo spanning more than 15 years. It initially worked with the insurer on Single Risk cover before expanding into short-term non-EU whole turnover cover. It values the close partnership it has developed as the broker enters its new phase of growth.

"Credendo as a group has always been able to serve our clients. It is a one-stop shop for different types of exposure. Whether you have a loan, need financing of receivables or coverage of assets, long term or short term – you always get a response from Credendo's team and that is what makes them so unique," he says.

Credendo is one of the best and most reliable supporters of our business.

Arnaud de Froideval,
Head of Credit and Political Risks in Europe at Miller Insurance

Credendo's merger of its excess-of-loss and surety business with its Single Risk insurance last year was welcomed by Miller.

De Froideval appreciates working with a "more robust" underwriter with a larger equity base that will enable the insurer to potentially increase coverage lines for Miller's banking clients.

Before the merger, Credendo had already proven to be a reliable partner for Miller, with de Froideval noting how when the insurer promises to deliver a 'non-binding indication' – which sets out an anticipated premium on some particular risk exposure – it would take a very significant adverse event to make them retract their offer.

He adds that while recent political and economic events, such as the Covid-19 pandemic and more recently the invasion of Ukraine by Russia, have unsettled the insurance market, Credendo has remained a resolute and strong partner for Miller.

"During this current period, Credendo is one of the best and most reliable supporters of our business," he says, adding how the insurer often has better "capacity to absorb shocks" than its competitors.

"Yet the current Russia-Ukraine conflict will inevitably cause negative ramifications throughout commodity supply chains given the importance of both countries in the provision of wheat, nickel, oil and other key commodities," he adds.

"There will be a material effect on the supply chain and there is no doubt that overall risks will surge from where they were. But we are here to help manage our clients and their risks," he says.

Given such risks and uncertainties, de Froideval expects Miller's partners – including Credendo – to be able to adapt to changing circumstances and continue to deliver a high level of service for the broker and its clients. "Adaptability is going to be key," he says.

Effective and clear communication between Miller and Credendo will also play a vital role in maintaining this successful partnership as the broker expands its business.

De Froideval says he tries to provide Credendo's underwriting team with as much information as possible to help the insurer build a successful case for its internal credit committees.

"This is where our role as a broker is so important. We must convey the right message and create a win-win situation for the insured parties and the underwriters," he says.

Echoing that sentiment, Michael Conio, Head of Underwriting at Credendo in Switzerland, says: "Where we see added value from Miller is in its ability to match, translate and communicate expectations of the underwriters to the clients – whether they are banks, traders or corporates. This is not always an easy thing to do."

Management report on the 2021 consolidated financial statements

1. IFRS Consolidation

In conformity with the provisions of the European regulation No. 1606/2002 of 19 July 2002 and the Royal Decree of 27 September 2009, and in conformity with the decision of the Board of Directors of 17 December 2013 to apply the 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 December 2021.

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 – Guarantees & Speciality Risks, Credendo – Ingosstrakh Credit Insurance (held through Holding CIS), Immo Montoyer and associates integrated using the equity method (together Credendo).

These consolidated financial statements of Credendo are presented based on the International Financial Reporting Standards (IFRS) as applicable per 31 December 2021, 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 has opted to defer the application of IFRS 9 until 2023, when IFRS 17 will also become effective. A simultaneous application of both the 'Financial Instruments' and the '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 by 2023. The full effect of the impact of these standards will not be known until the final stages of the implementation project. We will keep you informed of the progress of the implementation project.

2. Financials

Gradually we are evolving to a post-Covid-19 pandemic 'new normal' thanks to the widespread vaccination campaign, followed by a booster shot in many countries, containing the health crisis or at least reducing its intensity.

Overall, the Covid-19 impact on Credendo's financials has remained limited. Against expectations, the gross written premium volume has increased considerably, by 14.9%, and the already low level of insurance claims did not include significant Covid-19-related losses. The strong recovery of the financial markets in the last three quarters of 2020 continued in 2021.

Despite the exceptionally positive results and regardless of the ongoing Russia-Ukraine conflict, we do expect the incurred losses to return to a higher level in 2022, with financial markets staying volatile due to doubts on the transitory character of inflation, on potential interest hikes and on possibly lasting supply chain shortages. Needless to say, this volatility will be exacerbated by the current Russia-Ukraine crisis. Further information is included under 4. 'Events occurring after the reporting period'.

Notwithstanding the uncertainties of the last two years and the current ones, Credendo's very solid balance sheet and its solvency have proven to withstand the rigours of this pandemic and the company is ready to face any further economic adversities.

The 2021 consolidated statement of financial position shows a balance total of EUR 3,560.4 million, compared to EUR 3,348.1 million at the end of 2020. The major movements relate to the considerable increase in the financial investments position and the cash and cash equivalents, whilst the working capital assets and liabilities have remained fairly stable. Thus, the financial investment portfolio value grew from EUR 2,660.6 million in 2020 to EUR 2,805.4 million at the end of 2021, whilst the cash and cash equivalents position too rose

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The 2021 consolidated statement of financial position shows a balance total of EUR 3,560.4 million, compared to EUR 3,348.1 million at the end of 2020.

from EUR 217.6 million in 2020 to EUR 292.3 million by the end of 2021.

The Consolidated Income Statement is showing a profit of EUR 209.5 million for the year 2021, which is a very significant improvement compared to last year's loss of EUR 82.7 million. The 2021 insurance claims declined substantially and both insurance premium revenue and operating expenses (other than claims) went slightly up. Consequently, the 2021 result from operating activities turned into a hefty profit of EUR 98.6 million, well up from the EUR 36.1 million operational loss in 2020.

The 14.9% growth in total written premium, from EUR 337.4 million in 2020 to EUR 387.8 million in 2021, was largely offset by the variance in unearned premium reserve, leaving 1.7% growth in gross insurance premium revenues, from EUR 334.0 million in 2020 to EUR 339.8 million in 2021. After the cession of premium to reinsurance and to the several Covid-19-related state support schemes for the first half of 2021, the net insurance premium revenue diminished by 3.0%, from EUR 224.7 million in 2020 to EUR 218.0 million in 2021.

The 2021 other operating income of EUR 54.3 million contains commissions received from reinsurers, recharges of investigation costs and other recoveries of expenses (EUR 52.8 million in 2020). The net insurance claims and loss adjustment expenses went down from EUR 170.9 million in 2020 to EUR 24.6 million in 2021.

The operating expenses other than claims increased from EUR 142.7 million in 2020 to EUR 149.1 million in 2021. This is mainly explained by the increased acquisition costs in line with the strong written premium growth and/or the mix of sales channels.

The strong recovery of the financial markets in the last three quarters of 2020 continued throughout 2021, resulting in a sizeable financial profit of EUR 124.7 million, compared to the 2020 financial loss of EUR 44.9 million, which was heavily impacted by the Covid-19 pandemic at the beginning of the year. The 2020 income tax credit of EUR 1.6 million turned into a EUR 13.7 million tax expense in 2021.

The 2020 negative net remeasurement result on post-employment benefits of EUR 4.1 million changed back to a positive result of EUR 5.6 million (net of deferred tax thereon) in 2021 caused by strong upward movements in the main actuarial assumptions (0.40% discount rate in 2020 became 0.70% in 2021 for the Belgian plans).

The 2021 result of K EUR 88 (net of deferred tax thereon) in other comprehensive income pertaining to fair-value changes on available-for-sale financial assets including foreign-exchange differences, contains a mixture of movements. Compared to a more positive total net fair-value change of EUR 2.7 million in 2020, the 2021 positive result of EUR 2.9 million was largely offset by the realisation of capital gains with a negative impact of EUR 1.5 million and a decrease in unrealised capital gains of EUR -1.3 million, including a locally deviating treatment of DTA.

The 2021 exchange rate differences on translating foreign operations turned positive with EUR 2.5 million, compared to a negative exchange rate difference of EUR 4.0 million in 2020. The total other comprehensive income for the year 2021 is a profit of EUR 8.2 million, compared to the EUR 5.4 million loss in 2020. This brings the total comprehensive income to a profit of EUR 217.7 million for 2021, compared to a EUR 88.0 million loss in 2020.

In 2021, operating activities generated EUR 109.0 million net cash, a complete turnaround from the EUR 0.1 million used in 2020. Together with the EUR 41.8 million cash used by investing and financing activities in 2021 (EUR 31.6 million net used in 2020), this resulted in an increase of the 2021 cash and cash equivalents position by EUR 67.2 million, compared to last year's decrease of EUR 31.7 million. The 2021 exchange gain on cash and cash equivalents amounted to EUR 7.5 million, down from a EUR 8.9 million loss in 2020.

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.

The total 2021 consolidated audit fees of our statutory auditor KPMG Belgium amount to K EUR 388 and other audit fees of K EUR 90 (related to the Credendo – Guarantees & Speciality Risks merger and IFRS 17-related preparatory audit work). The 2021 fees for our statutory auditor's network include audit fees of K EUR 132, and non-audit fees for other missions external to the audit amount to K EUR 55 (mainly tax services).

3. Risk management and Solvency II

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

The first part covers the exposure to and 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 Reports. During the period under review, all Credendo entities have met the capital requirement thresholds as imposed by their respective jurisdictions. Two entities within Credendo (Credendo – Guarantees & Speciality Risks and Credendo – Export Credit Agency) currently hold ratings from recognised international 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.

4. Events occurring after the reporting period

The current conflictual situation between Russia and Ukraine has escalated rapidly. At the time of writing, the circumstances are still too volatile to correctly assess the impact of the hostile activities and the consequences of existing and potential future sanctions. Obviously, the necessary measures have been taken with regard to both country risk classifications and the associated cover policy. Since the end of February 2022, Credendo has been 'off cover' for risks related to cross-border trade transactions with Belarus, Russia and Ukraine.

This conflict between Russia and Ukraine is to be considered a non-adjusting event that does not affect the consolidated financials as at 31 December 2021. For the full comprehensive disclosure, we refer to note 33 'Events after the reporting period'.

Though the Board of Directors believes that the going-concern assumption is still appropriate for Credendo - Ingosstrakh Credit Insurance, the additional risks caused by the ongoing crisis, result in an important uncertainty with respect to the continuity of Credendo's Russian subsidiary. Considering that the weight of the Russian entity's assets only amounts to 1.5% of the total group assets and that the net asset value of Credendo – Ingosstrakh Credit Insurance represents not more than 0.7% of the group's total equity, this uncertainty does not create a signicant risk to the valuation of the assets and liabilities included in these consolidated financial statements, that may be impacted by a potential going-concern issue of Credendo – Ingosstrakh Credit Insurance. As a result, the users of these consolidated financial statements should not be influenced in their decision-making process in case the going concern of Credendo – Ingosstrakh Credit Insurance would no longer be satisfied.

Other serious concerns come from the major subsidiaries Credendo – Short-Term Non-EU Risks and, to a much lesser extent, Credendo – Guarantees & Speciality Risks. Credendo – Export Credit Agency will do its utmost to ensure that the operational entities are able to meet all legal and operating obligations to safeguard their business continuity, taking into account the current geopolitical context. In that context, comfort letters have been provided to Credendo – Short-Term Non-EU Risks and to Credendo – Guarantees & Speciality Risks. The real exposure of Credendo – Short-Term EU Risks to the three countries concerned is limited.

Real exposure was calculated on a best-effort basis at the end of 2021. Gross exposure to Russia of EUR 3.2 billion represented 7.3% of the consolidated real exposure at the end of 2021. The net amount after cession to reinsurance is equal to EUR 2.1 billion. It should be underlined that the rouble equivalent of EUR 2.1 billion (at the exchange rate of 31 December 2021 and equal to EUR 890.0 million net of reinsurance) of this exposure is related to domestic credit insurance by the Russian subsidiary. At the beginning of April 2022, this local exposure had already been reduced by 36%, to EUR 1.3 billion at the exchange rate of 1 April 2022 (EUR 569.7 million net of reinsurance). For the full disclosure, we refer to note 33 ‘Events after the reporting period’.

Credendo monitors the situation on a daily basis and continues its impact assessments to ensure that, complying with the sanctions imposed, all steps are taken to secure the continuity of the business. Together with our reinsurers we also gauge how to safeguard current and future cash flows, taking into account the financial obstacles in terms of the sanctions imposed on SWIFT for some targeted Russian banks, and the further depreciation plus reduced convertibility of the Russian rouble on top of already existing sanctions.

Although there is every likelihood that Credendo will potentially incur a top-line impact and make provisions for the risk deterioration of the countries concerned, it is too soon to quantify the financial damage at this stage. It is also too early to quantify the indirect impact of the sharp rise in for instance energy prices, inflation or additional supply chain disruptions on insured exposure.

As mentioned before, thanks to its very solid balance sheet, its current liquidity and its strong solvency, Credendo continues to stand firm against the economic and geopolitical challenges ahead. Moreover, parent company Credendo – Export Credit Agency is operating under a state guarantee. Consequently, the risk that the current crisis would lead to a going-concern issue for Credendo – Export Credit Agency is limited.

After the reporting period, no further events have occurred that could have resulted in a material impact on the reported figures as at 31 December 2021.

“

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 December 2021, 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 December 2021

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Consolidated statement of financial position[1,2]

IN THOUSANDS EUR	NOTE	31/12/2021	31/12/2020
ASSETS			
Intangible assets	5	97,343	78,518
Property, plant and equipment	6	25,244	27,003
Other financial assets	7	13,007	6,019
Financial investments	8	2,805,442	2,660,598
Deferred income tax assets	9	3,248	6,690
Reinsurance assets	10-16	106,857	134,325
Loans and receivables including reinsurance receivables	11	197,738	192,961
Other assets	12	16,225	22,826
Current tax assets		3,031	1,585
Cash and cash equivalents	13	292,259	217,616
TOTAL ASSETS		**3,560,394**	**3,348,141**

IN THOUSANDS EUR	NOTE	31/12/2021	31/12/2020
EQUITY AND LIABILITIES			
Equity			
Endowment	14	297,472	297,472
Consolidated reserves	15	2,632,936	2,424,687
Total other comprehensive income	15	1,122	-6,834
Total equity excluding non-controlling interests		2,931,530	2,715,325
Non-controlling interests		5,578	4,041
Total equity		2,937,108	2,719,366
Liabilities			
Liabilities arising from insurance contracts	16	487,885	499,210
Deferred income tax liabilities	9	3,462	364
Provisions for other liabilities and charges	17	185	542
Employee benefit liabilities	18	28,779	32,470
Payables	19	68,810	60,560
Other liabilities	20	28,039	34,232
Current tax liabilities		6,126	1,397
Total liabilities		623,286	628,775
TOTAL EQUITY AND LIABILITIES		**3,560,394**	**3,348,141**

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	31/12/2021	31/12/2020
Insurance premium revenue		339,820	333,977
Insurance premium ceded to reinsurers		-121,772	-109,244
Net insurance premium revenue	**21**	**218,048**	**224,733**
Other operating income	22	54,280	52,783
Net income		**272,328**	**277,516**
Insurance claims and loss adjustment expenses		-12,247	-255,010
Insurance claims and loss adjustment expenses recovered from reinsurers		-12,333	84,124
Net insurance claims and loss adjustment expenses	**23**	**-24,580**	**-170,886**
Employee benefit expenses	24	-54,326	-50,622
Services and other goods	25	-76,474	-67,653
Depreciation and amortisation	26	-6,503	-7,443
Other operating expenses	22	-11,796	-16,975
Operating expenses (other than claims)		**-149,099**	**-142,693**
Expenses		**-173,679**	**-313,579**
Profit/(loss) from operating activities		**98,649**	**-36,063**
Finance income	27	142,902	41,275
Finance expense	27	-18,240	-86,220
Net financial income		**124,662**	**-44,945**
Share of profit of associates and joint ventures accounted for using the equity method		**-128**	**-33**
Profit/(loss) of the year before tax		**223,183**	**-81,041**
Income tax credit/(expense)	29	-13,666	-1,616
Profit/(loss) of the year		**209,517**	**-82,657**
Profit/(loss) attributable to:			
Owners of the parent		208,249	-83,454
Non-controlling interest		1,268	797
TOTAL PROFIT/(LOSS) OF THE YEAR		**209,517**	**-82,657**

Consolidated statement of other comprehensive income[1,2]

IN THOUSANDS EUR	NOTE	31/12/2021	31/12/2020
Profit/(loss) of the year		209,517	-82,657
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements on post-employment benefits	18	6,173	-4,446
Deferred tax on remeasurements on post-employment benefits	9	-542	383
Subtotal of other comprehensive income that will not be reclassified to profit or loss		5,631	-4,063
Items that may be subsequently reclassified to profit or loss			
Change in value of available-for-sale financial investments		410	3,541
Deferred taxes thereon	9	-322	-846
		88	2,695
Exchange differences on translating foreign operations		2,506	-4,002
Subtotal of other comprehensive income for the year that may be subsequently reclassified to profit or loss		**2,594**	**-1,307**
Total other comprehensive income for the year		**8,225**	**-5,370**
Total comprehensive income for the year		**217,742**	**-88,027**
Attributable to:			
Owners of the parent		216,205	-87,745
Non-controlling interest		1,537	-282
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**217,742**	**-88,027**

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 01/01/2021		297,472	2,424,687	-6,834	2,715,325	4,041	2,719,366
Profit/(loss) of the year		-	208,249	-	208,249	1,268	209,517
Other comprehensive income:							
Remeasurements on post-employment benefits	9-18	-	-	5,631	5,631	-	5,631
Change in value of available-for-sale financial investments		-	-	88	88	-	88
Exchange differences on translating foreign operations		-	-	2,237	2,237	269	2,506
Total other comprehensive income for the year		-	-	7,956	7,956	269	8,225
Total comprehensive income for the year		-	208,249	7,956	216,205	1,537	217,742
Total equity movement for the year		-	208,249	7,956	216,205	1,537	217,742
BALANCE AT 31/12/2021		**297,472**	**2,632,936**	**1,122**	**2,931,530**	**5,578**	**2,937,108**

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 01/01/2020		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**

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	31/12/2021	31/12/2020
CASH FLOWS FROM OPERATING ACTIVITIES			
PROFIT/(LOSS) BEFORE INCOME TAX		223,183	-81,041
Adjustments for:			
Depreciation and amortisation	26	6,503	7,443
Movement of provisions	17	-107	471
Write-offs on trade receivables	22	2,342	8,404
Fair-value gains/losses on financial assets at FVTPL	27	-102,900	37
Gains on sales of available-for-sale financial investments	27	-98	-131
Impairment of intangible assets		865	-
Finance income (net)		-10,255	40,767
Net of unrealised exchange rate differences		3,272	-4,007
Subtotal (profit + adjustments)		**122,805**	**-28,056**
Changes in working capital assets and liabilities (excluding the effect of exchange differences on consolidation):			
Liabilities arising from insurance contracts		-35,724	65,961
Employee benefits (excluding remeasurements through OCI)		2,428	895
Payables		7,158	-3,243
Other liabilities and provisions		-4,540	1,124
Reinsurance assets		30,519	-51,028
Changes in receivables		-6,994	33,931
Changes in other financial assets		-6,698	-5,848
Changes in other assets		6,891	-11,201
Cash (used in)/generated from operations		**115,845**	**2,535**
Income tax paid		-6,858	-2,651
Net cash (used in)/generated by operating activities		108,987	-116

IN THOUSANDS EUR	NOTE	31/12/2021	31/12/2020
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	-538	-532
Sales of property, plant and equipment	6	97	230
Purchase of intangible assets	5	-23,577	-22,282
Disposal of intangible assets	5	897	1,799
Purchase of financial investments	8	-161,366	-262,813
Proceeds from sales of financial investments	8	122,503	258,544
Finance income		13,819	6,101
Realised exchange gains/(losses) on financial assets		8,295	-10,714
Net cash (used in)/generated by investing activities		**-39,871**	**-29,677**
CASH FLOWS FROM FINANCING ACTIVITIES[3]			
Financial charges and interest costs paid		-1,943	-1,921
Net cash (used in)/generated by financing activities		**-1,943**	**-1,921**
CHANGES IN CASH AND CASH EQUIVALENTS			
Net (decrease)/increase in cash and cash equivalents		67,175	-31,714
Cash and cash equivalents at the beginning of the year		217,616	258,274
Exchange gains/(losses) on cash and cash equivalents		7,468	-8,944
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**13**	**292,259**	**217,616**

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.

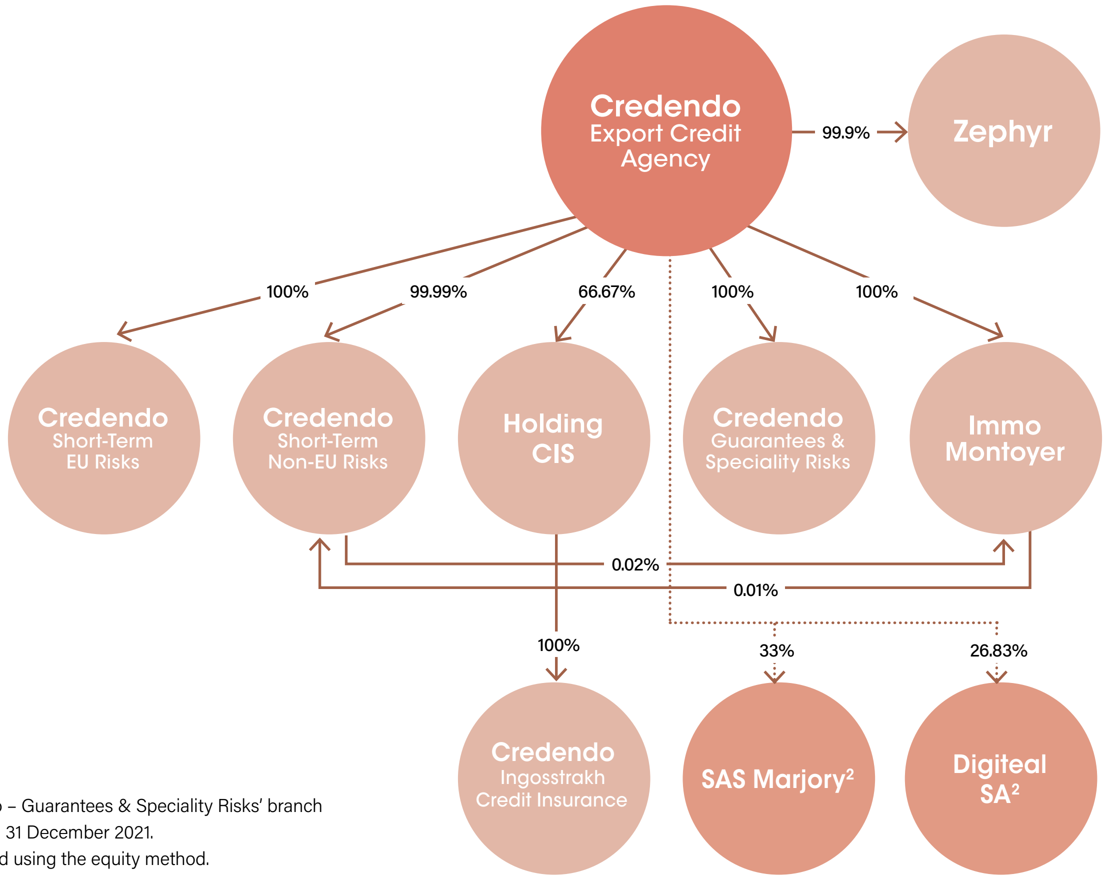
Credendo – Export Credit Agency insures companies and banks against political and commercial risks relating to international commercial transactions, mainly regarding capital goods and industrial projects, as well as contracted works and services. For these risks, Credendo – Export Credit Agency can 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 – Ingosstrakh Credit Insurance and Credendo – Guarantees & Speciality Risks. The strategic merger between our two specialised entities, Credendo – Excess & Surety and Credendo – Single Risk, into this new entity, Credendo – Guarantees & Speciality Risks, was completed in June 2021, with retroactive effect as from 1 January 2021.

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

In 2021, Credendo – Export Credit Agency acquired a 26.83% stake in Digiteal SA, a European fintech company active in invoice presentation, payments and bank statements.

Credendo – Export Credit Agency is a government body with a state guarantee, incorporated and domiciled in Belgium. The address of its registered office is rue Montoyerstraat 3, 1000 Brussels. Credendo provides insurance cover for companies within Europe, while the risks covered encompass the whole world. The company operates in Belgium, Austria, the Czech Republic, France, Germany, Ireland, Italy, Luxembourg[1], the Netherlands, Poland, Russia, Slovakia, Spain, Switzerland and the United Kingdom.



1. Credendo – Guarantees & Speciality Risks' branch closed on 31 December 2021.
2. Integrated using the equity method.

1.2. Impact of Covid-19

Gradually, we are evolving to a post-Covid-19 pandemic 'new normal' thanks to the widespread vaccination campaign, followed by a booster shot in many countries, containing the health crisis or at least reducing its intensity.

Furthermore, the socio-economic impact of the pandemic was mitigated by numerous government initiatives. Although the Temporary Framework for state aid measures was extended by the European Commission until 31 March 2022, state support schemes covering private short-term trade credit insurance ended on 30 June 2021.

During the first half year of 2021 Credendo, as the Belgian export credit agency, continued its public support on behalf of the Belgian state as reinsurer of the private credit insurers. Other Credendo entities also continued to participate in numerous European government initiatives to support economic recovery until the end of the second quarter of 2021.

Nevertheless, the Covid-19 impact on Credendo's financials has remained limited. Against expectations, gross written premium income increased slightly for longer-term risks thanks to a gradual resumption of major investment projects together with strong premium growth in new short-term business as a result of elevated volumes and higher prices of raw materials and commodities. In addition, there was no significant share of Covid-19-related losses in the already low level of insurance claims. The strong recovery of the financial markets in the last three quarters of 2020, continued in 2021.

We consider these positive results quite exceptional, yet fitting for our 100-year anniversary. However, regardless of the ongoing Russia-Ukraine conflict, we do expect incurred losses to return to a higher level in the course of 2022, as governments will reduce support measures and try to cope with their increased debt burdens. Moreover we believe the financial markets will stay volatile with doubts on the transitory character of inflation, on the eventual interest hikes – or rather their number and timing – and on the supply chain shortages. Needless to say, this volatility will be exacerbated by the current Russia-Ukraine crisis (see note 33. 'Events after the closing period').

On the operational side, the health crisis will have a lasting effect through institutionalised teleworking, more sustainable mobility, optimised customer interaction and staff collaboration thanks to further digitalisation.

Notwithstanding the uncertainties of the last two years and the current ones, Credendo's very solid balance sheet and its solvency have proven to withstand the rigours of this pandemic and the company is ready to face any further economic adversities, including the post-closing event.

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 December 2021 have been prepared in accordance with the IFRS (International Financial Reporting Standards) as adopted by the European Union and that had 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 based 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 on 1 January 2021 and have been **endorsed** by the European Union:

- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39 and IFRS 7) (effective 1 January 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 1 January 2021, with earlier application permitted.
- Amendments to IFRS 16 'Leases': Covid-19-related Rent Concessions (effective 1 April 2021). The amendments extend, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a Covid-19-related rent concession is a lease modification. In particular, the amendment permits a lessee to apply the practical

expedient regarding Covid-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021). The amendment is effective for annual reporting periods beginning on or after 1 April 2021 (earlier application permitted, including in financial statements not yet authorised for issue on the date the amendment is issued).

- Amendments to IFRS 4 'Insurance Contracts' – deferral of IFRS 9 (effective 1 January 2021). This amendment changes the fixed expiry date for the temporary exemption in IFRS 4 'Insurance Contracts' for applying IFRS 9 'Financial Instruments', so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.

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 1 January 2021 and have been **endorsed** by the European Union:

- IFRS 9 'Financial Instruments' is effective for annual periods beginning on or after 1 January 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 1 January 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 prematurely 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 December 2015, as the standard requires a year end preceding 1 April 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 1 January 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 the immediate recognition of a gain or loss. Credendo has decided to avail of the deferral of IFRS 9 until 1 January 2023.

- 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 1 January 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 unintended 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 costs 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'.

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 1 January 2021 and have **not been endorsed** by the European Union:

- IFRS 17 'Insurance contracts', including amendments issued in June 2020 (effective 1 January 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 to choose 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 that from now on, Credendo will apply this approach for some of its contracts.

There has also been 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. At this moment, it is too early to provide a quantitative estimate of the new standard. In June 2020, the IASB issued a set of amendments to IFRS 17, also deferring its effective date to 1 January 2023. As the mandatory date of IFRS 9 for the deferrers is also delayed to 1 January 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 1 January 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 IAS 8 'Accounting policies, Changes in Accounting Estimates and Errors': Definition of Accounting Estimates (effective 1 January 2023). The amendment to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors,' clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted (subject to any local endorsement process).

> Amendments to IAS 12 'Income Taxes': Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023). The amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The main change in the amendments is an exemption from the initial recognition exemption of IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Early adoption is permitted.

> Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2: Disclosure of Accounting Policies (effective 1 January 2023). The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. The IAS 1 amendment requires companies to disclose their material accounting policy information rather than their significant accounting policies. Further, the amendment to IAS 1 clarifies that immaterial accounting policy information need not be disclosed. To support this amendment, the Board also amended IFRS Practice Statement 2 'Making Materiality Judgements,' to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted (subject to any local endorsement process).

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.

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 the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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

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

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

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

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

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

2.4. Foreign-currency translation

A. Functional and presentation currency

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

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

B. Translation of transactions and balances

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

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

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

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

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

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

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

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

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

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

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

2.5. Property, plant and equipment

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

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

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

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

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

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

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

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

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

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 have been 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 inactive.

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

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

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

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

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

> significant financial difficulty of the issuer or obligor;

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

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

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

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

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

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

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

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

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

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

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

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

2.7.2 Other financial assets

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

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

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

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

2.8. Derivative financial instruments

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

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

Credendo does not apply hedge accounting.

2.9. Impairment of non-financial assets

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

2.10. Offsetting financial assets and liabilities

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

2.11. Cash and cash equivalents

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

2.12. Endowment and share capital

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

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

2.13. Insurance contracts and reinsurance contracts

Credendo issues insurance contracts and takes up the risks of the insured by insuring them. Insurance contracts are those contracts under which Credendo accepts a significant insurance risk – other than a financial risk – from a policyholder by agreeing to compensate the beneficiary on the occurrence of an uncertain event. As a general guideline, Credendo defines as significant insurance risk the possibility of having to pay benefits on the occurrence of an insured event, which 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 IFRS 15.

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 bondholder.
- **Surety contracts:** also known as 'bonding contracts,' these are contracts that provide compensation to the beneficiary of the contract if Credendo's bonding customer fails to perform a contractual obligation towards the beneficiary. Contractual bonds (advance payment bond, performance bond, 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 excluded – is ceded to reinsurers.

Starting from the year 2020, forfaiting contracts are accounted for as financial instruments and are included in 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

Besides 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 – Guarantees & Speciality Risks, of the Czech Republic for Credendo – Short-Term EU Risks, 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 – Guarantees & Speciality Risks 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 – Guarantees & Speciality Risks 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 overdue insured 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 – 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 – Short-Term EU Risks only external handling costs are taken into account for provisioning: the RBNS provision is increased with the expected expenses for handling claims which are, based on long-term experience, estimated as a share of that provision.

Also at Credendo – Guarantee & Speciality Risks, the provision for claims handling expenses, covering both (unallocated) external and internal costs, is calculated by applying a flat rate to the technical provisions. The applied percentage can vary in cases where e.g. the handling procedure is expected to be lengthy.

G. Liability Adequacy Test

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

H. Impairment of reinsurance-related assets

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

2.14. Current and deferred tax

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

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

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

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

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

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

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

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

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

2.15. Employee benefits

A. Post-employment benefits

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

Pension obligations

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

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

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

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

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

Post-employment health benefit plan

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

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

B. Seniority bonuses

Credendo provides seniority bonuses rewarding employees for many 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, or 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 at 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 has either commenced or 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, and 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, which is 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, i.e. 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 the 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 note 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[1], 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.

3.5. Financial investments

Credendo holds 99.9% of six sub-funds of Zephyr (Global Diversified World 1, 2 and 3, Zephyr Target Volatility 1 and 2, and Zephyr Dynamic Risk Overlay) and a line-by-line consolidation would be expected. However, the investment portfolio in Zephyr

1. Credendo – Guarantees & Speciality Risks' branch closed on 31 December 2021.

has been classified as a financial asset at fair value through profit or loss (see note 8) as if it were one single item. This is justified by the fact that the financial investments in Zephyr are managed as one group and their performance is evaluated on a fair-value basis in accordance with a documented risk management and investment strategy. Credendo's management believes that presenting the entire Zephyr portfolio at fair value through profit or loss in one line, both in the income statement and on the balance sheet, provides better information to the readers of the financial statements regarding the performance and the financial position of the portfolio as a whole. This is a judgement that management has made, based on the fact that the entire portfolio is externalised and managed through an external agent. It follows from there that information about the performance and the financial position of the Zephyr portfolio could have been obscured and lost had the portfolio been presented in a line-by-line disaggregation of the individual items that make up Zephyr. Furthermore, we refer to note 8 and note 27, where the underlying details of the fund are provided at both financial position and income statement level in order to give the reader all the necessary information in line with IFRS requirements.

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 it 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 for 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, keeping 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 is responsible for risk management and internal control at Credendo level. Without affecting this responsibility in any way, it has 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 day-to-day group risk management. The Group Risk Management function is held within Credendo – Export Credit Agency's Risk Management department. Together with the actuarial function, the Group Risk Management function assists the subsidiaries' risk management functions in the effective implementation of the risk management system, and it 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 fewer 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. This is different for every line of business. Exposure to a single counterparty – a debtor (group) or a country – is 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 and 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 loans for use. Infringement of property rights due to political and assimilated events is also one of the risks covered by the financial-loss insurance products of Credendo – Export Credit Agency and Credendo – Guarantees & Speciality Risks. These policies 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 risks underwritten are well diversified in terms of type and amount of risk, industry and geography.

4.1.2 Surety contracts risk

Credendo – Guarantees & Speciality Risks 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 21.6 million (2020: EUR 22.4 million). A 10% rise in claims expenses would lower the pre-tax income by EUR 1.1 million (2020: EUR 25.5 million).

4.1.5 Change in assumptions

No assumption changes with material impact have occurred since 1 January 2021.

4.1.6 Quantitative concentrations

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

TOTAL POTENTIAL EXPOSURE BY TOP 10 DEBTOR COUNTRIES (IN MILLION EUR)					
	31/12/2021		31/12/2020		
COUNTRY	TOTAL POTENTIAL EXPOSURE	%	COUNTRY	TOTAL POTENTIAL EXPOSURE	%
Russia	4,986	7.8%	Russia	4,007	7.2%
Italy	3,012	4.7%	Italy	2,748	5.0%
China	2,589	4.0%	France	2,085	3.8%
Czech Republic	2,394	3.7%	Germany	1,924	3.5%
Germany	2,305	3.6%	China	1,923	3.5%
Poland	2,256	3.5%	Czech Republic	1,900	3.4%
France	2,190	3.4%	Poland	1,796	3.2%
United States	1,856	2.9%	Belgium	1,576	2.8%
Belgium	1,653	2.6%	United States	1,433	2.6%
Brazil	1,548	2.4%	Bangladesh	1,297	2.3%
Other countries	39,326	61.3%	Other countries	34,758	62.7%
TOTAL POTENTIAL EXPOSURE	**64,113**	**100%**	**TOTAL POTENTIAL EXPOSURE**	**55,447**	**100%**

4.1.7 Claims development tables

In addition to scenario testing, the development of insurance liabilities provides a measure of Credendo's ability to estimate the ultimate value of claims. The following tables give an overview of how claims payments and provisions for direct business develop over 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	2015	2016	2017	2018	2019	2020	2021	TOTAL
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	143.4	285.6	68.2	8.9	59.6	52.5	40.5	
One year later	43.7	251.7	85.8	27.5	65.7	67.9		
Two years later	40.9	291.2	76.2	36.6	71.3			
Three years later	53.8	292.5	45.5	61.2				
Four years later	25.9	257.7	71.6					
Five years later	32.7	339.0						
Six years later	35.5							
Current estimate of cumulative claims	35.5	339.0	71.6	61.2	71.3	67.9	40.5	687.0
Cumulative payments to date	32.7	273.7	48.2	44.4	66.4	57.5	-	522.9
Liability in respect of prior years								17.0
TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2021								**181.1**

CREDENDO – EXPORT CREDIT AGENCY – DIRECT MLT BUSINESS								
	REPORTED CLAIMS[1], NET OF REINSURANCE (IN MILLION EUR)							
OCCURRENCE YEAR	2015	2016	2017	2018	2019	2020	2021	TOTAL
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	132.8	244.5	57.1	7.7	49.9	48.2	39.5	
One year later	35.8	245.3	79.9	24.3	52.6	60.6		
Two years later	44.7	238.9	71.6	32.9	57.2			
Three years later	44.8	236.2	41.6	56.2				
Four years later	14.0	215.2	67.2					
Five years later	17.2	295.7						
Six years later	26.7							
Current estimate of cumulative claims	26.7	295.7	67.2	56.2	57.2	60.6	39.5	603.1
Cumulative payments to date	23.8	231.3	44.3	39.6	52.5	51.7	-	443.2
Liability in respect of prior years								12.0
TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2021								**171.9**

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 AND CREDENDO – SHORT-TERM NON-EU RISKS								
	REPORTED CLAIMS[2], GROSS OF REINSURANCE (IN MILLION EUR)							
OCCURRENCE YEAR	2015	2016	2017	2018	2019	2020	2021	TOTAL
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	104.2	82.4	69.5	21.4	41.7	23.3	7.5	
One year later	126.3	78.2	149.4	55.6	54.1	24.5		
Two years later	113.3	86.7	155.1	78.8	48.8			
Three years later	124.3	84.0	93.6	73.5				
Four years later	121.3	90.6	88.3					
Five years later	124.9	85.4						
Six years later	131.5							
Current estimate of cumulative claims	131.5	85.4	88.3	73.5	48.8	24.5	7.5	459.5
Cumulative payments to date	129.6	85.0	84.5	55.7	44.9	18.0	1.3	419.0
Liability in respect of prior years								22.3
TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2021								**62.8**

CREDENDO – EXPORT CREDIT AGENCY – DIRECT ST BUSINESS AND CREDENDO – SHORT-TERM NON-EU RISKS								
	REPORTED CLAIMS[2], NET OF REINSURANCE (IN MILLION EUR)							
OCCURRENCE YEAR	2015	2016	2017	2018	2019	2020	2021	TOTAL
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	68.3	67.8	60.1	14.3	18.4	14.6	3.7	
One year later	84.8	60.0	133.2	30.2	33.0	12.4		
Two years later	72.5	65.2	60.4	65.2	27.9			
Three years later	81.0	56.2	70.2	60.4				
Four years later	72.8	70.0	65.3					
Five years later	80.5	65.2						
Six years later	87.5							
Current estimate of cumulative claims	87.5	65.2	65.3	60.4	27.9	12.4	3.7	322.4
Cumulative payments to date	85.9	64.9	61.7	43.1	24.9	9.1	0.6	290.2
Liability in respect of prior years								15.4
TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2021								**47.6**

1. Net of expected recoveries on expected claims, gross of expected recoveries on settled claims
2. 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 AND CREDENDO – INGOSSTRAKH CREDIT INSURANCE								
	REPORTED CLAIMS[1], GROSS OF REINSURANCE (IN MILLION EUR)							
OCCURRENCE YEAR	2015	2016	2017	2018	2019	2020	2021	TOTAL
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	9.4	17.5	48.7	18.5	14.9	16.0	11.7	
One year later	19.4	15.1	46.6	13.8	13.0	8.7		
Two years later	18.2	14.6	46.9	12.4	12.0			
Three years later	17.9	14.4	46.9	12.0				
Four years later	18.2	14.4	45.0					
Five years later	18.2	14.4						
Six years later	18.2							
Current estimate of cumulative claims	18.2	14.4	45.0	12.0	12.0	8.7	11.7	122.0
Cumulative payments to date	18.5	14.4	45.9	12.3	12.1	7.1	3.2	113.5
Liability in respect of prior years								21.4
TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2021								**29.9**

CREDENDO – SHORT-TERM EU RISKS AND CREDENDO – INGOSSTRAKH CREDIT INSURANCE								
	REPORTED CLAIMS[1], NET OF REINSURANCE (IN MILLION EUR)							
OCCURRENCE YEAR	2015	2016	2017	2018	2019	2020	2021	TOTAL
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	3.8	7.1	7.2	6.9	6.1	6.5	5.2	
One year later	8.1	6.0	7.2	5.1	5.3	3.2		
Two years later	7.7	5.7	7.3	4.6	4.8			
Three years later	7.6	5.6	7.2	4.4				
Four years later	7.7	5.6	6.8					
Five years later	7.7	5.7						
Six years later	7.8							
Current estimate of cumulative claims	7.6	5.7	6.8	4.4	4.8	3.2	5.2	37.7
Cumulative payments to date	7.7	5.6	6.9	4.5	4.9	2.5	1.5	33.6
Liability in respect of prior years								1.1
TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2021								**5.3**

Finally, the following development tables for Credendo – Guarantees & Speciality Risks (gross and net of reinsurance, including IBNR provisions) are defined in underwriting years and for its surety, excess-of-loss and Single Risk businesses:

CREDENDO – GUARANTEES & SPECIALITY RISKS								
	REPORTED CLAIMS, GROSS OF REINSURANCE (IN MILLION EUR)							
OCCURRENCE YEAR	2015	2016	2017	2018	2019	2020	2021	TOTAL
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	23.7	9.8	12.2	13.9	28.2	38.2	20.6	
One year later	54.3	25.0	18.4	26.1	55.7	19.7		
Two years later	51.6	27.0	21.3	32.5	49.0			
Three years later	57.1	24.6	22.5	31.0				
Four years later	58.1	26.5	22.8					
Five years later	62.4	27.5						
Six years later	64.3							
Current estimate of cumulative claims	64.3	27.5	22.8	31.0	49.0	19.7	20.6	234.9
Cumulative payments to date	63.2	27.5	18.9	23.1	26.8	6.1	0.1	165.7
Liability in respect of prior years								0.1
TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2021								**69.3**

CREDENDO – GUARANTEES & SPECIALITY RISKS								
	REPORTED CLAIMS, NET OF REINSURANCE (IN MILLION EUR)							
OCCURRENCE YEAR	2015	2016	2017	2018	2019	2020	2021	TOTAL
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	7,9	2,7	3,2	3,5	7,7	9,0	5,4	
One year later	14.6	6.4	6.1	7.0	14.8	5.5		
Two years later	15.2	8.2	6.4	9.0	13.1			
Three years later	18.1	7.4	6.3	8.0				
Four years later	18.9	8.6	6.1					
Five years later	21.1	8.8						
Six years later	22.1							
Current estimate of cumulative claims	22.1	8.8	6.1	8.0	13.1	5.5	5.4	69.0
Cumulative payments to date	21.4	8.8	4.7	6.0	7.6	2.0	-	50.5
Liability in respect of prior years								1.5
TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2021								**20.0**

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

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 769 (2020: K EUR 729) 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 EXPOSURE (IN MILLION EUR)	31/12/2021	31/12/2020
ASSETS DENOMINATED IN FOREIGN CURRENCY		
Financial investments		
USD	229.6	382.0
GBP	23.0	13.4
Reinsurers' share of insurance liabilities		
USD	17.3	37.8
GBP	0.1	0.3

CURRENCY RISK EXPOSURE (IN MILLION EUR)	31/12/2021	31/12/2020
LIABILITIES DENOMINATED IN FOREIGN CURRENCY		
Lease liabilities		
USD	0.7	0.9
GBP	0.0	0.0
Liabilities arising from insurance contracts denominated in foreign currency		
USD	138.3	540.7
GBP	2.5	1.1

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 10.8 million (2020: EUR 12.1 million) and of the net asset position in GBP of EUR 2.1 million (2020: EUR 1.3 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 12.9 million (2020: EUR 10.8 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 2021	1.13	0.84	24.86	85.30
% fluctuation since the end of 2020	-7.7%	-6.5%	-4.5%	-7.2%
Average 2021	1.18	0.86	25.65	87.33
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

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 possibly 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 downturn in the financial markets during 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 2.6 million higher/lower (2020: EUR 2.1 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 counterparty's creditworthiness. 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. Receivables from insurance activities mostly concern exposure to typically unrated counterparties, like policyholders and brokers, for whom the overall credit risk is mitigated through the very diversification of the exposure.

The credit risk inherent in the investment portfolio mainly concerns 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 classified as equity instruments or cash (equivalents) for example, are different from amounts in the balance sheet. A total amount of EUR 908 million is classified as not rated. It refers to equity investments (EUR 730 million), to debt instrument funds for which the average rating was not available (EUR 52 million) and finally to cash held in non-rated banks (EUR 126 million).

CREDIT RISK EXPOSURES (IN MILLION EUR)	AAA	AA	A	BBB	<BBB	Non-rated	TOTAL
FINANCIAL INVESTMENTS AND CASH (EQUIVALENTS) AT 31/12/2021							
Government bonds	304	653	47	102	3	10	1,199
Funds invested in debt/security instruments	9	57	386	279	44	40	815
Funds invested in equity instruments	-	-	-	-	-	731	731
Fixed-term deposits	-	-	13	7	-	-	20
Cash and cash equivalents	-	39	240	8	-	126	413
TOTAL	**313**	**749**	**686**	**396**	**47**	**907**	**3,098**

CREDIT RISK EXPOSURES (IN MILLION EUR)	AAA	AA	A	BBB	<BBB	Non-rated	TOTAL
FINANCIAL INVESTMENTS AND CASH (EQUIVALENTS) AT 31/12/2020							
Government bonds	283	625	52	55	9	0	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**

While reinsurance agreements help to mitigate and manage 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 EXPOSURE	AAA	AA	A	BBB	<BBB	Non-rated	TOTAL
Reinsurers' share of insurance liabilities (in million EUR)							
31/12/2021	2.7	28.5	122.8	0.8	3.0	5.0	162.8
31/12/2020	5.2	70.4	102.4	1.9	-	0.4	180.3

The table above does not point out any noteworthy increased counterparty default risk on reinsurers due to the financial/economic impact of the Covid-19 pandemic. Exposure to AAA-rated reinsurers in 2020 and 2021 reflects the participation to Covid-19 state support schemes offered by AAA-rated states to mitigate the Covid-19 pandemic's impact. These state support schemes ended mid-2021, explaining the decreasing run-off amounts.

Non-rated reinsurers concern especially foreign government-related credit insurers. The table above 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 are close to zero.

The insurance liabilities of most of Credendo's entities are mid-term and long-term liabilities especially. High fluctuations in 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 in particular 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 operational liquidity or cash management and 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 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 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, etc.) and confidence level.

Regarding the external regulation, all Credendo entities met the minimum capital requirement thresholds in 2021 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 Reports.

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

Two entities within Credendo hold ratings from S&P Global at the end of the reporting period:

- Credendo – Guarantees & Speciality Risks has been assigned an A- rating with a stable outlook in 2021;
- 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 into account the projection of capital required.

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 in 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 December 2021 and 2020. 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, they have not been included in the tables below.

31/12/2021 (IN MILLION EUR)	LEVEL 1	TOTAL
ASSETS		
Financial assets at fair value through profit or loss	**2,226**	**2,226**
Government bonds	7	7
Funds invested in debt instruments	9	9
Mixed and other funds	2,211	2,211
Available-for-sale financial assets	**261**	**261**
Government bonds	1	1
Funds invested in debt instruments	27	27
Funds invested in equity instruments	26	26
Mixed and other funds	207	207
TOTAL ASSETS	**2,488**	**2,488**

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 and 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 and other funds	195	195
TOTAL ASSETS	**2,329**	**2,329**

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 December 2021, all financial investments measured at fair value on a recurring basis are classified as level 1 (31 December 2020: 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 have been no transfers between levels during the year.

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

4.4. IFRS 9 deferral disclosures

The following disclosures provide the information that allows for an estimation of 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		
31/12/2021	AFS	LOANS AND RECEIVABLES	CASH AND CASH EQUIVALENTS	TOTAL	FVTPL	AFS	TOTAL
FINANCIAL INVESTMENTS							
Opening balance	28,478	331,403	217,616	577,497	2,084,570	216,147	2,300,717
Additions	10,000	38,516	74,643	123,159	13,655	99,195	112,850
Disposals	-9,692	-52,817	-	-62,509	-10,541	-49,355	-59,896
Change in fair value	-46	744	-	698	138,414	-33,228	105,186
Closing balance	28,740	317,846	292,259	638,845	2,226,098	232,759	2,458,857
RECEIVABLES ARISING FROM FUNDING OPERATIONS[1]							
Opening balance	-	117,133	-	117,133	-	-	-
Additions	-	12,617	-	12,617	-	-	-
Disposals	-	-	-	-	-	-	-
Change in fair value	-	-	-	-	-	-	-
Closing balance	**-**	**129,750**	**-**	**129,750**	-	-	-

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

ASSET CLASS	GROUP 1 - SPPI FINANCIAL INSTRUMENTS				GROUP 2 - OTHER FINANCIAL INVESTMENTS		
31/12/2020	AFS	LOANS AND RECEIVABLES	CASH AND CASH EQUIVALENTS	TOTAL	FVTPL	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	-	-9,462	-	-9,462	-	-	-
Change in fair value	-	-	-	-	-	-	-
Closing balance	**-**	**117,133**	**-**	**117,133**	-	-	-

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) 31/12/2021	AAA	AA	A	BBB	<BBB	Non-rated	TOTAL
FINANCIAL INSTRUMENTS INCLUDED IN GROUP[1]							
Financial investments	-	400	20	15	-	203	639
Receivables arising from funding operations	-	-	-	-	-	130	130
TOTAL	**-**	**400**	**20**	**15**	**-**	**333**	**769**

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**

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

5. Intangible assets

	NOTE	GOODWILL	EXTERNALLY ACQUIRED SOFTWARE	INTERNALLY GENERATED SOFTWARE DEVELOPMENT COSTS	INTERNALLY GENERATED SOFTWARE IN DEVELOPMENT	CONCESSIONS, PATENTS AND LICENCES	OTHER	TOTAL
At cost at 01/01/2021		**5,835**	**734**	**28,342**	**63,413**	**11,739**	**359**	**110,422**
Additions		-	-	1,255	21,686	568	68	23,577
Disposals		-	-	-895	-2	-	-	-897
Transfers		-	-	1,880	-2,051	-	171	-
Exchange differences		-	40	-	-	-	8	48
Other movements		-	-	-	-865	-	-	-865
At cost at 31/12/2021		**5,835**	**774**	**30,582**	**82,181**	**12,307**	**606**	**132,285**
Accumulated amortisation and impairments at 01/01/2021		**-5,560**	**-733**	**-13,970**	**-**	**-11,312**	**-329**	**-31,904**
Amortisation charge	26	-	-	-2,655	-	-272	-69	-2,996
Amortisation on disposals		-	-	-	-	-	-	-
Exchange differences		-	-40	-	-	-	-2	-42
Accumulated amortisation and impairments at 31/12/2021		**-5,560**	**-773**	**-16,625**	**-**	**-11,584**	**-400**	**-34,942**
BALANCE AT 01/01/2021		275	1	14,372	63,413	427	30	78,518
BALANCE AT 31/12/2021		275	1	13,957	82,181	723	206	97,343

	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

The total amortisation expense of K EUR 2,996 (2020: K EUR 3,622) has been charged in 'Depreciation and amortisation' in the income statement.

The total additions of 2021 amount to K EUR 23,577 (2020: K EUR 22,282) 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 on an ongoing, continuous 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.

These intangible assets mainly consist of software systems such as SAP4I and other SAP4I-related systems that have been assessed by management as viable projects with feasible outcome and for which sufficient budgets to bring the projects to fruition have been approved.

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

1) investments in consolidated entities (not included in Credendo – Export Credit Agency's budget);

2) mandatory investment in Belgian government bonds or notes, that is equal to the endowment received from the Belgian state.

Method and assumptions
The value-in-use of the assets was estimated using a dividend discount model, which is comparable to the practice 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. The management forecasts of the net finance income as at 31 December 2021 applied in the test, are significantly more prudent than those applied as at 31 December 2020. Also included in the estimate is the value of the excess capital that Credendo – Export Credit Agency could potentially distribute to shareholders.

Estimating the WACC has resulted in a rate of 4.93%. This rate is applied on the basis of the fact that Credendo – Export Credit Agency is a government agency under state guarantee with its primary mission of facilitating Belgian exports. Also, it is in line with the observable market information in the industry.

A long-term growth rate of 1.5% was applied. This rate is based on a prudent estimate of net profit growth in management's long-term budget as well as the benchmark of the market. Finally, the assumption was made that Credendo's tax regime will remain unchanged.

The key assumptions in the model, i.e. 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 5.3%, 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 value, assumed in the model, to 1%, the resulting reduction in headroom does not lead to the need to impair the intangible assets.

5.2. Goodwill

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

31/12/2021	OPENING	IMPAIR-MENT	CLOSING
Credendo – Excess & Surety	275		275
TOTAL	**275**	**-**	**275**

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

During the fourth quarter of 2021, 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 01/01/2021		18,746	14,952	9,609	184	80	43,571
Additions		-	406	42	9	81	538
Disposals		-	-68	-	-21	-8	-97
Exchange differences		-	34	38	13	-	85
At cost at 31/12/2021		18,746	15,324	9,689	185	153	44,097
Accumulated depreciation and impairments at 01/01/2021		-2,623	-12,303	-8,429	-164	-6	-23,525
Depreciation charge	26	-152	-917	-309	-10	-1	-1,389
Depreciation on disposals		-	53	-	21	-	74
Exchange differences		-	-34	-27	-13	-	-74
Accumulated depreciation and impairments at 31/12/2021		-2,775	-13,201	-8,765	-166	-7	-24,914
BALANCE AT 01/01/2021		16,123	2,649	1,180	20	74	20,046
BALANCE AT 31/12/2021		15,971	2,123	924	19	146	19,183

	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

The total depreciation expense of K EUR 1,389 (2020: K EUR 1,492) has been charged in 'Depreciation and amortisation' in the income statement.

The total additions of 2021 amount to K EUR 538 (2020: K EUR 532) and are mainly related to the acquisition of furniture and hardware (K EUR 448).

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

6.2. Leased property, plant and equipment

6.2.1 Amounts recognised in the balance sheet

Following the first application of IFRS 16 on 1 January 2019, the right-of-use assets are included in the line 'Property, plant and equipment' in the balance sheet.

RIGHT-OF-USE ASSETS	31/12/2021	31/12/2020
Buildings	4,514	6,092
Vehicles	1,547	865
TOTAL	**6,061**	**6,957**

LEASE LIABILITIES	31/12/2021	31/12/2020
Current	2,477	2,852
Non-current	3,578	4,103
TOTAL	**6,055**	**6,955**

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

CONTRACTUAL MATURITIES OF LEASE LIABILITIES 31/12/2021	<1 YEAR	1-5 YEARS	>5 YEARS	TOTAL CONTRACTUAL CASH FLOWS	CARRYING AMOUNT OF LEASE LIABILITIES
Buildings	2,150	2,819	-	4,969	4,507
Vehicles	886	662	-	1,548	1,548
Lease liabilities	3,036	3,481	-	6,517	6,055

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

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	2021	2020
Buildings	-1,515	-1,899
Vehicles	-603	-430
Subtotal	**-2,118**	**-2,329**
Interest expense (incl. in finance cost)	43	40
Expense related to leases of low-value assets not shown as short-term leases	31	32

7. Other financial assets

The other financial assets can be detailed as follows:

(IN THOUSANDS EUR)	31/12/2021	31/12/2020
Investments in companies in equity method	2,038	-
Loans to associates	10,730	5,787
Cash guarantees	239	232
TOTAL OTHER FINANCIAL ASSETS	**13,007**	**6,019**

As mentioned in section 1 'General Information', Credendo – Export Credit Agency owns a 33% stake in Marjory SAS, which is thus integrated using the equity method. The value of the investment in Marjory SAS as at 31 December 2021 is reduced to zero due to losses in 2020 and 2021.

In 2021, Credendo – Export Credit Agency acquired a 26.83% stake in Digiteal SA, which is also integrated using the equity method. As of 31 December 2021, Digiteal SA had a loss from continuing operations of K EUR 478 of which K EUR 128 are recorded as share of profit of associates and joint ventures accounted for using the equity method in the financial statements of Credendo. Due to this fact, the value of the investment in Digiteal SA as at 31 December 2021 is reduced to K EUR 2,038.

8. Financial investments

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

ANALYSIS BY CLASSES 2021	AFS	FVTPL	LOANS AND RECEIVABLES	TOTAL
Government bonds[1]	1,338	6,577	297,472	305,387
Quoted	1,338	6,577	-	7,915
Unquoted	-	-	297,472	297,472
Funds invested in debt instruments	27,401	9,017	-	36,418
Quoted	27,401	9,017	-	36,418
Funds invested in equity instruments	26,012	-	-	26,012
Quoted	26,012	-	-	26,012
Mixed and other funds	206,747	2,210,504	-	2,417,251
Quoted	206,747	2,210,504	-	2,417,251
Fixed-term deposits	-	-	20,374	20,374
TOTAL FINANCIAL INVESTMENTS	**261,498**	**2,226,098**	**317,846**	**2,805,442**

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

ANALYSIS BY CLASSES 2020	AFS	FVTPL	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 and 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**

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 had been impaired.

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

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

CURRENT/NON-CURRENT SPLIT	31/12/2021	31/12/2020
Current	629,938	243,654
Non-current	2,175,504	2,416,944
TOTAL	**2,805,442**	**2,660,598**

8.1. Zephyr

The financial investments as per 31 December 2021 include financial investments in an institutional fund, called Zephyr, for an amount of EUR 2.21 billion (2020: EUR 2.07 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 the entire portfolio of these financial investments as a whole, instead of individual classification, 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 1.18 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% investment-grade corporate bonds, 12.5% equities, 6% commodities and 4% real estate;
- two mixed funds for a total amount of EUR 1 billion, 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 the risk budget;
- one fund that contains investments used for the Dynamic Risk Overlay of EUR 0.03 million, managed by one asset manager, when non-active, with a traditional balanced mandate on the basis of the above-mentioned benchmark, and 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 to EUR based on the last known exchange rate.

The financial investment portfolio in Zephyr as per 31 December 2021 can be detailed as follows:

Detail per asset class

ASSET CLASS	MARKET VALUE	
	31/12/2021	31/12/2020
Corporate bonds	865,435	875,673
Government bonds	634,432	546,864
Equity	449,284	402,970
Cash and cash equivalents	111,684	154,699
Commodities	83,983	60,640
Real estate	57,571	25,719
Other	10,820	10,479
Forward	-2,615	-4,766
TOTAL	**2,210,594**	**2,072,278**

Detail per currency

CURRENCY	MARKET VALUE	
	31/12/2021	31/12/2020
EUR	1,892,047	1,810,342
USD	214,870	176,973
CHF	23,432	25,903
JPY	19,453	13,884
GBP	16,579	5,802
SEK	3,095	5,388
Other	41,117	33,985
TOTAL	**2,210,594**	**2,072,278**

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.

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

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 December 2021 is 4.19 (31 December 2020: 4.21).

The bonds within Zephyr amount to EUR 1,499 million (2020: EUR 1,377 million). An increase (decrease) of 100 bps in interest rate at the reporting date would have decreased (increased) the market value of the bonds by EUR 62.8 million (2020: EUR 57.9 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 244 million (EUR 215 million) at 31 December 2021 (31 December 2020: USD 213 million or EUR 177 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	FVTPL	LOANS AND RECEIVABLES	TOTAL
AT 01/01/2020		**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) transferred to equity	15.2	3,662	-	-	3,662
Net gains/(losses) transferred 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**
Additions		74,195	48,655	38,516	161,366
Disposals		-59,047	-10,541	-52,817	-122,405
Net gains/(losses) transfer to equity	15.2	508	-	-	508
Net gains/(losses) transfer from equity	15.2-27	-98	-	-	-98
Conversion differences		1,316	847	744	2,907
Net gains/(losses) through profit or loss	27	-	102,566	-	102,566
AT 31/12/2021		**261,499**	**2,226,097**	**317,846**	**2,805,442**

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 2021, no impairment was booked on the Dynamic Risk Overlay compartment (2020: no impairment).

During the period from 1 January 2021 till 31 December 2021, there have been 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	31/12/2021	31/12/2020
Deferred tax assets to be recovered after more than 12 months	3,248	5,072
Deferred tax assets to be recovered within 12 months	-	1,618
Deferred tax assets	**3,248**	**6,690**
Deferred tax liabilities to be recovered after more than 12 months	-3,462	-364
Deferred tax liabilities to be recovered within 12 months	-	-
Deferred tax liabilities	**-3,462**	**-364**
NET DEFERRED TAX POSITION	**-214**	**6,326**

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

DEFERRED TAX ASSETS AND LIABILITIES - SET-OFF	31/12/2021	31/12/2020
Deferred tax assets before set-off	7,179	12,528
Set-off of deferred tax position	-3,931	-5,838
Deferred tax assets presented in the statement of financial position	**3,248**	**6,690**
Deferred tax liabilities before set-off	7,393	6,202
Set-off of deferred tax position	-3,931	-5,838
Deferred tax liabilities presented in the statement of financial position	**3,462**	**364**

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

GROSS MOVEMENTS DEFERRED TAXES	NOTE	2021	2020
BALANCE AT 01/01		6,326	5,492
Income statement (charge)/credit	29	-5,652	1,096
Tax (charge)/credit relating to components of other comprehensive income	15.2	-864	-463
Exchange differences		-24	201
BALANCE AT 31/12		-214	6,326

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	LIABILITIES ARISING FROM INSURANCE CONTRACTS	TIMING DIFFERENCES ON PROPERTY, PLANT AND EQUIPMENT	FINANCIAL INVESTMENTS	OTHER	TOTAL
BALANCE AT 01/01/2021	8,296	2,880	113	463	-	776	12,528
Charged/(credited) to the income statement	-5,498	674	-113	1	-	129	-4,807
Charged/(credited) to other comprehensive income	-	-542	-	-	-	-	-542
Exchange differences	-	-	-	-	-	-	-
BALANCE AT 31/12/2021	2,798	3,012	-	464	-	905	7,179

The deferred tax assets before set-off include an amount of K EUR 2,798 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 for the part of K EUR 1,223 which can be utilised during a period of 3 to 7 years.

DEFERRED TAX LIABILITIES	PROVISION FOR PENSION AND OTHER EMPLOYEE BENEFIT OBLIGATIONS	FINANCIAL INVESTMENTS	LIABILITIES ARISING FROM INSURANCE CONTRACTS	TIMING DIFFERENCES ON PROPERTY, PLANT AND EQUIPMENT	TIMING DIFFERENCES ON INTANGIBLE ASSETS	OTHER	TOTAL
BALANCE AT 01/01/2021	1,022	3,771	906	11	268	224	6,202
Charged/(credited) to the income statement	575	24	-93	29	224	87	846
Charged/(credited) to other comprehensive income	-	322	-	-	-	-	322
Exchange differences	-	1	60	1	-	-39	23
BALANCE AT 31/12/2021	1,597	4,118	873	41	492	272	7,393

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	31/12/2021	31/12/2020
REINSURERS' SHARE OF INSURANCE LIABILITIES		
Provision for unearned premium	32,026	26,160
Provision for risk deterioration	5,274	8,580
Provision for IBNR	32,995	47,675
Provision for incurred losses and recoveries	32,813	48,799
Provision for profit-sharing and rebates	2,884	2,683
Provision for claims management expenses	865	428
TOTAL	**106,857**	**134,325**

The recognition and measurement of reinsurance assets follow the recognition and measurement of the insurance liabilities that have been ceded to the reinsurer. For Credendo's accounting policies 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	31/12/2021	31/12/2020
RECEIVABLES ON INSURANCE AND REINSURANCE BUSINESS		
Amounts owed by policyholders and direct insurance operations	68,643	65,284
Receivables arising out of reinsurance	21,860	27,370
Provision for impairment	-29,962	-28,961
Receivables arising from funding operations	129,750	117,133
Total receivables related to insurance activity	190,291	180,826
Other receivables	7,447	12,135
Total other receivables	7,447	12,135
TOTAL RECEIVABLES	**197,738**	**192,961**

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	2021	2020
BALANCE AT 01/01	-28,961	-29,119
Provisions for impairment on receivables	-1,893	-677
Reversal of provisions for impairment on receivables	1,051	469
Provisions for impairment on outstanding claims	-469	-591
Reversal of provisions for impairment on outstanding claims	336	977
Other movements	-26	-20
BALANCE AT 31/12	-29,962	-28,961

The creation and release of the provision for impaired receivables of K EUR 842 (2020: K EUR 208) 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.

At 31 December 2021, total loans and receivables of K EUR 162,645 (31 December 2020: K EUR 169,797) 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 - 31/12/2021	IMPAIRED AND PROVIDED FOR	DUE BUT NOT IMPAIRED	NOT DUE	TOTAL
Gross	29,962	162,645	35,093	227,700
Impairment	-29,962	-	-	-29,962
NET	**-**	**162,645**	**35,093**	**197,738**

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**

At 31 December 2021, K EUR 29,962 (2020: K EUR 28,961) of total receivables was impaired.

AGEING ANALYSIS - 31/12/2021	<3 MONTHS	3 - 6 MONTHS	>6 MONTHS	TOTAL
Impaired and provided for	-1,515	-2	-28,445	-29,962
% of total	5%	0%	95%	100%
TOTAL	**-1,515**	**-2**	**-28,445**	**-29,962**

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 - 31/12/2021	<3 MONTHS	3 - 6 MONTHS	>6 MONTHS	TOTAL
Due but not impaired	26,140	9,143	127,362	162,645
% of total	16%	6,0%	78,00%	100%
TOTAL	**26,140**	**9,143**	**127,362**	**162,645**

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%	81,00%	100%
TOTAL	**26,777**	**4,358**	**138,662**	**169,797**

12. Other assets

The other assets can be detailed as follows:

OTHER ASSETS	31/12/2021	31/12/2020
Deferred charges	628	636
Prepaid expenses	1,242	469
Accrued interests	1,312	174
Accrued revenue on insurance premiums	11,319	15,640
Other accrued income	1,724	5,907
TOTAL OTHER ASSETS	**16,225**	**22,826**

13. Cash and cash equivalents

CASH AND CASH EQUIVALENTS	31/12/2021	31/12/2020
Cash at bank and in hand	292,251	217,601
Short-term bank deposits	8	15
CASH AND CASH EQUIVALENTS IN THE STATEMENT OF FINANCIAL POSITION	**292,259**	**217,616**

The effective interest rate on short-term bank deposits for 2021 amounted to 0.00% (2020: 0.00%).

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

CASH AND CASH EQUIVALENTS	31/12/2021	31/12/2020
Cash and cash equivalents	292,259	217,616
Bank overdrafts	-	-
CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS	**292,259**	**217,616**

14. Endowment

	ENDOWMENT	TOTAL
AT 01/01/2020	297,472	297,472
Change in endowment	-	-
AT 31/12/2020	297,472	297,472
Change in endowment	-	-
AT 31/12/2021	297,472	297,472

Credendo – Export Credit Agency has an endowment of EUR 297.5 million. This endowment (capital) is granted/contributed by the Belgian state in the form of financial assets. The amount of the endowment represents the fair value of the original financial assets that were granted/contributed by the Belgian state. After the original grant/contribution, these financial assets have been valued at amortised cost. At each maturity date, the financial assets representing the endowment have been replaced by other financial assets generating a market-conform interest rate. As per 31 December 2021 the endowment is represented by one Euro Medium-Term Note (EMTN) which will come to maturity in 2024 and one Belgian OLO bond with maturity in 2031. 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

	2021			2020		
	TOTAL	NCI	SHARE OF PARENT	TOTAL	NCI	SHARE OF PARENT
BALANCE AT 01/01	2,429,338	4,651	2,424,687	2,512,314	3,854	2,508,460
Profit/(loss) of the year	209,517	1,268	208,249	-82,657	797	-83,454
Other movements	-	-	-	-319	-	-319
Share in movements consolidated reserves	209,517	1,268	208,249	-82,976	797	-83,773
BALANCE AT 31/12	2,638,855	5,919	2,632,936	2,429,338	4,651	2,424,687

15.2. Other comprehensive income

	NOTE	2021			2020		
		TOTAL	NCI	SHARE OF PARENT	TOTAL	NCI	SHARE OF PARENT
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS							
Remeasurements on post-employment benefits	18	6,173	-	6,173	-4,446	-	-4,446
Deferred tax on actuarial gains/(losses) on post-employment benefits	9	-542	-	-542	383	-	383
Subtotal of items that will not be reclassified to profit or loss		**5,631**	**-**	**5,631**	**-4,063**	**-**	**-4,063**
ITEMS THAT MAY BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS							
Fair-value changes on available-for-sale financial assets	8	541	-	541	3,630	-	3,630
Foreign-exchange differences on available-for-sale financial assets	8-28	-33	-	-33	32	-	32
Fair-value changes on available-for-sale financial assets – recycled to profit or loss	8-27	-98	-	-98	-34	-	-34
Foreign-exchange differences on available-for-sale financial assets – recycled to profit or loss	8-27-28	-	-	-	-87	-	-87
Deferred taxes thereon	9	-322	-	-322	-846	-	-846
Subtotal of items from financial assets that may be subsequently reclassified to profit or loss		**88**	**-**	**88**	**2,695**	**-**	**2,695**
Exchange differences on translating foreign operations	28	2,506	269	2,237	-4,002	-1,079	-2,923
Subtotal of items that may be subsequently reclassified to profit or loss		**2,594**	**269**	**2,325**	**-1,307**	**-1,079**	**-228**
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR		**8,225**	**269**	**7,956**	**-5,370**	**-1,079**	**-4,291**

16. Liabilities arising from insurance contracts and reinsurance assets

	31/12/2021			31/12/2020		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Single Risk	202,055	-23,647	178,408	185,930	-24,585	161,345
Investment insurance	1,377	-	1,377	1,097	-	1,097
Financial guarantees	6,444	-	6,444	12,167	-	12,167
Sureties	44,148	-22,847	21,301	42,534	-34,722	7,812
Excess of loss and captives	35,736	-24,268	11,468	54,640	-36,653	17,987
Turnover policies	56,538	-24,826	31,712	52,344	-27,070	25,274
Inward reinsurance	141,587	-11,269	130,318	150,498	-11,295	139,203
LIABILITIES ARISING FROM INSURANCE CONTRACTS PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	**487,885**	**-106,857**	**381,028**	**499,210**	**-134,325**	**364,885**

16.1. Single Risk insurance

	31/12/2021			31/12/2020		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Provision for incurred losses and recoveries	-45,471	-5,703	-51,174	-38,593	-6,019	-44,612
Claims incurred but not reported	21,484	-3,149	18,335	17,792	-1,887	15,905
Provision for profit-sharing and rebates	306	-44	262	290	-42	248
Provision for risk deterioration	21,362	-5,170	16,192	36,184	-8,277	27,907
Provision for unearned premiums	191,354	-9,400	181,954	157,777	-8,176	149,601
Provision for claims management expenses	13,020	-181	12,839	12,480	-184	12,296
TOTAL	**202,055**	**-23,647**	**178,408**	**185,930**	**-24,585**	**161,345**

16.2. Investment insurance

	31/12/2021			31/12/2020		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Provision for incurred losses and recoveries	35	-	35	558	-	558
Provision for unearned premiums	1,333	-	1,333	528	-	528
Provision for claims management expenses	9	-	9	11	-	11
TOTAL	**1,377**	**-**	**1,377**	**1,097**	**-**	**1,097**

16.3. Financial guarantees

	31/12/2021			31/12/2020		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Provision for incurred losses and recoveries	4,646	-	4,646	3,253	-	3,253
Provision for risk deterioration	742	-	742	6,976	-	6,976
Provision for unearned premiums	971	-	971	1,881	-	1,881
Provision for claims management expenses	85	-	85	57	-	57
TOTAL	**6,444**	**-**	**6,444**	**12,167**	**-**	**12,167**

16.4. Sureties

	31/12/2021			31/12/2020		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Provision for incurred losses and recoveries	18,591	-5,528	13,063	18,653	-16,830	1,823
Claims incurred but not reported	12,665	-8,520	4,145	15,816	-12,058	3,758
Provision for unearned premiums	12,187	-8,769	3,418	7,342	-5,830	1,512
Provision for claims management expenses	705	-30	675	723	-4	719
TOTAL	**44,148**	**-22,847**	**21,301**	**42,534**	**-34,722**	**7,812**

16.5. Excess-of-loss and captive insurance

	31/12/2021			31/12/2020		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Provision for incurred losses and recoveries	9,842	-6,975	2,867	17,119	-12,883	4,236
Claims incurred but not reported	16,288	-11,500	4,788	27,478	-19,399	8,079
Provision for profit-sharing and rebates	1,390	-861	529	1,634	-1,197	437
Provision for unearned premiums	7,694	-4,932	2,762	7,517	-3,174	4,343
Provision for claims management expenses	522	-	522	892	-	892
TOTAL	**35,736**	**-24,268**	**11,468**	**54,640**	**-36,653**	**17,987**

16.6. Turnover policies

	31/12/2021			31/12/2020		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Provision for incurred losses and recoveries	12,617	-7,395	5,222	9,475	-3,428	6,047
Claims incurred but not reported	18,647	-8,267	10,380	21,824	-13,138	8,686
Provision for profit-sharing and rebates	4,156	-1,979	2,177	2,559	-1,443	1,116
Provision for risk deterioration	199	-104	95	590	-303	287
Provision for unearned premiums	17,306	-6,485	10,821	14,486	-8,592	5,894
Provision for claims management expenses	3,613	-596	3,017	3,410	-166	3,244
TOTAL	**56,538**	**-24,826**	**31,712**	**52,344**	**-27,070**	**25,274**

16.7. Inward reinsurance

	31/12/2021			31/12/2020		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Provision for incurred losses and recoveries	20,836	-7,212	13,624	38,727	-9,638	29,089
Claims incurred but not reported	82,195	-1,560	80,635	72,269	-1,194	71,075
Provision for unearned premiums	38,393	-2,439	35,954	39,296	-389	38,907
Provision for claims management expenses	163	-58	105	206	-74	132
TOTAL	**141,587**	**-11,269**	**130,318**	**150,498**	**-11,295**	**139,203**

17. Provisions for other liabilities and charges

	LITIGATION	OTHER	TOTAL
BALANCE AT 01/01/2021	455	87	542
Charged/(credited) to the income statement:			
Additional provisions	-	25	25
Unused amounts reversed	-45	-87	-132
Used during the period	-250	-	-250
BALANCE AT 31/12/2021	160	25	185
Current	160	25	185
Non-current	-	-	-

	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 the period	-66	-1 599	-1 665
BALANCE AT 31/12/2020	455	87	542
Current	455	87	542
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	31/12/2021	31/12/2020
Short-term employee benefits	8,236	7,215
Post-employment benefits	20,037	24,749
Other long-term employee benefits	506	506
TOTAL	**28,779**	**32,470**

18.1. Short-term employee benefits

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

18.2. Post-employment benefits

18.2.1. Pension obligations

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

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

Because of the Belgian legislation applicable to 2nd-pillar pension plans (so-called 'Law Vandenbroucke'), all Belgian defined-contribution plans have to be considered under IFRS as defined-benefit plans. Law Vandenbroucke states that in the context of defined-contribution plans, the employer must guarantee a minimum return of 3.75% on employee contributions and 3.25% on employer contributions. As a result of a change in the law in December 2015, the interest rate to be guaranteed is variable starting from 1 January 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 2021 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 December 2021 are, however, assessed as not significant. For your information, some key figures related to the plan are given below:

- employer contributions 2021: K EUR 264 (2020: K EUR 249).

As from 1 October 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 benefit payment to the employee.

Until 29 December 2018, Credendo – Guarantees & Speciality Risks operated defined-benefit pension plans based on employees' 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 December 2018, Credendo – Guarantees & Speciality Risks introduced a new defined-contribution plan for all current and newly hired employees in Austria. As from 2019, Credendo – Guarantees & Speciality Risks contributes to this new defined-contribution plan a fixed percentage of the annual salary. The acquired entitlements from the former defined-benefit pension plan have been transferred to the new pension fund on 31 December 2018. In the new defined-contribution model, there is no minimum return on the contributions guaranteed by the employer.

Credendo – Guarantees & Speciality Risks 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 financial investments.

Credendo – Guarantees & Speciality Risks contributes to a defined-contribution plan in Switzerland for all its employees.

Credendo – Guarantees & Speciality Risks' employee benefit expense related to the defined-contribution plans amounted to K EUR 11 in 2021 (as compared to K EUR 44 in 2020).

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

DEFINED-BENEFIT PLAN	31/12/2021	31/12/2020
Present value of funded obligations	-61,176	-63,533
Fair value of plan assets	56,338	55,009
Deficit/surplus of funded plans	**-4,838**	**-8,524**
Present value of unfunded obligations	-15,199	-16,225
NET ASSET/(LIABILITY) IN THE STATEMENT OF FINANCIAL POSITION	**-20,037**	**-24,749**

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	2021	2020
DEFINED-BENEFIT OBLIGATION AT 01/01	63,942	56,481
Current service cost	3,763	3,478
Interest cost	252	466
Remeasurements:	-3,139	6,271
Remeasurements resulting from changes in financial assumptions	-3,279	3,219
Remeasurements resulting from experience gains/losses	140	3,051
Administration expense	-80	-77
Taxes paid	-331	-327
Internal transfers	-338	-15
Benefits paid from plan	-2,550	-2,334
DEFINED-BENEFIT OBLIGATION AT 31/12	61,519	63,942

The weighted average duration of the defined-benefit obligation in Belgium is 12 years.

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

FAIR VALUE OF PLAN ASSETS	2021	2020
FAIR VALUE OF PLAN ASSETS AT 01/01	55,009	51,071
Interest income	227	438
Remeasurements: return on plan assets excluding interest income	564	2,779
Internal transfers	-318	-15
Employer contributions	3,732	3,473
Administration expense	-80	-77
Taxes paid	-332	-326
Benefits paid from plan	-2,464	-2,334
FAIR VALUE OF PLAN ASSETS AT 31/12	56,338	55,009

Plan assets are represented by the following instruments:

PLAN ASSETS	31/12/2021	31/12/2020
Equity instruments	5,837	4,740
Government and corporate bonds	36,437	37,246
Corporate loans	5,643	5,056
Real estate	6,560	5,874
Cash	133	170
Qualifying insurance policies	1,728	1,923
TOTAL	**56,338**	**55,009**

Pension plan assets include three financing funds at insurance companies.

The amounts recognised in the income statement are as follows:

INCOME STATEMENT - PENSION PLAN	31/12/2021	31/12/2020
Current service cost	3,763	3,478
Net interest cost	-60	28
EXPENSE RECOGNISED IN INCOME STATEMENT	**3,703**	**3,506**

The total cost of post-employment benefits of K EUR 3,703 (31 December 2020: K EUR 3,506) 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	31/12/2021	31/12/2020
Remeasurements:	**3,138**	**-6,278**
Remeasurements resulting from changes in financial assumptions	3,283	-3,233
Remeasurements resulting from experience gains/losses	-145	-3,045
Return on plan assets excluding interest income	**930**	**2,781**
TOTAL REMEASUREMENTS INCLUDED IN OCI	4,068	**-3,497**

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

ACTUARIAL ASSUMPTIONS – PENSION PLAN	31/12/2021	31/12/2020
Discount rate	0.70%	0.40%
Future inflation rate	1.85%	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 31/12/2021		
Discount rate	-0.25%	+1.72%

The above sensitivity analysis is 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 December 2022 are K EUR 2,647.

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	2021	2020
DEFINED-BENEFIT OBLIGATION AT 01/01	15,816	13,893
Current service cost	1,225	1,010
Interest cost	95	152
Remeasurements:	-2,105	948
Remeasurements resulting from changes in demographic assumptions	-2,240	2,087
Remeasurements resulting from experience gains/losses	135	-1,138
Benefits paid from plan	-175	-188
DEFINED-BENEFIT OBLIGATION AT 31/12	14,856	15,816

The amounts recognised in the income statement are as follows:

INCOME STATEMENT - HEALTH PLAN	31/12/2021	31/12/2020
Current service cost	1,225	1,010
Net interest cost	-80	-36
EXPENSE RECOGNISED IN INCOME STATEMENT	**1,145**	**974**

Remeasurements included in other comprehensive income are as follows:

REMEASUREMENTS OTHER COMPREHENSIVE INCOME - HEALTH PLAN	31/12/2021	31/12/2020
Remeasurements:		
Remeasurements resulting from changes in financial assumptions	2,240	-2,087
Remeasurements resulting from experience gains/losses	-135	1,138
TOTAL REMEASUREMENTS INCLUDED IN OCI	**2,105**	**-949**

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

ACTUARIAL ASSUMPTIONS - HEALTH PLAN	31/12/2021	31/12/2020
Discount rate	1.10%	0.60%
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 December 2022 are K EUR 1,171.

18.3. Other long-term employee benefits

The other long-term employee 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	31/12/2021	31/12/2020
Payables on insurance and reinsurance business		
Amounts due to policyholders	21,124	9,047
Payables arising out of reinsurance operations	47,686	51,513
TOTAL PAYABLES	**68,810**	**60,560**

PAYABLES	31/12/2021	31/12/2020
Current	65,078	57,036
Non-current	3,732	3,524
TOTAL	**68,810**	**60,560**

Amounts due to policyholders and other parties related to the contract mainly concern 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:

	31/12/2021	31/12/2020
Lease liabilities	6,055	6,955
Other debts	14,132	15,680
Accrued charges and deferred income	7,852	11,597
TOTAL	**28,039**	**34,232**

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

The detail of lease liabilities is described in notes 2.20 and 6.2.

As per 31 December 2021, total other debts mainly related to invoices to be received of K EUR 7,395 (31 December 2020: K EUR 5,414), debt towards the Belgian state of K EUR 67 (31 December 2020: K EUR 250) and other non-insurance-related supplier debts of K EUR 6,452 (31 December 2020: K EUR 9,850).

The total accrual of K EUR 7,852 as per 31 December 2021 mainly relates to operating and administration expenses of K EUR 907 (31 December 2020: K EUR 1,007), deferred rescheduling agreement revenue of K EUR 3,773 (31 December 2020: K EUR 3,217) and deferred interest income of K EUR 3,125.

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

21. Net insurance premium revenue

	31/12/2021			31/12/2020		
	GROSS	REINSURERS' SHARE	NET	GROSS	REINSURERS' SHARE	NET
SINGLE RISK						
Written premium	125,823	-14,657	111,166	112,886	-4,164	108,722
Change in provision for unearned premium	-29,687	5	-29,682	14,126	-2,203	11,923
Net exchange gains/(losses) from operating activities	-3,141	267	-2,874	2,847	-377	2,470
Total	**92,995**	**-14,385**	**78,610**	**129,859**	**-6,744**	**123,115**
INVESTMENT INSURANCE						
Written premium	6,121	-	6,121	5,176	-	5,176
Change in provision for unearned premium	-802	-	-802	-177	-	-177
Net exchange gains/(losses) from operating activities	-3	-	-3	-	-	-
Total	**5,316**	**-**	**5,316**	**4,999**	**-**	**4,999**
FINANCIAL GUARANTEES						
Written premium	3,352	-	3,352	4,731	-	4,731
Change in provision for unearned premium	891	-	891	907	-	907
Net exchange gains/(losses) from operating activities	19	-	19	77	-	77
Total	**4,262**	**-**	**4,262**	**5,715**	**-**	**5,715**
SURETIES						
Written premium	17,357	-11,235	6,122	10,842	-8,514	2,328
Change in provision for unearned premium	-4,848	4,298	-550	1,103	-1,247	-144
Net exchange gains/(losses) from operating activities	-	-	-	-	-	-
Total	**12,509**	**-6,937**	**5,572**	**11,945**	**-9,761**	**2,184**
EXCESS OF LOSS AND CAPTIVES						
Written premium	38,084	-24,714	13,370	34,610	-23,170	11,440
Change in provision for unearned premium	-42	94	52	-700	471	-229
Net exchange gains/(losses) from operating activities	-	-	-	-	-	-
Total	**38,042**	**-24,620**	**13,422**	**33,910**	**-22,699**	**11,211**

	31/12/2021			31/12/2020		
	GROSS	REINSURERS' SHARE	NET	GROSS	REINSURERS' SHARE	NET
TURNOVER POLICIES						
Written premium	147,220	-75,180	72,040	115,248	-70,128	45,120
Change in provision for unearned premium	-1,072	889	-183	-1,095	1,433	338
Net exchange gains/(losses) from operating activities	-22	22	-	-37	2	-35
Total	146,126	-74,269	71,857	114,116	-68,693	45,423
INWARD REINSURANCE						
Written premium	49,859	-4,950	44,909	53,933	-4,858	49,075
Change in provision for unearned premium	800	-136	664	-13,221	-126	-13,347
Net exchange gains/(losses) from operating activities	-472	-13	-485	966	-	966
Total	50,187	-5,099	45,088	41,678	-4,984	36,694
TOTAL WRITTEN PREMIUMS	**387,816**	**-130,736**	**257,080**	**337,426**	**-110,834**	**226,592**
Change in provision for unearned premium	-34,760	5,150	-29,610	943	-1,672	-729
Net exchange gains/(losses) from operating activities	-3,619	276	-3,343	3,853	-375	3,478
Total profit-sharing and rebates	-9,617	3,538	-6,079	-8,245	3,637	-4,608
NET INSURANCE PREMIUM REVENUE	**339,820**	**-121,772**	**218,048**	**333,977**	**-109,244**	**224,733**

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

	31/12/2021	31/12/2020
Ivory Coast	37,914	24,348
Russia	25,546	23,800
Italy	24,253	24,442
France	18,427	12,639
Switzerland	17,350	17,163
China	15,329	4,597
United States	12,556	4,929
Belgium	11,409	9,722
Germany	11,179	17,057
Turkey	10,999	14,322
Bangladesh	10,416	-
Netherlands	10,337	4,771
Spain	9,897	6,453
Poland	9,560	6,871
United Kingdom	8,078	5,912
Egypt	8,074	3,398
Czech Republic	7,887	7,619
Brazil	7,612	4,170
UAE – Dubai	6,575	4,938
Saudi Arabia	6,411	1,669
Other countries	118,007	138,606
TOTAL WRITTEN PREMIUMS	**387,816**	**337,426**

22. Other operating income and expense

	31/12/2021	31/12/2020
Commissions from reinsurers	39,781	37,465
Investigation costs recharged	5,302	4,925
Interest received on claims	1,727	2,118
Other recoveries	7,470	8,275
Other operating income	54,280	52,783
General expenses and acquisition costs	-5,547	-4,024
Investigation costs	-3,587	-3,655
Write-offs on trade receivables	-985	-3,643
Final losses on trade debtors	-1,358	-4,761
Other expenses	-319	-892
Other operating expenses	-11,796	-16,975

23. Insurance claims and loss adjustment expenses

INSURANCE BENEFITS AND CLAIMS	31/12/2021			31/12/2020		
	GROSS	REINSURANCE	NET	GROSS	REINSURANCE	NET
SINGLE RISK						
Claims paid in the year	44,417	-8,649	35,768	239,581	-38,604	200,977
Change in provision for outstanding claims	-57,514	12,961	-44,553	-162,330	37,252	-125,078
Net exchange (gains)/losses from operating activities	5,111	-1,232	3,879	-2,726	2,074	-652
Total	**-7,986**	**3,080**	**-4,906**	**74,525**	**722**	**75,247**
INVESTMENT INSURANCE						
Claims paid in the year	-	-	-	293	-	293
Change in provision for outstanding claims	-170	-	-170	-82	-	-82
Net exchange (gains)/losses from operating activities	-	-	-	-	-	-
Total	**-170**	**-**	**-170**	**211**	**-**	**211**
FINANCIAL GUARANTEES						
Claims paid in the year	84	-	84	4,755	-	4,755
Change in provision for outstanding claims	-8,717	-	-8,717	12,579	-	12,579
Net exchange (gains)/losses from operating activities	15	-	15	-25	-	-25
Total	**-8,618**	**-**	**-8,618**	**17,309**	**-**	**17,309**
SURETIES						
Claims paid in the year	7,400	-5,103	2,297	5,379	-3,397	1,982
Change in provision for outstanding claims	-3,784	6,089	2,305	31,049	-21,901	9,148
Net exchange (gains)/losses from operating activities	2	-	2	72	-56	16
Total	**3,618**	**986**	**4,604**	**36,500**	**-25,354**	**11,146**

	31/12/2021			31/12/2020		
	GROSS	REINSURANCE	NET	GROSS	REINSURANCE	NET
EXCESS OF LOSS AND CAPTIVES						
Claims paid in the year	8,440	-5,923	2,517	7,445	-4,884	2,561
Change in provision for outstanding claims	-19,184	16,052	-3,132	22,263	-16,118	6,145
Net exchange (gains)/losses from operating activities	-	-	-	-880	46	-834
Total	-10,744	10,129	-615	28,828	-20,956	7,872
TURNOVER POLICIES						
Claims paid in the year	40,717	-16,216	24,501	69,297	-37,417	31,880
Change in provision for outstanding claims	-30,426	14,784	-15,642	-14,423	3,179	-11,244
Net exchange (gains)/losses from operating activities	1,422	-646	776	-1,552	388	-1,164
Total	11,713	-2,078	9,635	53,322	-33,850	19,472
INWARD REINSURANCE						
Claims paid in the year	18,315	17	18,332	22,887	-732	22,155
Change in provision for outstanding claims	4,443	80	4,523	23,425	-4,048	19,377
Net exchange (gains)/losses from operating activities	1,676	119	1,795	-1,997	94	-1,903
Total	24,434	216	24,650	44,315	-4,686	39,629
TOTAL CLAIMS PAID IN THE YEAR	**119,373**	**-35,874**	**83,499**	**349,637**	**-85,034**	**264,603**
TOTAL CHANGE IN PROVISION FOR OUTSTANDING CLAIMS	**-115,352**	**49,966**	**-65,386**	**-87,519**	**-1,636**	**-89,155**
TOTAL NET EXCHANGE (GAINS)/LOSSES FROM OPERATING ACTIVITIES	**8,226**	**-1,759**	**6,467**	**-7,108**	**2,546**	**-4,562**
TOTAL CLAIMS EXPENSES	**12,247**	**12,333**	**24,580**	**255,010**	**-84,124**	**170,886**

The figures above also take into consideration the allowance for deterioration of the risk reserve. In 2021 and 2020 there have been 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:	31/12/2021	31/12/2020
Mongolia	11,891	5,031
Belgium	9,921	3,011
United States	6,979	-21,114
Serbia	3,931	4,148
Colombia	3,076	-1,120
Nigeria	2,952	-10
Norway	2,041	6,426
India	2,023	12,315
Switzerland	1,913	10,677
Singapore	1,885	11,558
Zambia	-2,219	5,233
Niger	-2,483	-
Mali	-2,521	369
China	-2,723	3,492
Cuba	-3,243	-2,399
Brazil	-5,561	-18,971
Equatorial Guinea	-5,696	-2,323
Libya	-6,514	-
Congo	-7,314	277
Kenya	-12,477	37,740
Other countries	28,719	74,520
TOTAL	**24,580**	**170,886**

24. Employee benefit expense

	31/12/2021	31/12/2020
Wages, salaries and other benefits	39,727	36,948
Social security charges	9,487	8,945
Pension costs – defined-contribution plans	264	249
Pension costs – defined-benefit plans	3,703	3,506
Health plan	1,145	974
TOTAL EMPLOYEE BENEFIT EXPENSES	**54,326**	**50,622**

The number of employees (in FTE) as per 31 December 2021 amounted to 530.6 (31 December 2020: 520.9).

25. Services and other goods

	31/12/2021	31/12/2020
Broker fees	31,232	25,319
Commissions to inward reinsurance	17,926	16,120
Administration costs	27,144	26,125
Other operating costs	172	89
TOTAL SERVICES AND OTHER GOODS	**76,474**	**67,653**

For 2021, administration costs relate to housing costs of K EUR 1,252 (2020: K EUR 1,428), management services and administration costs of K EUR 837 (2020: K EUR 559), consultancy and other fees of K EUR 9,492 (2020: K EUR 9,814), marketing expenses of K EUR 2,355 (2020: K EUR 2,776), representation and travel costs of K EUR 822 (2020: K EUR 302), IT expenses of K EUR 10,631 (2020: K EUR 10,592) and car expenses of K EUR 164 (2020: K EUR 203).

The total 2021 consolidated audit fees of our statutory auditor KPMG Belgium amount to K EUR 388 (2020: K EUR 272) and other audit fees of K EUR 90 (related to the Credendo – Guarantees & Speciality Risks merger and IFRS17-related preparatory audit work). The 2021 fees for our statutory auditor's network include audit fees of K EUR 132 (2020: K EUR 210), and non-audit fees for other missions external to the audit amount to K EUR 55 (2020: K EUR 33) (mainly tax services).

26. Depreciation and amortisation

	NOTE	31/12/2021	31/12/2020
Amortisation intangible assets	5	2,996	3,622
Depreciation property, plant and equipment (right-of-use assets included)	6	3,507	3,821
TOTAL		**6,503**	**7,443**

27. Finance income and expense

	NOTE	31/12/2021	31/12/2020
FINANCE INCOME:			
Cash and cash equivalents – interest income		72	388
Other financial income		4,524	3,396
Fair value gains/(losses) AFS – recycled from OCI	8-15.2	98	121
Income from financial investments – AFS		10,405	3,066
Net gains on financial investments – AFS		10,503	3,187
Fair value gains FVTPL	8	103,315	11,218
Net realised gains on sales of financial investments	8	-	3,374
Income from financial investments – FVTPL		5	-
Net gains on financial investments – FVTPL		103,320	14,592
Interests on rescheduling agreements		1,697	10,033
Interest on loans and receivables		3,274	2,525
Dividends and interests		63	132
Exchange gains on financial assets (other than AFS and FVTPL)	28	19,449	7,022
		142,902	41,275
FINANCE EXPENSES:			
Exchange losses on financial assets (other than AFS and FVTPL)	28	-3,937	-25,403
Charges on financial investments		-185	-311
Financial charges and interest costs		-1,756	-1,609
Amounts written off on interests of rescheduling agreements		-11,613	-
Fair-value losses FVTPL	8	-416	-
Net realised losses on sales of financial investments	8	-333	-58,897
Net finance cost		-18,240	-86,220
NET FINANCIAL RESULT		124,662	-44,945

The positive changes reflected in income from financial investments – AFS of K EUR 10,405 (2020: K EUR 3,066), fair-value gains FVTPL of K EUR 103,315 (2020: K EUR 11,218) and net realised losses on sales of financial investments of K EUR -333 (2020: K EUR -58,897) result from significant improvements in market conditions in 2021 compared to 2020. The positive changes in exchange gains/losses on financial assets of K EUR 15,512 in 2021 versus K EUR -18,381 in 2020 result from a strengthening of USD versus EUR in 2021 (contrary to its depreciation in 2020).

Since 2014 most financial investments of Credendo – Export Credit Agency have been held through an institutional fund, called Zephyr, that is accounted for as financial asset with fair-value changes through profit or loss (FVTPL), based on the fact that these investments concern a group of financial assets that is managed and the performance of which is evaluated on a fair-value basis, in accordance with a documented risk management and investment strategy. Changes in the fair value of the Zephyr financial investments are therefore immediately recognised as gains or losses in the income statement.

In 2021, the positive net change related to investments in Zephyr, amounts to EUR 103.0 million (2020: negative net change of EUR 47.5 million), consisting of fair-value gains/losses of EUR 23.9 million (2020: EUR -11.6 million), realised results of EUR 68.8 million (2020: 46.0 million), dividend income of EUR 5.4 million (2020: EUR 3.5 million), interest income of EUR 11.0 million (2020: EUR 13.0 million) and other income and expenses of EUR -6.1 million (2020: EUR -6.4 million).

28. Net foreign-exchange gains and losses

NET FOREIGN-EXCHANGE GAINS	NOTE	31/12/2021	31/12/2020
NET EXCHANGE GAINS/(LOSSES) RECOGNISED IN PROFIT OR LOSS		5,702	-10,342
Net exchange gains/(losses) from operating activities	21-23	-9,810	8,040
Net exchange gains/(losses) from investing activities	27	15,512	-18,382
NET EXCHANGE GAINS/(LOSSES) THROUGH OTHER COMPREHENSIVE INCOME		2,473	-4,057
Net exchange gains/(losses) through other comprehensive income	15.2	-33	-55
Exchange differences on translating foreign operations	15.2	2,506	-4,002
TOTAL		**8,175**	**-14,399**

Total net exchange gains recognised in the income statement amount to K EUR 5,702 (31 December 2020: losses of K EUR 10,342). 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 volatility 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 2,506 (31 December 2020: K EUR -4,002).

29. Income tax expense

INCOME TAX EXPENSE	2021	2020
Current taxes on income for the reporting period	-8,048	-2,135
Current taxes referring to previous periods	34	-577
Total current tax	-8,014	-2,712
Deferred tax expense	-5,652	1,096
Total deferred tax	-5,652	1,096
INCOME TAX (EXPENSE)/CREDIT	**-13,666**	**-1,616**

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	2021	2020
PROFIT BEFORE INCOME TAXES	223,183	-81,041
Domestic tax rate	0.00%	0.00%
Income tax (expense)/credit calculated at domestic tax rate	-	-
Effects of:		
Tax rate	-13,623	3,045
Disallowed expenses	-252	-178
Other permanent differences	-	104
Prior year adjustment	34	-4,535
Other	175	-52
INCOME TAX (EXPENSE)/CREDIT FOR THE YEAR	**-13,666**	**-1,616**

The weighted average applicable 2021 tax rate amounts to 6.1% (31 December 2020: -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 have been 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. Compensation paid or payable to key management for employee services is shown below:

	31/12/2021	31/12/2020
Salaries and other short-term employee benefits	7,715	7,915
Termination benefits	-	230
Post-employment benefits	1,403	1,360
Leasing company car	243	224
TOTAL	**9,361**	**9,729**

31.2. Year-end balances for related-party transactions

	31/12/2021	31/12/2020
Investments in companies in equity method and loans to associates	12,768	5,787
Loans and receivables incl. reinsurance receivables	527	369
Total receivables	527	369
Payables	67	2,932
Total payables	67	2,932

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. The related-party receivables and payables above also consider the open balances as per 31 December 2021, 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

	31/12/2021		31/12/2020		COUNTRY OF INCORPORATION
	% OF INTEREST	% OF CONTROL	% OF INTEREST	% OF CONTROL	
Credendo – Short-Term Non-EU Risks	100%	100%	100%	100%	Belgium
Credendo – Guarantees & Speciality Risks	100%	100%	0%	0%	Belgium
Holding CIS	66.67%	66.67%	66.67%	66.67%	Belgium
Immo Montoyer	100%	100%	100%	100%	Belgium
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 December 2021 amount to K EUR 5,578 and only relate to the 33.33% participation held by JSC InWest-Policy, having its registered office at 41 Lesnaya Street, 127994 Moscow, Russia, 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.

As mentioned in point 1.1, Introduction, the strategic merger between our two specialised entities, Credendo – Excess & Surety and Credendo – Single Risk, into this new entity, Credendo – Guarantees & Speciality Risks, was completed in June 2021, with retroactive effect as from 1 January 2021.

32.2. Associates

In 2020, Credendo – Export Credit Agency acquired a 33% stake in Marjory SAS, an iPaaS provider specialised in multi-sided platforms such as marketplaces. At 31 December 2021, Marjory SAS shows a balance total of K EUR 6,146 (31 December 2020: K EUR 4,994), a total equity of K EUR -5,428 (31 December 2020: K EUR -1,973) and a total loss after taxes of K EUR 3,402 (31 December 2020: loss of K EUR 1,973).

In 2021, Credendo – Export Credit Agency acquired a 26.83% stake in Digiteal SA, a European fintech company active in invoice presentation, payments and bank statements.
At 31 December 2021, Digiteal SA shows a balance total of K EUR 3,541, a total equity of K EUR 3,438 and a total loss after taxes of K EUR 478.

	31/12/2021		31/12/2020		COUNTRY OF INCORPORATION
	% OF INTEREST	% OF CONTROL	% OF INTEREST	% OF CONTROL	
Marjory SAS	33%	33%	33%	33%	France
Digiteal SA	26.83%	26.83%	-	-	Belgium

33. Events after the reporting period

The current conflictual situation between Russia and Ukraine has escalated rapidly. At the time of writing, circumstances are still too volatile to correctly assess the impact of the hostile activities and the consequences of existing and potential future sanctions. Obviously, the necessary measures have been taken with regard to both country risk classifications and the associated cover policy. Since the end of February 2022, Credendo has been 'off cover' for risks related to cross-border trade transactions with Belarus, Russia and Ukraine. As at today, no other substantial business interruptions or significant declines in sales or operating cash flows have been noted.

The conflict between Russia and Ukraine is to be considered a non-adjusting event that does not affect the consolidated financials as at 31 December 2021 because:

> the invasion of Ukraine was a specific, defined event which occurred on 24 February 2022, i.e. after the end of the reporting period, and the significant economic sanctions imposed, as a coordinated package by the international community, were a direct response to that invasion; and

> this event, combined with the letters of comfort provided by Credendo – Export Credit Agency to its subsidiaries Credendo – Short-Term Non-EU Risks and Credendo – Guarantees & Speciality Risks, does not, in the view of the Board of Directors, lead to an immediate going-concern issue for both of the above-mentioned, nor for other subsidiaries, in particular for Credendo – Ingosstrakh Credit Insurance, held through Holding CIS.

For Credendo's Russian subsidiary, the Board of Directors believes that the going-concern assumption is still appropriate based on the following arguments. For now, the operational results of Credendo – Ingosstrakh Credit Insurance remain in line with expectations. By the end of March, the insurance premium level had exceeded the budgeted first-quarter target by 44%. The quarterly net earnings also are substantially above budget, driven by growing revenues and a limited net loss ratio. Consequently the local statutory solvency ratio as at 31 March 2022 remains very strong.

The 2022 reinsurance treaty commitments taken before February 2022, have passed all compliance tests and were duly signed off by all reinsurers. Also, looking beyond the next 12-month period, local alternatives are already under consideration. Furthermore, it is worth noting that over 60% of insurance premium revenue is generated in the pharmaceutical, food and consumer electronics sector – sectors that are currently not subjected to international sanctions. At the moment, based on the sanctions currently imposed, the above-mentioned elements provide no clear material indication nor any commercial justification to cease activities and stop supporting the strongly reduced activities of mainly Western companies still operating in Russia.

Details on the run-down in real exposure of Credendo – Ingosstrakh Credit Insurance are listed below under the general section. Even though the current decrease in exposure is the result of the actual measures taken, which will be continued for as long as needed, we do expect real exposure to further diminish through attrition of insured transactions.

However, as a result of the ongoing crisis, Credendo – Ingosstrakh Credit Insurance is faced with the following additional risks and uncertainties:

> there is a risk that the EU or the Belgian state decide to enforce more severe sanctions against entities with operations in Russia, which will no longer allow the continuance of normal operations, and hence that operating activities are to be ceased;

> there is also a risk that the Russian government imposes counter sanctions towards subsidiaries of foreign groups; and

> depending on the evolution of the current situation, Credendo – Export Credit Agency might be facing reputational risks for which a forced disposal of Credendo – Ingosstrakh Credit Insurance might be required.

Therefore the Board of Directors is of the opinion that the potential outcome of the above-mentioned risks results in an important uncertainty with respect to going concern for Credendo – Ingosstrakh Credit Insurance. Considering that the weight of the Russian entity's assets only amounts to 1.5% of the total group assets and that the net asset value of Credendo – Ingosstrakh Credit Insurance represents not more than 0.7% of the group's total equity, this uncertainty does not create a signicant risk to the valuation of the assets and liabilities included in these consolidated financial statements, that may be impacted by a potential going-concern issue of Credendo – Ingosstrakh Credit Insurance. As a result, the users of these consolidated financial statements should not be influenced in their decision-making process in case the going concern of Credendo – Ingosstrakh Credit Insurance would no longer be satisfied.

Real exposure was calculated on a best-effort basis at the end of 2021. Gross exposure to Russia of EUR 3.2 billion represented 7.3% of the consolidated real exposure at the end of 2021. The net amount after cession to reinsurance is equal to EUR 2.1 billion. It should be underlined that the rouble equivalent of EUR 2.1 billion (at the exchange rate of 31 December 2021 and equal to EUR 890.0 million net of reinsurance) of this exposure is related to domestic credit insurance by the Russian subsidiary. At the beginning of April 2022, this local exposure had already been reduced by 36% to EUR 1.3 billion at the exchange rate of 1 April 2022 (EUR 569.7 million net of reinsurance). So far, cross-border payments are still coming in from Russia for past deliveries.

At the end of 2021 the Ukrainian and Belarusian shares in the consolidated real exposure stood at respectively 0.4% (EUR 220.6 million) and 0.1% (EUR 51.1 million). The Ukrainian real exposure has decreased by 45%, to EUR 120.8 million, since that date, whilst exposure on Belarus decreased to EUR 34.0 million or 34% as at 1 April 2022. For Credendo – Ingosstrakh Credit Insurance real exposure went down from EUR 19.3 million at the end of 2021 to EUR 9.9 million (EUR 4.5 million net of reinsurance) at the end of March 2022 for Belarus, and from EUR 2.5 million to EUR 0.7 million (EUR 0.3 million net of reinsurance) for Ukraine respectively.

Credendo monitors the situation on a daily basis and continues its impact assessments to ensure that, complying with the sanctions imposed, all steps are taken to secure the continuity of the business. Together with our reinsurers we also gauge how to safeguard current and future cash flows, taking into account the financial obstacles in terms of sanctions imposed on SWIFT for some targeted Russian banks and the further depreciation plus reduced convertibility of the Russian rouble on top of already existing sanctions.

Although there is every likelihood that Credendo will potentially incur a top-line impact and make provisions for the risk deterioration of the countries concerned, it is too soon to quantify the financial damage at this stage. It is also too early to quantify the indirect impact of the sharp rise in for instance energy prices, inflation or additional supply chain disruptions on insured exposure. However, Credendo is already strengthening its defence against the increased level of cyberthreat.

Other serious concerns come from the major subsidiaries Credendo – Short-Term Non-EU Risks and, to a much lesser extent, Credendo – Guarantees & Speciality Risks. Credendo – Export Credit Agency will do its utmost to ensure that the operational entities are able to meet all legal and operating obligations to safeguard their business continuity, taking into account the current geopolitical context. Credendo – Short-Term EU Risks' real exposure to the three countries concerned is limited. With a pending capital contribution of EUR 4.0 million as per the contribution agreement of 18 December 2018, the going concern is properly secured.

Concerning the financial investments, it is clear that the volatility of the financial markets will have a negative impact on the investment portfolio performance, at least in the short term. However, the vast majority of Credendo's investments is concentrated in the Zephyr investment fund. Its benchmark mandates (55%) are protected by a Dynamic Risk Overlay which is already limiting the unrealised capital losses. The target volatility mandates (45%) are inherently covered through a maximum risk budget.

As mentioned before, thanks to its very solid balance sheet, its current liquidity and its strong solvency, Credendo continues to stand firm against the economic and geopolitical challenges ahead. Moreover, parent company Credendo – Export Credit Agency is operating under a state guarantee. Consequently, the risk that the current crisis would lead to a going-concern issue for Credendo – Export Credit Agency is limited.

After the reporting period, no further events have occurred that could have resulted in a material impact on the reported figures as at 31 December 2021.

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