CREDENDO

Annual Report 2022

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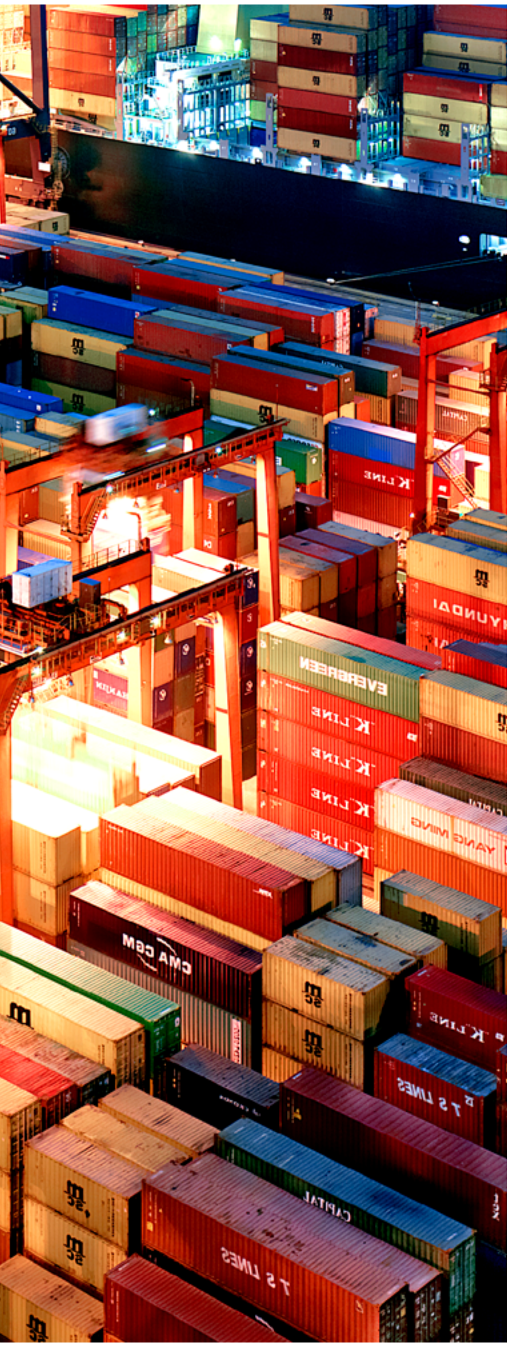


Message from the Chairman and the Chief Executive Officer

At Credendo we maintained our support for businesses in 2022 while navigating the negative impact of the Russia-Ukraine war on the global economy.

The year 2022 was a difficult year for Credendo with the Russian invasion of Ukraine acting as a catalyst for a multitude of problems afflicting the global economy.

Unfortunately, the wider ramifications of the war had a negative impact on our claim volumes and on our cautious provisioning, and resulted in Credendo posting a loss for 2022 – despite our annual results showing good underlying performance across most divisions.

As the EU and the USA tightened sanctions on Russia, any new business in Russia and Ukraine ground to a halt in February. The run-off of all credit insurance and reinsurance contracts concluded before 24 February 2022 was fully completed at the end of December 2022. We also decided to completely exit the Russian market through the sale of our Russian subsidiary – a joint venture with Russian insurer Ingosstrakh, set up in 2009, in which we have a 67% stake. The sale process is ongoing.

Our exit from Russia has affected the presentation of our 2022 results. IFRS standards require us to separate all the line items in the income statement and balance sheet related to Credendo – Ingosstrakh Credit Insurance's operations and place them under 'profit/(loss) from discontinued operations' and under 'assets/liabilities held for sale and discontinued operations' respectively. The 2021 income statement has also been restated accordingly.

The conflict not only affected our direct business in the region, but also had multiple repercussions on the global economy and political risks. Global economic and financial conditions deteriorated fast. Europe landed in an energy crisis, the global economy experienced a slowdown, inflation levels rose, and we saw a sharp monetary tightening. The end of cheap money combined with record-high debt levels and weakened macroeconomic fundamentals for many countries, paved the way for a potential wave of debt distress and restructuring. As we predicted in our introduction in last year's report, this has further damaged emerging markets' government finances.

Against this difficult backdrop, we've seen countries begin to default on their debts. Ghana's failure to meet its debt obligations in December 2022 had a significant negative impact. Our volume of claims hit EUR 235.7 million last year, compared to EUR 11.2 million the previous year after restatement. In terms of provisions, Ghana's foreign debt suspension together with provisions made for Russia, Ukraine and Belarus account for almost two thirds of the claims charge. Our net loss ratio stood at 73.2% this year compared to 11.9% in 2021.

Our operating expenses were also higher last year due to inflation and higher commission for brokers because of increased premium volumes. Given the financial-market turmoil, our net financial income stood at a loss of EUR 202.7 million compared to a gain of EUR 124.4 million the previous year.

This challenging environment resulted in an overall loss of EUR 271.5 million last year, compared to a profit of EUR 209.5 million posted in 2021.

However, there were signs of an underlying good performance in the numbers. If we look at insurance premium revenue, it increased to EUR 370.2 million, compared to EUR 319.2 million (after restatement) in 2021. Our equity base stands at a healthy EUR 2.7 billion.

Despite losing the Russian and Ukrainian markets, our whole turnover short-term insurance business grew by 15% in 2022. Other product lines including the excess-of-loss, reinsurance and surety business, performed well in 2022 and are expected to grow into 2023.

Other bright spots in a tumultuous year include the publication of our new Fossil Fuel policy – for the energy transition from fossil fuel to clean energy – which limits our support to projects involving fossil fuels, as well as the launch of our Credendo Green Package – a package of financial incentives to encourage projects that have a positive environmental impact.

With the launch of our Credendo Green Package, we are clearly demonstrating that environmental, social and governance (ESG) standards lie at the very heart of our strategy for the coming years. While in the short term we may lose out on the financial benefits of supporting the fossil fuel sector, in the long term we see a wealth of opportunities as the world transitions to greener energy.

In 2022 we were also relieved to have fully shaken off any lingering impact of Covid-19, with the majority of provisioning put in place during the pandemic being released.

Our new SAP-based IT platform was finally launched over the last year and is set to improve our operational capabilities.

Looking ahead, we will remain alert to the continuing global economic and geopolitical problems. The Russia-Ukraine war inevitably rumbles on for now and the state of many emerging markets' government finances – particularly those in Africa – are becoming increasingly perilous.

However, we will ride out these challenges balancing the trade ambitions of our clients with our prudent risk underwriting.

We are secure in the knowledge that despite uncontrollable global factors affecting our activities – we have a strong, sustainable underlying business that can weather the challenges ahead.

Vincent Reuter,
Chairman of the
Board of Directors

Dirk Terweduwe,
Chief Executive
Officer

+10%
value of transactions insured (year-on-year)

EUR 235.7 million
volume of claims
(vs EUR 11.2 million in 2021)

"We are secure in the knowledge that despite uncontrollable global factors affecting our activities – we have a strong, sustainable underlying business that can weather the challenges ahead."

Dirk Terweduwe,
Chief Executive
Officer

Vincent Reuter,
Chairman of the
Board of Directors

Presenting Credendo's strategy update: Rise 2022-2024

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

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.

Rise 2022-2024

Grow and improve in a sustainable way

In 2022, our efforts at Credendo were focused on three key elements, which we brought together in our strategic tagline:

Grow

- Credendo – Short-Term Non-EU Risks and Credendo – Short-Term EU Risks obtained A ratings from S&P Global.
- Credendo – Export Credit Agency's AA rating and Credendo – Guarantees & Speciality Risks' A- rating were maintained.
- We report solid financial results across all business lines.
- Our S&P Global ratings not only demonstrate the strength and stability of Credendo's position in the market, they also allowed us to support more customers in different geographies. In 2022, we supported EUR 104 billion worth in transactions and we had a total potential exposure of EUR 73 billion. We achieved all this with 527 people and a premium income of EUR 370 million.

Improve

- We launched our new customer and operational ICT-platform for Credendo – Short-Term Non-EU Risks.
- We optimised our internal processes to better serve our clients, to provide modern solutions and to guarantee the best expertise. By doing so, we took ourselves and our clients another step closer to a new digital future within our industry.
- We invest in employee training to help our staff refine their skills.

In a sustainable way

- CO2logic renewed our 'CO2 Neutral' label.
- We had no less than 134 solar panels installed on the roof of our headquarters in Brussels.
- At Credendo – Export Credit Agency, we developed incentives – gathered in the Credendo Green Package – to support projects and companies that have a positive impact on the environment.
- After having already ended our support for coal-fired power generation plants, we adopted a policy regarding public support for the energy transition from fossil fuels to clean energy. This policy was published in July 2022 and came into force on 1 January 2023.
- We approved an ambitious integration of ESG criteria in our financial investment portfolio, which we will implement from now on. Besides the integration of ESG scoring, we will create a specific fund to invest in clean energy projects.
- We truly believe in sustainability, and we used 2022 to redefine ourselves. We not only supported ESG-related activities, but we went the extra mile with an active contribution to a better world for tomorrow.

Highlights of the year

We have faced a tough year with Credendo, shaped by the Russia-Ukraine war and its negative ramifications on global supply chains and the financial stability of some emerging markets. We rose to numerous challenges with the swift adaptation of our risk policies and close monitoring of certain regions. We also made significant strides forward in our sustainability strategy.

The invasion of Ukraine by Russia in February 2022 not only had an immediate impact on our business in the region, it has also had wide-reaching ramifications across our operations.

We went off cover for Ukraine, Russia, and Belarus at the end of February 2022, in line with the situation on the field and the US and EU decision to impose tougher sanctions on Russia and Belarus. We then swiftly reviewed our risk exposure and increased our monitoring of risks, with our exposure in the region decreasing every month.

We are also in the process of relinquishing our Russian subsidiary – a joint venture with Russian insurer Ingosstrakh set up in 2009 in which we have a 66.67% stake. A sales process in order to exit the Russian market is ongoing.

However, the conflict has had an impact far beyond the borders of Russia and Ukraine. With both countries being major suppliers of grains, other agricultural produce and a number of raw materials, as well as Russia's significant share in the global oil and gas market, supply chains around the world have been disrupted.

Many countries such as Egypt and Tunisia depend on imports of wheat and other cereals from these markets, and have faced disruptions in supply, rising costs and an urgent need to diversify their sources for imported goods – all of which pose a threat to a country's financial health.

The energy crisis witnessed in Europe last year has fuelled global inflation, leading the world's major central banks to hike up interest rates to counteract the cost-of-living crisis.

These major shifts in the global economy, coupled with the lingering impact of the Covid-19 disruption, have destabilised economies worldwide and in particular in many emerging markets. We already saw Zambia default on debt repayments in 2020, while Sri Lanka failed to make repayments on foreign debt last May.

Last December, we decided to go off cover on Ghana after the country had suspended payments on most of its external debt.

Other countries are also likely to struggle to meet debt obligations as they face increases in interest rates and rising costs of imports. In light of the increasing level of risk worldwide, we continue to closely monitor emerging markets.

Sustainability and the environment

We made two major steps forward in our efforts to improve our impact on the environment last year.

We published our new Fossil Fuel policy in 2022, which came into effect on 1 January 2023. The extensive policy document outlines how we will limit our support for fossil fuels while aiding the global shift towards clean energy.

As of the beginning of 2023, we are no longer supporting any applications for cover for the exploration of new gas and oil fields. We had already ceased our support for new coal mines from November 2021, and under this latest policy, applications for the expansion of existing coal mines are also excluded from Credendo cover since 1 January 2023.

As the world still requires some degree of energy from fossil fuels during this time of transition to greener energy sources, we will still be able to support applications for cover on oil and gas fields where production started before 2022 – under certain conditions.

We also launched our long-awaited Credendo Green Package – a package of initiatives designed to incentivise the development of climate-focused, environmentally friendly and sustainable projects.

The package aims to provide favourable coverage terms to projects that directly or indirectly have a positive impact on the environment. Incentives include lower thresholds for Belgian content in a transaction, a higher covered percentage of the transaction, an extension to domestic transactions with export potential, an increase in funds to self-finance transactions with an increased maximum amount, and longer repayment terms.

After receiving positive feedback from business federations and trade agencies in May 2022, the programme was officially launched last October. By November, we signed our first Credendo Green Package transaction for a photovoltaic project that uses sunlight to generate electricity. In total, ten transactions have qualified for Credendo Green Package support in 2022, with three contracts signed at the time of writing.

These two initiatives aim to ensure that we fulfil the commitments Belgium made under the COP26 Statement on International Public Support for the Clean Energy Transition, signed in November 2021 in Glasgow.

The country pledged to end new direct public support for the international fossil fuel energy sector by the end of 2022, with some exceptions which still require the project to be consistent with the 2016 Paris Agreement. This agreement requires its signatories to work towards net-zero greenhouse gas emissions by 2050 and to try to limit global warming to within 1.5 °C of pre-industrial temperatures.

Our updated fossil fuel strategy further supports Belgium's participation 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 plans afoot to change the lighting at our Brussels headquarters from traditional to more energy-efficient LED lighting. This move follows previous initiatives to install solar panels and ensure company cars within the car pool are hybrid models.

Such efforts will help us maintain our 'CO2 Neutral' label granted by the environmental consultant CO2logic for the third time in early February.

Internal organisation

Following the gradual lifting of Covid-19 restrictions in Belgium around March-April 2022, we shifted out of 'crisis mode' and back to a more 'normal' way of working by May. However, we have retained a structure that allows for more remote working compared to pre-Covid days, with our staff allowed to work from home for a maximum of three days per week.

With the return to more office-based working, we also took measures to enhance employee interaction and foster greater group cohesion, after a number of years of staff being relatively isolated from each other.

We hosted a team-building event in June 2022 which culminated with a belated celebration of our 100th anniversary. Most of the in-person centenary events planned for 2021 were postponed due to Covid restrictions.

2022 also saw the launch of the long-awaited new SAP-based IT platform which will improve our operations. The platform has initially been launched for Credendo – Short-Term Non-EU Risks, before being extended to other areas of the business.

New products

Together with the release of the Credendo Online application at the beginning of May 2022, Credendo – Short-Term Non-EU Risks launched the new Credendo Global Flex product.

Credendo Global Flex is a flexible comprehensive policy and will serve as a common product for all entities in our multi-risk business. The layout of the new specifications list immediately gives our insured a complete view on their cover in a structured way, focusing on all aspects specifically agreed on with the insured.

This means the specifications list can be used as a quick point of reference for daily operational needs. The general principles on the functioning of the policy are included in the general terms and thematic extensions to the general terms.

Board of Directors

Our new Board of Directors has juggled numerous market-changing challenges this past year, not least with the invasion of Ukraine by Russia taking place a few days after the official appointment of the Board on 21 February 2022.

Members typically stay for five years, but due to the retirement of Claire Tillekaerts, Pascal Walrave will be replacing her as the representative of the Flemish regional government.

Innovation and strategy

We are currently one year into our three-year strategy known as 'Rise' which outlines our vision for 2022 to 2024. The plan is to organise the company according to business lines with the client's needs being prioritised.

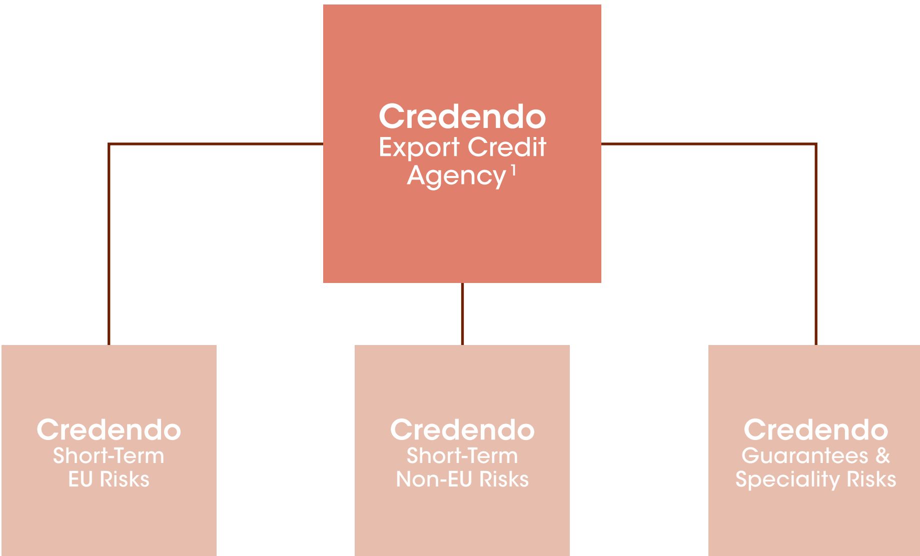
We continue our innovation efforts within Credendo via AREA42. AREA42 started in 2019 after a first proof of concept. Since then, it has launched a successful trade integration platform, has participated in a promising trade-related services company, is launching a new trade service and continues working on many other innovating ideas.

The overall goal of all these initiatives is to create a fluid and risk-savvy trade environment.

AREA42 is not doing this alone. It cooperates directly with potential clients and closely with entrepreneurs interested in solving trade hurdles. This proves to be a fertile ground for problem detection and solution generation.

Credendo's group structure

Credendo is headed by parent company Credendo – Export Credit Agency and the group has three subsidiaries and sixteen branches, spread over twelve 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. Following the invasion of Ukraine by Russia, it has been decided to exit the Russian market by selling our stake in Credendo – Ingosstrakh Credit Insurance. This process is ongoing.

Beyond traditional credit insurance

At Credendo we provide 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

We provide 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. We also offer 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

Additionally, we offer 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. Our 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 – Export Credit Agency participates in international trade credit facilities (Unfunded Risk Participation) or in traditional trade finance instruments (mainly LCs) 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.

Surety to create new business opportunities

By means of a wide range of surety bonds and guarantees, we help our clients secure their performance and support their business development, both locally and internationally. Our 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.

Reinsurance solutions

We provide 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, we help mitigate risks and reduce volatility in our 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 LC confirmations				x		x	x	x
REINSURANCE								
Inward reinsurance of credit, surety and political risk						x	x	x

Serving customers for more than a century

Credendo is the world's second-oldest public credit insurer. Since it was founded in 1921 our company has grown to become the fourth largest European credit insurance group and to 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.

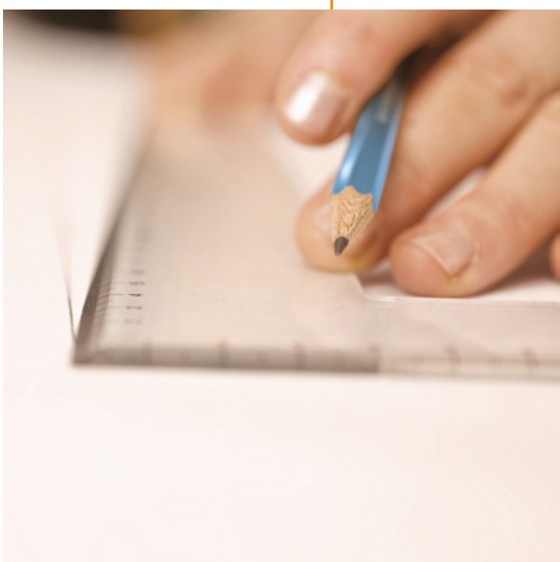
2005

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

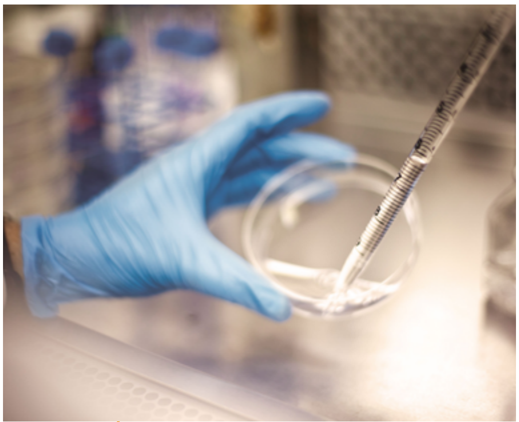
2006

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 three subsidiaries it also heads a European credit insurance group present in thirteen European countries."



2007

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

2009

Credendo – Export Credit Agency sets up the Russian joint venture Credendo – Ingosstrakh Credit Insurance with Ingosstrakh. **Credendo – Ingosstrakh Credit Insurance** specialises in covering credit risks related to domestic and international transactions on the Russian and CIS market[2].

2013

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

2017

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

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

2021

Credendo celebrates its **centenary** and 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.

2022

Credendo – Export Credit Agency launches the **Credendo Green Package** and publishes its policy for the transition from fossil fuels to **clean energy**.

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.
2. Following the invasion of Ukraine by Russia, it has been decided to exit the Russian market by selling our stake in Credendo – Ingosstrakh Credit Insurance. This process is ongoing.

Prudent provisioning pays off in difficult year

Careful risk selection and conservative provisioning are key to Credendo's risk management strategy and have helped us weather the economic and geopolitical turbulence of the past year.

The effective management of risks lies at the heart of Credendo's business – whether it comes to working out how to support clients in new and unknown markets or managing our own level of risk exposure to ensure the long-term financial health of our company.

The 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. The underwriting risk also includes catastrophic risks linked to extreme or exceptional events taking place in a specific sector or country.

The past year has tested our approach to risk management due to the invasion of Ukraine by Russia and the ensuing financial instability in many emerging markets. Indeed, in February 2022 we immediately went off cover for Russia, Ukraine, and Belarus. Yet, given the level of global turbulence, the risk-based models we use to assess risk have proven resilient.

Typically, following a decision to underwrite a risk, we closely monitor the three dimensions of credit risk: country risk, sector risk, and debtor risk. We avoid a too large concentration on single counterparties by putting caps on the maximum exposure we want to take for a country and debtor for example, and we cede a proportion of our underwritten exposure to the reinsurance market. Pricing is affected by the debtor, country, and sector risk ratings. The insurance premium is consistently higher if the risk is rated higher.

We continually monitor country and sector risks and we run our short-term political risk models at least on a quarterly basis. We also regularly review our debtor risk. This high level of monitoring ensures that we can anticipate if and when there is a situation emerging that would mean our premiums would not be sufficient to cover potential losses and expenses.

If a deterioration in the risk is identified since it was first underwritten, prudence requires us to take some provisions.

We are typically fairly conservative in our approach to provisioning so that our provisions are sufficient to cover any potential losses within our current portfolio. In the first quarter of 2022, we conducted a lot of provisioning following the invasion of Ukraine. Yet, as our risks in the region started to expire each month, we saw we had been overly prudent and reversed a substantial proportion of our provisions.

Similarly, when Ghana defaulted on its external public debt last December, we conducted a substantial provisioning exercise. We will closely monitor developments in 2023 to see if we need to adjust our provisioning at a later date.

To assess whether our provisioning decisions are adequate, we conduct a variety of stress testing. We also conduct liability adequacy testing which estimates what our 'best estimate' provision should be. What we often find is that these 'best estimates' are usually lower than what we have actually placed in our accounts – which further illustrates our prudent approach to provisioning.

Rising emerging-market risks

Besides Ghana's failure to meet its public debt obligations, we have seen the financial health of many other emerging markets deteriorate as well over the past year.

The energy crisis alongside rising global inflation has undermined the liquidity and, to a lesser extent, the solvency of many countries – particularly those reliant on imported oil or agri-goods.

Countries with weak macroeconomic fundamentals, relying on raising money on the global financial markets, have also been particularly hard hit, following central bank decisions in the eurozone and USA to hike up interest rates.

Even if Ghana is an oil exporter, it was its very weak public finances and its reliance on global financial markets that contributed to the country's decline.

Over the last year, we have downgraded the ratings of a number of countries, including the MLT political risk of Egypt – which is now in risk category 6/7.

The application of a category 7/7 would see a country become off cover for Credendo support. We expect that there is a high likelihood of more force majeure events such as a shortage of foreign-exchange reserves or a default.

This deterioration of emerging-market risks has inevitably affected our appetite regarding which new risks we want to underwrite, and our provisioning decisions related to existing risks.

ICT & climate change risks

Over the past year, Credendo has seen increased regulatory scrutiny on a number of new risks we have already been busy incorporating into our risk models.

Information and Communication Technology (ICT) risks and the potential for an increased number of cyberattacks on businesses and governments are particularly high on the agenda, given the EU's approval of its Digital Operational Resilience Act (DORA) last November.

The legislation sets out standardised ICT security requirements for EU-based companies – including Credendo and its subsidiaries – working in the financial sector.

The EU-level legislation will now be incorporated into individual EU member states' national laws, and businesses will be required to meet the set criteria by January 2025.

Climate change risk is another important area receiving increasing focus from EU regulators. There are plans afoot to create new regulations and amend existing rules – such as changes to national adaptations of the Solvency II framework – which integrate climate change and sustainability risks.

Climate change risk is particularly relevant to our long-term business – where transactions can be up to ten years or more. We already integrate vulnerability to climate change within our country risk and sector risk assessment models.

However, new regulations require us to assess the materiality of exposure to climate change risks and to perform stress testing on our current underwritten business as well as reviews of our climate change risks embedded in financial investments. This will be an area we will continue to work on in 2023 and beyond.

Internal organisation

Risk management is embedded in Credendo's entire governance system. Last year, we improved our risk management and validation framework that will be rolled out and implemented throughout the group. Looking forward, we will further automate our credit risk assessment models so we can integrate them more smoothly into our overall underwriting process.

Managing risk in a global energy crisis

Geopolitical risks have been on the rise and reached a new high with the conflict in Ukraine – the dominant risk in 2022. The conflict had multiple repercussions on the global economy and political risks. Global economic and financial conditions deteriorated fast. Europe landed in an energy crisis, the global economy experienced a slowdown, inflation levels rose, and we saw a sharp monetary tightening. The end of cheap money combined with record-high debt levels and weakened macroeconomic fundamentals for many countries, paved the way for a potential wave of debt distress and restructuring.

War in Ukraine: a significant political risk

On 24 February 2022, a geopolitical earthquake shook up political risks in Europe when Russia started a war against Ukraine. The return of a major conflict in Europe has had many repercussions and raised risks of various kinds. It is a game changer. First, it unified EU states, brought US and EU allies closer to each other, and accelerated the fragmentation of our world order on political, security, economic, technological and monetary sides – e.g. China's no-limit partnership with Russia, and Iran's weapon supplies to Russia. Far-reaching EU and US sanctions against Russia's energy and financial sectors amplified this trend as many emerging countries increased their trade with Russia. Since they were using alternative payment systems and currencies, this weakened the US dollar hegemony in trade and capital flows. The new multipolar world shaped by a US-led and a China-led bloc promises to be more volatile, risky and costly, and to fuel lasting shifts in (de)globalisation. Sharp US restrictions on chip exports to China and a deepening cooperation between non-Chinese chipmakers illustrate this trend. A second consequence of the war in Ukraine was obviously that it raised security risks and highlighted rising global geopolitical risks for the future. Its full fallout remains uncertain as it depends on the geographical extent beyond Ukraine, the brutality and the duration of the war.

Taiwan is the other main worrying geopolitical risk. During the summer of 2022, China made unprecedented, intense military drills around Taiwan following US house speaker Pelosi's visit to the island. As tensions have escalated, those live exercises can be interpreted as a rehearsal for a potential future invasion, which could have a huge global political and economic impact. The record number of missile launches in North Korea, worsening security risks in the Sahel, heightened tensions in some Balkan countries and the first long landslide protests in decades against the mullah's regime in Iran were the other major (geo)political risk events of 2022.

The war in Ukraine has had a major impact on the global economy. It has led to an energy crisis, which was particularly acute in Europe – given its reliance on shrinking Russian gas supplies – and challenging for European companies' competitiveness. Moreover, the conflict raised commodity prices and brought inflation to high levels worldwide, which triggered a rapid and strong synchronised monetary tightening in the USA, Europe and many emerging countries. At the same time, China's continued zero-Covid policy and real estate crisis harmed the world economy and global supply chains. In this overall context of inflation and slowdown, corporate costs went up and investment decisions fell, whereas household consumption soared because of the high cost of living.

PASCALINE DELLA FAILLE,
Country and Sector Risk Manager at Credendo

"The Russia-Ukraine conflict raised commodity prices and brought inflation to high levels worldwide, which triggered a rapid and strong synchronised monetary tightening in the USA, Europe and many emerging countries."

Even though global GDP growth halved in 2022, the Middle East and North Africa (MENA) was the only region to perform more strongly thanks to high hydrocarbon prices. Europe and the CIS countries – the ones most affected by the conflict in Ukraine – recorded the weakest regional results.

In many emerging and developing countries, high fuel, food and fertiliser prices widened food insecurity, and instigated social protests and political instability. Indeed, governments had ever less room for manoeuvre as their public finances, borrowing capacity and external debt servicing were harmed by higher interest rates and a stronger US dollar. The heightened risk of a public debt crisis amid persisting record-high debt levels and deteriorated macroeconomic fundamentals after two major global shocks, led several countries (such as Sri Lanka and Ghana) to default on their sovereign debt. Ukraine, Russia and Belarus also defaulted but for other reasons.

Looking ahead, a wave of defaults in the public sector – as well as in the private sector – is to be feared in the coming years. This is also explained by the fact that many countries – to support their weakening economy or to prevent a default – have sought IMF assistance. However, IMF support is made conditional on debt restructuring if the return to long-term debt sustainability is not guaranteed. Therefore, long and complex public debt restructuring negotiations are to be expected. Limited or slow progress witnessed over the past years in the context of the Common Framework for debt treatments beyond the DSSI – whether referring to the G20 Debt Service Suspension Initiative (Chad, Ethiopia and Zambia) or not (Sri Lanka and Suriname) – demonstrates the high challenges expected for the many countries that might fall into debt distress. Those difficulties lie mainly in the broad diversity of creditors, particularly the high share of private creditors and large emerging countries, especially China.

In what increasingly looks like a polycrisis world, 2022 showed how much climate change is part of it. It was indeed another record year with higher temperatures and more extreme natural disasters across all regions, from heatwaves and droughts in Europe and China to floods in Pakistan and Brazil. In itself and by exacerbating other risks – such as the energy crisis and food insecurity – the intensification of climate change will continue to be a dominant and permanent political risk for the global economy.

Evolution of Credendo's country risk classifications

General trend for MLT, ST and business environment risk ratings in 2022

While 2021 was a year of recovery in risk ratings as the Covid-19 pandemic impact waned, the war in Ukraine was a new big shock affecting risks worldwide. The impact was mostly negative for the short-term (ST) political risk as 24 downgrades were recorded – among which Georgia, Belarus, Ukraine and Russia by more than one notch. The highest number of downgrades was seen in Sub-Saharan Africa (7 countries) as liquidity eroded due to higher food and fuel imports. Sub-Saharan Africa was followed by the CIS region, with a wave of downgrades (6 countries) reflecting the fallout of the Russian-Ukrainian conflict, then by Asia (5 countries), Latin America and the MENA region (3 countries).

A total of eighteen upgrades (including 8 very small economies) was recorded, mainly in Latin America (12 countries), as many small Caribbean islands benefited from the recovery in tourism revenues, and some in Sub-Saharan Africa (3 countries). The business environment risk showed a more positive note as the number of upgrades (64 countries, including 18 very small economies) exceeded the number of downgrades (48 countries, including 10 very small economies). Indeed, the trend of partially reversing the tsunami of 2020 downgrades related to Covid-19 continued in 2022, underpinned by high commodity prices. This was particularly the case in Latin America (28 countries) and Sub-Saharan Africa (12 countries). Asia (12 countries) and the MENA region (8 countries) also displayed a good number of upgrades. On the other hand, the EU (17 countries, of which Estonia and Germany by 2 notches, and Lithuania by 3 notches) was hit hard by the war in Ukraine. Besides the CIS region (8 countries, of which Russia by 2 notches), also Asia (10 countries among which 5 small economies) and Sub-Saharan Africa (6 countries) recorded several downgrades, mainly due to currency depreciation and high inflation pressures.

As for the medium- to long-term (MLT) risk, the trend remains negative for the third consecutive year with seven downgrades against three upgrades. The fallout of the armed conflict in Ukraine explained the downgrade to category 7/7 for Ukraine, Russia and Belarus. Egypt, Ghana and Sri Lanka were indirectly affected too, as they saw the resulting high commodity and food prices and deterioration of global financial conditions exacerbate their macroeconomic imbalances. For country-specific

reasons, namely political instability and a worsened security situation, Burkina Faso was downgraded to category 7/7. Oman and Guyana on the other hand, were upgraded thanks to the favourable impact of higher oil prices on their economies. Moreover, Brazil was upgraded after years of gradual improvement in its macroeconomic fundamentals.

Asia

Although the Covid-19 pandemic in Asia eased during the year, China's continued zero-Covid policy kept it in the spotlight. Economic activity was disrupted by recurrent strict containment measures in large cities and the country ended up in a property crisis. These events brought China's real GDP growth to a 40-year low of 3%, i.e. under the regional average for the first time in decades (excluding 2020 due to Covid-19). However, as from December, Beijing decided to abruptly end this three-year-long policy after rare landslide protests. Outside Asia, economies slowed down amid a detrimental economic environment. Inflation picked up as a result of the war in Ukraine and led to a cycle of monetary tightening, also aimed to fight against currency depreciation pressure vis-à-vis a strong US dollar.

Externally, a weakening Western demand started to bite exports in a largely open region. South Asia was the subregion that was by far the most affected by the less favourable external climate. Greater vulnerability to more expensive fuel and food imports led to higher inflation levels, widening current account deficits, a sharper liquidity and currency decline, which resulted in sociopolitical instability. Sri Lanka and Pakistan were the biggest victims. The former fell into sovereign debt default – a unique case in Asia this century – due to unsustainable public debts and tumbled foreign-exchange reserves. The shortage of basic goods and a steep rise in the cost of living led to a deep economic and sociopolitical crisis. As a result, Sri Lanka was the only Asian downgrade (from category 6/7 to 7/7) for the MLT political risk in 2022. Even though it temporarily avoided a similar fate thanks to external financial support and a relatively less unfavourable macroeconomic situation, Pakistan shared most of Sri Lanka's risks. On top of that, Pakistan was hit by devastating floods causing huge economic losses. Hence, Pakistan's ST political risk rating was downgraded from category 4/7 to 5/7, while keeping a negative outlook on its MLT rating (category 6/7).

In the region, the ST political risk rating of other South Asian countries (Bangladesh, Bhutan and Sri Lanka) and of Mongolia was also downgraded. As for the business environment risk, the number of countries upgraded (7 – excluding very small economies) exceeded those downgraded (5 countries), reflecting the post-Covid economic and tourism recovery.

RAPHAEL CECCHI,
Country and Sector Risk Analyst
at Credendo

"Greater vulnerability to more expensive fuel and food imports ultimately resulted in sociopolitical instability. Sri Lanka and Pakistan were the biggest victims."

Latin America

After a strong economic recovery in 2021, Latin America continued its robust recovery despite global headwinds. The main reasons are higher commodity prices – for Central America as it consists mainly of food exporters, and for South America as it has diversified commodity exporters – and skyrocketing tourism arrivals on the Caribbean islands after a hiatus of two years. On top of that, global monetary tightening has not led to large capital outflows nor to large depreciation pressures as we saw in previous periods of rapid global monetary tightening. The quick and aggressive monetary policy tightening in the region – well ahead of the curve – while macroeconomic fundamentals are historically relatively strong, is the main explanation. On the downside, as in other parts of the world, inflation reached double digits in many countries and hit a 15-year high, triggering violent unrest amid pre-existing grievances such as high wealth inequality.

The ongoing economic recovery, in combination with strong-performing currencies, was reflected in a wave of 28 countries – mainly Caribbean islands – seeing an upgrade of their business environment risk ratings. Moreover, the jump in tourism revenues buoyed the Caribbean islands' liquidity, resulting in a wave of upgrades of the ST political risk ratings of twelve countries. Also oil exporters Mexico and Ecuador were upgraded amid higher current account revenues. On the downside, three countries were downgraded: Haiti was downgraded to category 6/7 due to a deteriorating security situation, while El Salvador was downgraded to category 5/7 as foreign-exchange reserves decreased to meet sovereign external debt service payments. Chile's ST political risk was downgraded to category 2/7 as an elevated current account deficit weighed on the country's liquidity. Besides, as macroeconomic fundamentals clearly improved in the past years in diversified commodity exporter Brazil, its MLT classification was upgraded to category 4/7, and Guyana – the world's newest oil producer – was also upgraded to category 4/7.

Looking forward, the opening of China in December 2022 will support commodity exporters. Moreover, inflation has reached its peak in the second quarter of 2022 in many countries, providing room for central banks to loosen their monetary policies. That being said, fiscal policies will remain in the spotlight with potential sovereign debt defaults. Public debt has reached high levels in many countries after Covid-19, while an angry population has been requesting more social spending. The extreme polarisation in Latin America will keep unrest high while climate change-induced natural disasters (more fierce hurricanes and droughts) might adversely affect economies.

LOUISE VAN CAUWENBERGH,
Country and Sector Risk Analyst at Credendo

"A foremost concern relates to bloated public debt stocks and high debt servicing costs resulting in a severe risk for sovereign default in a growing number of African countries."

Sub-Saharan Africa

Sub-Saharan Africa's economic recovery following the Covid-19 pandemic was disrupted in 2022 by internal and external shocks. Regional economic growth reached 3.6% in 2022. The economic impact of the war in Ukraine was mixed, as on the one hand the sharp rise in commodity prices in 2022 bolstered revenues for commodity exporters, while on the other hand the severe slowdown in global demand, high inflation and soaring external borrowing costs weighed negatively on the region's economic performance. Deteriorating terms of trade exerted downward pressure on local currencies, while the overall current account deficit widened and foreign-exchange reserve levels dwindled in many countries. Commodity importers, including the major East African economies and members of the West African Economic and Monetary Union (WAEMU) took the hardest hit.

Despite adverse global conditions, there were still more upgrades than downgrades in terms of business environment risk classifications for the region. This substantiates a slower yet ongoing recovery from the huge number of downgrades during the Covid-19 crisis. The balance for changes in the ST political risk classifications was nevertheless negative, with downgrades for countries like Ghana, Tanzania, Uganda, Mali and Burkina Faso. For the MLT political risk, Burkina Faso was also downgraded to category 7/7 and Ghana to 6/7, while we went off cover for the public sector.

Regional economic growth in 2023 is expected to reach 3.7%, weighed down by depreciated local currencies, high international borrowing costs and slow global demand. Limited fiscal policy space constrains governments' options for additional spending to deal with slow growth, social unrest (related to the higher cost of living) or unforeseen shocks. In 2023, global demand for Africa's resources will remain high, inflation should ease compared to the 2022 peak, yet domestic policy rates will remain elevated while access to international capital will be limited. A foremost concern relates to bloated public debt stocks and high debt servicing costs resulting in a severe risk for sovereign default in a growing number of African countries. Today, countries like Ghana, Zambia, Mozambique, Chad and Ethiopia are considered to be in default, while risks are high in for example Kenya and Nigeria. Other major 2023 risks are connected to tense election cycles, social unrest, spreading jihadist violence and food insecurity related to adverse weather conditions. Short-term pressure on external balances of payments and limited financial options will drive even more countries to seek IMF support in 2023.

Middle East and North Africa (MENA)

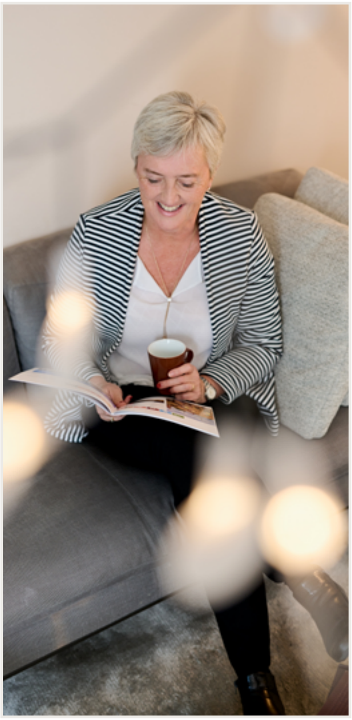
In 2022, the MENA region experienced its strongest economic performance in years. The economy grew by an estimated 5.4% in real terms. Main driver: the high hydrocarbon prices that supported economic performance and improved the fiscal and external balances of the many oil exporters in the region. Moreover, some countries, like Oman, used their higher hydrocarbon revenues to improve their fiscal standing and to step up their diversification efforts. Still, the positive regional performance hides important macroeconomic pressures and disparities across countries. While net oil exporters profited from a high oil price, net oil importers faced important pressures due to high commodity prices and tightening global financial conditions. This led to substantial pressure on fiscal balances and balances of payments in a context of vulnerable public finances for many countries (e.g. Egypt and Tunisia).

Overall, the region was also confronted with inflationary pressure, as the countries in the region are net food importers. Such inflationary pressure especially hit net oil importers with little fiscal space due to their limited buffers. In this context, the degradation of socioeconomic conditions, among other factors, has led to increased social discontent and unrest in some countries (e.g. Iraq and Tunisia). Moreover, many currencies in the region are pegged to the US dollar, so countries do not have independent monetary policies and simply follow US monetary decisions. Therefore, due to inflation pressure and tightening financial conditions in the US, many countries – such as the Gulf countries and Egypt – tightened their domestic financial conditions.

The divergent trends experienced by oil exporters and oil importers are reflected in the rating changes for 2022. In this context, eight countries were upgraded for the business environment risk – mainly oil exporters as their economies benefited from high hydrocarbon prices. Countries very vulnerable to fallouts from the war in Ukraine, such as Egypt and Tunisia, were downgraded. Important pressures on external balances from high commodity prices and tighter financial conditions also put pressure on liquidity, and as a result these two countries also saw their ST political risk downgraded. Oman, however, benefitting from higher hydrocarbon revenues, was upgraded. The same trend was observed for the MLT political risk. Given important macroeconomic imbalances exacerbated by the impact of the war in Ukraine and the very weak public finances, Egypt was downgraded from category 5/7 to 6/7, while Oman was upgraded from category 6/7 to 5/7.

Emerging-market (EM) Europe and CIS countries

The war in Ukraine is the first war on the European continent since WWII, and it has shaped economic and political developments in the region. The most impacted country was clearly Ukraine, which was downgraded to the worst country risk category (7/7) for its ST and MLT political risk. The conflict's economic repercussions are large and stretch out far beyond Ukraine, as the country is a major grain producer as well as an important producer of some specific products such as car parts and noble gases. Following the invasion of Ukraine, the EU and the USA imposed severe sanctions on Russia and to a lesser extent on Belarus. As a result, we downgraded the ST and MLT political risk of both countries to category 7/7. Russia's



real GDP contracted by 2.2% in 2022. Despite severe Western sanctions, the contraction of the Russian economy was lower than during the pandemic and in 2009. This is largely explained by Russia's very sound macroeconomic policy as well as the very high commodity prices. Despite the large trade and investment links between Russia and its neighbours, the CIS economies performed strongly. For energy exporters this was thanks to high oil prices, and for other countries thanks to the fact that they benefitted from the trade transit and Russian money inflows.

The ST political risk of Moldova – one of the most affected countries given its reliance on Russia for trade and energy – and Georgia was downgraded to category 5/7 as both requested EU membership and are likely to be hit in case of an extension of the conflict beyond Ukraine's territory. This is especially true for Moldova.

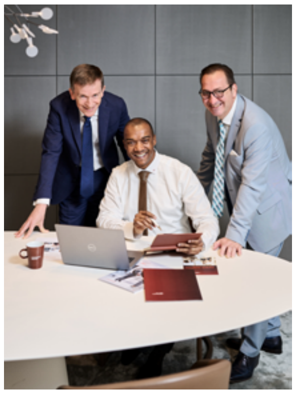
Whereas the war in Ukraine dominated the agenda, political tensions in other countries rose too, notably in the Caucasus, with heightened tensions between a heavily militarised Azerbaijan – an important gas producer – and Armenia in the Nagorno-Karabakh region. The year ended with an unresolved blockade of the only road to Nagorno-Karabakh. During the year, border disputes between Tajikistan and Kyrgyzstan led to numerous clashes while social tensions in the region were already high, as shown by the large wave of protests in Kazakhstan in January 2022. Turkey – a NATO member and maintaining a good relationship with Russia – mediated between Russia and the UN to put in place the Black Sea grain export deal. This deal allowed for a resumption of Ukrainian grain exports via the Black Sea. On the economic front, 2022 was again marked by very high real GDP growth in Turkey, while domestic and external imbalances are high (very high inflation, large current account deficit, weak liquidity), leaving the country very exposed to external shocks. Looking forward, 2023 will be marked by general elections in the country.

A European credit insurance group

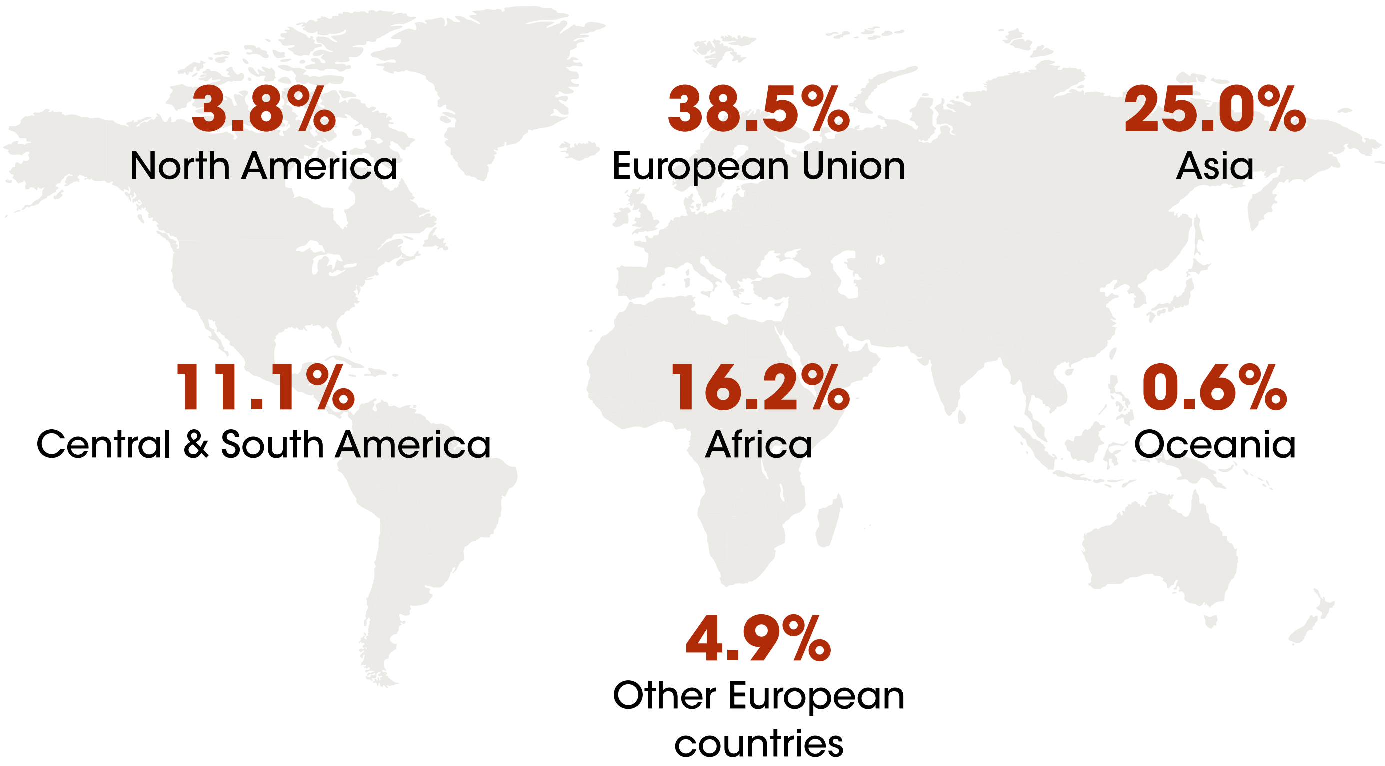
Activities and results

IN MILLION EUR	2022	2021	2020
Value of transactions insured during the financial year [1]	104,375.9	95,060.3	83,724.6
Total potential exposure	73,441.6	66,987.3	59,328.3
Insurance premium revenue [1]	370.2	319.2	334.0
Insurance claims and loss adjustment expenses [1]	235.7	11.2	255.0
Total profit/(loss)	- 271.5	209.5	-82.7
Total comprehensive income	- 265.8	217.8	-88.0
Total equity	2,671.2	2,937.1	2,719.4
Staff	527	520	550
RATIOS (IN %)			
Net loss ratio [2]	73.2%	11.9%	72.5%
Net cost ratio [3]	43.5%	41.8%	36.5%

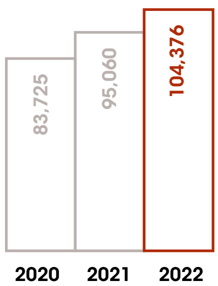
1. Before cession to reinsurers. Excluding Credendo – Ingosstrakh Credit Insurance for the years 2021 and 2022.
2. (Net insurance claims and loss adjustment expenses plus impairments on funded solutions) / net insurance premium revenue.
3. (Operating expenses minus other operating income and impairments on funded solutions) / net insurance premium revenue.



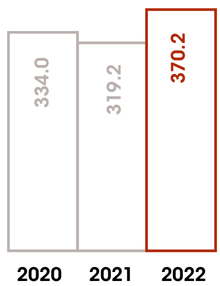
Geographical spread of risk exposure



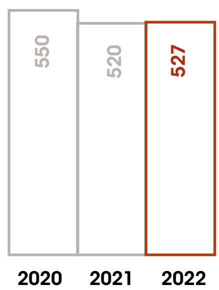
Value of transactions insured[1] (in million EUR)



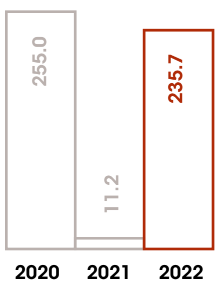
Insurance premium revenue[1] (in million EUR)



Staff (in units)



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



Total potential exposure (in million EUR)

Corporate governance

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

Credendo – Export Credit Agency

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Vice-Chairman

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

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

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Chairman

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Member

Georges STIENLET
Member

Executive Committee

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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

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Member

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Georges STIENLET
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Non-executive Director

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Member

Véronique LÉONARD
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Ronny MATTON
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Liesbeth SINKE
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Cécile COUNE
Member

Karin DOGUET
Member

Liesbeth SINKE
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Remuneration Committee

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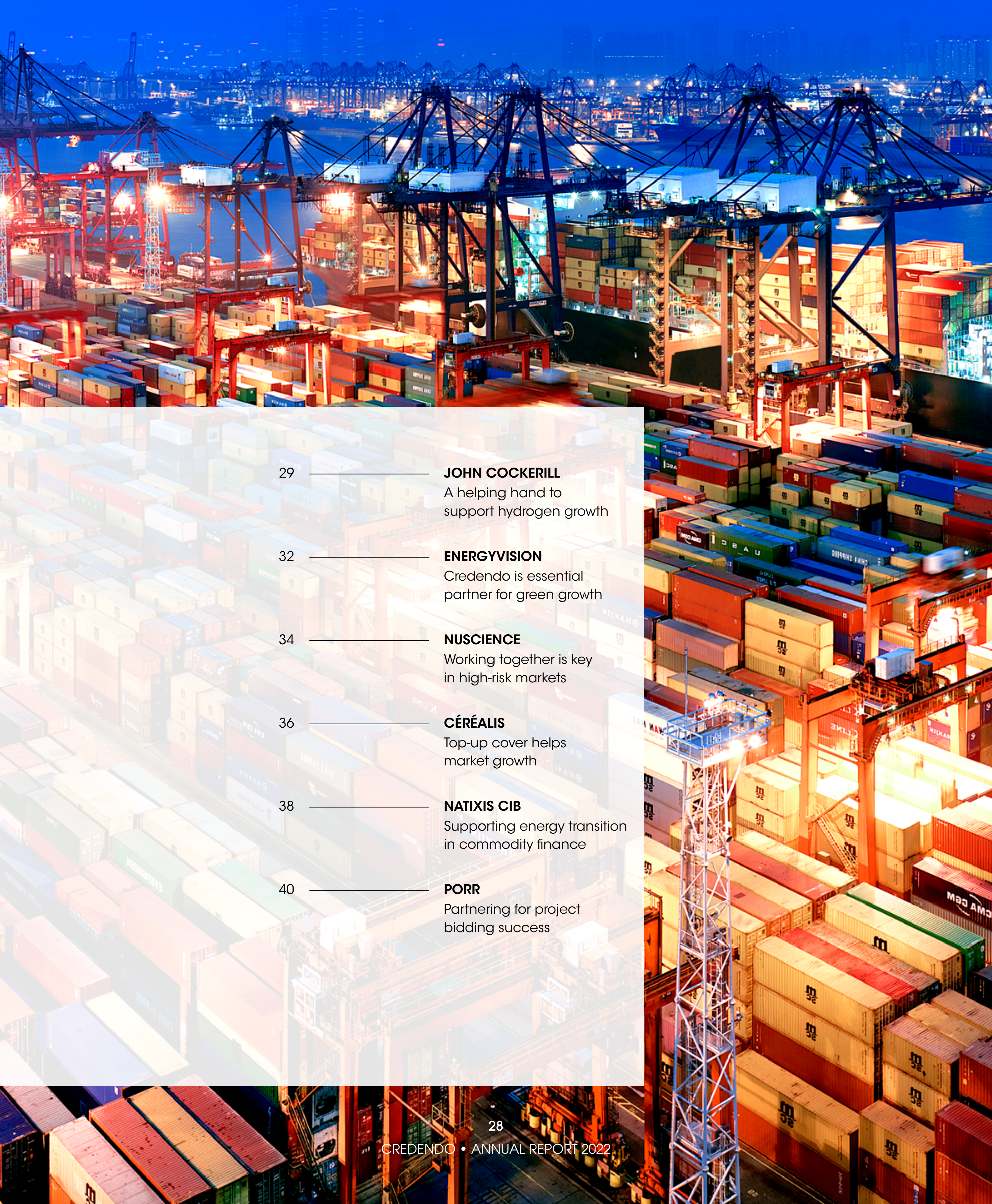

A helping hand to support hydrogen growth

JOHN COCKERILL

John Cockerill has positioned itself as a pioneer in the environmental technology sector supporting the global transition from fossil fuels to clean energy. Its market-leading electrolysers help customers around the world produce hydrogen from renewable energy. Its long-standing partnership with Credendo has supported its growth by ensuring political and commercial risks are covered, freeing up the company to focus on managing other technical risks.

Founded in 1817, Belgium-headquartered John Cockerill designs, installs and upgrades technological equipment in five sectors – energy, defence, industry, hydrogen, and the environment.

While based in Seraing, Belgium, the company has operations in Africa, Brazil, China, Europe, India, New Caledonia, and the USA. It recorded a turnover of EUR 1,049 million across 25 countries in 2022.

With increasing urgency surrounding the global need to tackle climate change, John Cockerill has positioned itself as a leading player in supporting the energy transition. It is a pioneer in the hydrogen industry and manufactures electrolysers which convert renewable electricity into hydrogen and storage solutions for more than 500 customers in many different countries.

The company's strategy reflects global initiatives to develop new non-carbon technologies, with some countries such as the USA providing large amounts of state support for clean energy. "Such moves could put EU companies at a disadvantage," says Thierry Josz, VP Legal, Trade and Export Finance at John Cockerill.

"Due to global warming, there is an acceleration of needs in all directions. With the Inflation Reduction Act – introduced in mid-2022 – the USA is trying to attract a lot of technology and a lot of companies to their country. Geopolitically the EU is less protected than it was," he says.

"We see that economic blocs are forming – the USA, the EU, and China. These are the three main economic powers and all of them are racing to be the first in new energy sectors such as the hydrogen sector. We are very much invested in this sector," he adds.

John Cockerill's long-standing partnership with Credendo is vital to the company's success in this new but competitive sector. By obtaining insurance from Credendo, the company can ensure that its most sensitive political and commercial risks are correctly assessed and covered. This frees up the company to focus on the risks – such as technical risk – that they have the expertise to manage.

"We consider that the skills of this company are technical – rather than to assess sensitive political or commercial risk. This is not our job. Our job is to ensure the successful execution of the contract from a technical point of view," says Carina Sutera Sardo, Head of Trade and Export Finance at John Cockerill.

"This is why we consider Credendo a partner. Since the beginning of this company, the support of a public insurer was crucial for the strategy of this group," she says.

With John Cockerill operating around the world – often outside the EU – there is a high level of commercial and political risks to manage.

For instance, the company had some business in Russia before the invasion of Ukraine in February 2022 – most of which was covered by Credendo-backed insurance. However, most of the contracts were close to being completed, meaning the consequences of the war were "limited" for the company and the insurer, according to Sutera Sardo.

The next step in John Cockerill's electrolyser business is to shift the location of its factories. In a move that is reversing the decades-old globalisation trend, the company is starting to reshore some of its production capabilities.

It is planning on ensuring that electrolysers producing hydrogen for Europe, be made in Europe. Additionally, the company wants to make sure that via local joint venture agreements it can produce electrolysers in other countries for customers located in that area.

"For the European business we can say this is a kind of reindustrialisation. We are not going to produce hydrogen in Europe with electrolysers from China," says Sutera Sardo.

As an example of this shift, John Cockerill is building its first multi-site European gigafactory – with a first facility in Aspach in France.

"The production of hydrogen in Europe should come from Europe – but as we have the technology that can add value across the world, we find partners to work with and build factories for the production of electrolysers," Josz adds.

In March 2022, John Cockerill signed a joint venture agreement with Indian energy transition company Greenko Group to build an electrolyser factory in India, with a capacity of two gigawatt per year.

This was followed by a deal struck with the same company in February 2023 that will see John Cockerill supply electrolysers to India's largest green ammonia plant. In this instance, the electrolysers will be made in China by a local John Cockerill subsidiary as the local factory is yet to be completed, with Credendo providing insurance for the exports of electrolysers.

CARINA SUTERA SARDO,

Head of Trade and Export Finance at John Cockerill

"This new hydrogen market will require a lot of money. We need money to build gigafactories around the world."

THIERRY JOSZ,

VP Legal, Trade and Export Finance at John Cockerill

"If there was a César or Oscar for ECAs, we would immediately vote for Credendo as they are small, smart, and business-minded."

"Credendo has further supported the company's hydrogen business by helping it to secure financing from banks or by directly financing projects," Sutera Sardo explains.

"This new hydrogen market will require a lot of money. We need money to build gigafactories around the world," she says.

"We have had many discussions with different banks, and it seems in order to find a solution for the financing of the construction of these factories, the support of Credendo could be a very interesting solution," she explains.

"Not only has Credendo been a steadfast partner for John Cockerill, it has also been easy to work with," Josz reflects.

"The people at Credendo have an important quality. They understand what we do. We are a very complicated company – we have a lot of different products and technologies. If there was a César or Oscar for ECAs, we would immediately vote for Credendo as they are small, smart, and business-minded," he says.

Pascale Dekoker, Senior Underwriter at Credendo – Export Credit Agency adds: "I have worked with John Cockerill for a long time, and it has always been a pleasure thanks to the quality of the relationship we have.

We can discuss everything and can have a very open discussion. If there is a problem, we try to find the best possible solution for them. It is our job to find a way to support a company with many different sectors of activities and continuously developing new products – it is important."

PASCALE DEKOKER,
Senior Underwriter at Credendo

"If there is a problem, we try to find the best possible solution for them. It is our job to find a way to support a company with many different sectors of activities and continuously developing new products – it is important."

Credendo is essential partner for green growth

ENERGYVISION

Belgium-based renewable energy company EnergyVision has taken a pioneering new approach to building renewable energy projects. It is an approach that removes financial barriers for their customers – and it has proven successful, as the company wins more and more contracts in China and Morocco, as well as within Belgium. Its long-standing partnership with Credendo has been vital in supporting the financing of projects as well as safeguarding its investments overseas.

EnergyVision is a Belgium-headquartered company with offices in Morocco and China, that is shaking up the renewable energy sector with a unique way of encouraging greater use of solar energy by small businesses and households.

The company – which was founded by just three friends and EUR 6,200 of equity in 2014 – is based on a 'no capex', business model. This means its customers are not required to make huge upfront payments for the installation of products such as solar panels. Rather EnergyVision makes its money by selling energy back to the customer at a guaranteed lower price per kilowatt hour than the customer's current energy bills.

Outside of Belgium, EnergyVision works on charging customers fixed instalments, but what the customer pays is in line with what they would have paid on their energy bill.

"We take away all the worries and concerns – the technical concerns, financial concerns, and performance concerns," says Maarten Michielssens, Group CEO and Co-founder of EnergyVision, explaining how the business model differs from that of a typical renewable energy company.

"EnergyVision's partnership with Credendo has been instrumental, providing the financing and insurance that underpins the company's business model," he adds. The company makes use of Credendo's supplier credit and forfaiting products as well as its insurance cover on foreign direct investments (FDI) in China and Morocco.

"When the company launched in 2014, appetite for financing renewables in Belgium was very low," Michielssens explains. "We wanted to provide financial formulas for customers that did not have any resources and because we were a small business, banks were not willing or eager to provide financing. We were a new company and didn't have much apart from a firm belief that it would work. That's not a bankable story," he says.

However, Credendo did see potential and decided to support EnergyVision. The cooperation has always been very successful as the two parties have a strong relationship. "Proactivity and clear communication are key in the cooperation between EnergyVision and Credendo," says Rudi Galle, Senior Underwriter at Credendo for EnergyVision.

"I often joke that Credendo is one of our founders. But the reality is, without the solution from Credendo, we would not have grown, we would not have existed as we do today with a EUR 134 million annual turnover," says Michielssens.

"Providing financial solutions for customers really accounts for 97 or 98% of our turnover. If we would only sell products – instead of combining them with the business model which needs credit insurance and forfaiting – we would not have exceeded EUR 5 million in turnover," he says.

Since 2014, EnergyVision has built and operated over 12,000 energy projects, producing more than 630 million kWh of renewable energy every year.

The company expects to have passed the 300 megawatt peak (MWp) target – a unit for measuring the capacity of solar plants – for solar panel installations in China in 2022. This is the equivalent of 375 million kilowatt hour of green electricity produced per year.

In 2021, EnergyVision installed 252,500 solar panels in China – helping to reduce CO_2 emissions by such an extent it would be the equivalent of removing 73,690 cars from the roads.

In Morocco, EnergyVision currently has a share of around 20% in the solar panel and solar irrigation market. In 2021, it installed 37,000 solar panels, which is calculated to be the equivalent of removing 25,477 pollution-emitting cars.

Credendo's FDI insurance has also been key in helping EnergyVision establish itself in China and Morocco. "If we are looking to set up new business abroad and we don't have cover from Credendo, we don't even start. It is the very first check we do," Michielssens says.

The company is also one of the first to benefit from the new Credendo Green Package, launched last September – a package of financial benefits granted to projects that meet Credendo's environmental criteria.

Benefits include longer durations on financing, larger financing amounts, and a higher proportion of the risk to be covered by Credendo – cover can go up to 98%.

"It is not so easy for renewable energy projects to have a payback time of less than five years – whether you look at solar, wind, hydrogen or batteries. These projects often end up with seven years or longer, so the fact that the Credendo Green Package allows you to extend the duration, really helps," Michielssens says.

The steadfast – yet ever-evolving – partnership with Credendo has ensured EnergyVision could focus on its customers, rather than being distracted by the endless search for investors.

"Many start-ups are mainly focused on convincing investors to invest in their company. Until December 2021, our equity was still the equity we began with. We could focus on convincing customers. That is something that could happen thanks to Credendo," he says.

EnergyVision did receive its first capital increase of EUR 17.5 million at the end of 2021 and a further EUR 26.5 million at the beginning of 2022.

"Yet, these recent capital injections have not altered the heart of the business," he says. "82% of the ownership of the company is still with the founders, which means the DNA of the company is really protected. This is exceptional and partly due to the luck of having Credendo there all along."

Looking to the future, Michielssens remarks it is about creating "more and more impact" so EnergyVision can help both people and the planet.

"That means adding extra technology to existing customers, adding extra customers and thirdly – over time – looking to expand into new regions," he says.

The company has already added to its offering with the introduction of green charging stations for electric cars in 2021 and will be looking to gain greater market share in this sector.

MAARTEN MICHIELSSENS,
Group CEO and Co-founder of EnergyVision

"I often joke that Credendo is one of our founders. But the reality is, without the solution from Credendo, we would not have grown, we would not have existed as we do today with a EUR 134 million annual turnover."

RUDI GALLE,
Senior Underwriter at Credendo

"Proactivity and clear communication are key in the cooperation between EnergyVision and Credendo."

Working together is key in high-risk markets

NUSCIENCE

Belgium-based animal feed ingredients producer Nuscience is an innovative company using scientific research to develop feed that supports the ever-changing challenges of raising well-nourished livestock. The company is also ambitious – looking to expand into new markets in the Middle East and Africa. Its long-standing partnership with Credendo has been invaluable in aiding the company's growth into high-risk regions that other insurers may be more reluctant to cover.

Nuscience is based in Belgium and produces functional feed ingredients, premixes and concentrates for pigs, poultry, and cattle. It is part of the well-known Dutch cooperative Royal Agrifirm Group. The Belgian branch was established in 1989 and has a current turnover of around EUR 161 million per year.

Based on scientific research and a deep understanding of the challenges farmers are facing, Nuscience's products aim to support animals' nutritional and health needs from the moment they are born.

The company has pioneered new approaches towards livestock feed and how farmers look after their animals. For instance, it has developed feed products for pigs, which aim to improve gut health and form part of a broader strategy to encourage pig farmers to reduce and eventually eliminate their reliance on antibiotics and zinc oxide.

Nuscience is present across the globe and has ambitious plans to expand into the Middle East and Africa, and it is in supporting this expansion that its partnership with Credendo – Short-Term Non-EU Risks' team has proven invaluable. "Customer intimacy is key for us. Therefore, we make sure we meet at the premises of Nuscience twice a year to fine-tune our solution to their needs," says Isabelle Van Durme, Sales Operations Manager at Credendo for Nuscience.

For example, Nuscience had a customer in a particularly tricky market to convince trade credit insurers to cover. "We have a large customer in Iraq, which is not an easy country to insure, and it is hard to provide financials and payment history on this customer. Credendo is now covering 50% of our risk on this customer. That really helps both us and our customer to develop our partnership," says Lieselotte Kempinck, Controller and Finance Lead at Nuscience.

Kempinck also recognises Credendo's flexibility in being able to provide short-term increases on its credit limits to support temporary and seasonal increases in clients' outstanding debt.

What Kempinck appreciates in Credendo's approach to doing business in these riskier markets, is its ability to take into account 'soft information' when making a credit decision. It considers details such as the strength of the relationship between Nuscience and its customer, and payment history rather than only relying on 'hard data' such as balance sheets.

"Credendo considers each risk on a case-by-case basis, gathering the information to assess its own risk – and working together with us to find a solution for the customer," she explains.

This approach will support Nuscience as it expands into Africa, with the company in the process of setting up a

LIESELOTTE KEMPINCK,
Controller and Finance Lead at Nuscience

"We have the advantage of doing business with a large company, but we still have the personal approach of a dedicated team."

ISABELLE VAN DURME,
Sales Operations Manager at Credendo

"Customer intimacy is key for us. Therefore, we make sure we meet at the premises of Nuscience twice a year to fine-tune our solution to their needs."

sales office in Kenya and hoping to secure credit limits with Credendo for new customers in the country. Credendo is already examining the quality of the prospects in Kenya – a region with many small farms where obtaining detailed financial records might prove hard.

Credendo's support has also been vital in helping Nuscience face some of the wider challenges in its industry.

Global inflation has pushed up the cost of raw materials in the past year, increasing the cost of Nuscience's products and leading to higher outstanding amounts owed by its customers. This required sufficient flexibility from Credendo's side to increase credit limits on some buyers as needed.

Other challenges include foreign-exchange regulations. In Egypt, for instance, the central bank introduced limitations on how much local currency can be exchanged for euros or US dollars, which has resulted in some customers paying their bills late.

Credendo has again proven to be a flexible partner when there is a delay in payments. A heavy-handed approach and bringing in debt collectors immediately would potentially have pushed the late payer into insolvency. So instead, Credendo has worked together with Nuscience to ensure the relationship with the customer is maintained.

"We had two cases where we saw that a customer had a delay in its payments, but was still paying us," Kempinck explains. Nuscience filed the claim with Credendo, as required under its policy, but Credendo supported Nuscience by granting the company some time to set up a payment plan with the buyer.

Furthermore, once payments were up to date, the credit limits on that customer were not automatically removed and therefore the relationship with the buyer was preserved.

"Effective communication between Nuscience and Credendo has been vital in dealing with these challenges," Kempinck notes. She praises Credendo's use of online tools as well as the fact that there are individual team members she can approach with questions.

"We have the advantage of doing business with a large company, but we still have the personal approach of a dedicated team. The online tool is very practical – but if we have another question, we can still send an e-mail and for each question we know who we need to contact," she says.

A 2022 outbreak of swine fever in Southeast Asia has negatively impacted Nuscience's business. With the deadly virus wiping out livestock, farmers are reluctant to buy large numbers of new pigs for fear of further outbreaks, which is reducing demand for feed ingredients.

Despite these challenges, Kempinck sees huge opportunities ahead for both Nuscience and Credendo as they work together to break into new markets.

"Our Middle East and Africa businesses are growth businesses, and we expect that we will have larger and more customer accounts in those markets and that total sales and revenue will increase," she says.

In 2022, Nuscience further strengthened its relationship with Credendo after deciding to transfer its European business from a competing provider to Credendo. This means that Credendo now covers both Nuscience's riskier non-EU trade risks – such as customers in Iraq and Egypt – and the typically 'safer' European business.

Top-up cover helps market growth

CÉRÉALIS

Despite the impact of the Russia-Ukraine war on the global supply of wheat, French trader Céréalis has continued to thrive, having successfully switched to new suppliers. Aided by Credendo's Top-Up product, Céréalis has also been able to access insurance cover and financing to meet the growing demand for wheat in its key markets.

Céréalis is a wheat trading company headquartered in Paris and established 25 years ago. It specialises in trading wheat – as well as some maize and soybean meal – and selling it to private mills in West and Central Africa.

The company shipped approximately 395,000 tonnes of produce last year – worth around EUR 175 million – to countries such as Cameroon, Ivory Coast, Mali, Burkina Faso and Gabon.

Céréalis used to trade in a mixture of wheat from Russia, as well as produce from France and other markets. Yet, by the end of 2021, Céréalis decided to stop buying Russian wheat as it was getting increasingly difficult to do business with Russian suppliers – even before the outbreak of the Russia-Ukraine war in February 2022.

The company now trades French wheat, but also buys more wheat from new suppliers in Argentina and more recently Poland, which helped lessen the impact of the Russian invasion at the start of 2022 on their business.

"We were lucky that our traders had the foresight of how the market might develop," says Florence Nunes, Export Director at Céréalis.

However, the onset of the war did result in wheat trading grinding to a halt until the end of April as the market paused to observe how the Russian invasion of Ukraine would affect global wheat stocks.

"Once trading resumed, demand recovered and Céréalis was able to make up for any lost business during the preceding months," Nunes says.

Credendo supported Céréalis throughout these challenging times, with the two companies having worked together since 2010. Céréalis commonly used credit insurance to cover the risk of non-payment. Since 2019, it has also been making use of Credendo's Top-Up product.

This tool allows Céréalis to obtain cover on amounts that exceed the credit limit set by its first-line insurer – it essentially 'tops up' the existing level of cover in place.

It has been invaluable in supporting Céréalis' large shipments of wheat to their most important markets in West and Central Africa. Some first-line insurers would not have sufficient credit limits to provide the required level of cover to enable Céréalis to sell their entire ship's worth of wheat to their suppliers.

"We often ship 30,000 metric tonnes of wheat by boat and deliver to eight or nine customers at a time, with volumes ranging from 2,000 to 12,000 metric tonnes per customer. We need to have a solution to cover that," Nunes says.

She adds that it was particularly difficult to obtain sufficiently high credit limits from their first-line insurer when working with a new customer.

A further benefit of Credendo's Top-Up product is that Credendo will match the capacity already agreed upon and underwritten by the first-line insurer. This makes the process far quicker than it might be compared to other top-up providers.

"We just follow the limit of the first-line insurer. For example, if the first-line insurer is covering EUR 2 million, then we agree to grant up to a maximum of the same amount," says Isabel Kervyn, Sales Director at Credendo – Guarantees & Speciality Risks.

"If they have a new client and need to increase the insured amount, we can get back to them within a couple of days – or even faster if it is urgent," she adds.

The partnership with Credendo has also been particularly important in helping the trading company gain access to bank financing.

"In the first place, the Top-Up product helps us from a risk management point of view – and on the other hand we also have the capacity to secure financing from our banks," Nunes adds. "We have been able to develop a financing capacity thanks to the Top-Up product. Otherwise, we would have had to rely on cash to pay the suppliers."

The need for more financing to support Céréalis' growing African business is further demonstrated by a recent partnership signed in early 2023 with major French financial institutions in support of a financing facility for the wheat trader.

Having a reliable insurance partner as well as access to financing is essential for Céréalis' operations in the challenging West and Central African market. The main risks are political risks – such as decisions by the central banks to limit the amount of local currency that can be changed into foreign currency – which can hamper payments from their buyers.

Access to financing helps Céréalis to deal with delayed payments while also ensuring it is paying its own suppliers on time.

Inevitably, there have been some situations where Céréalis had to submit a claim. In these cases, Florence Nunes appreciated Credendo's 'partnership approach' in seeking to recover the non-payment and trying to keep the buyer in business.

"Together we try to find a solution and continue to do business with the buyer," Nunes says. "Credendo's teams really know the market well and they are truly reliable."

She reflects that their customers are generally private mills producing vital foodstuffs for the country's population. Therefore, there is a very clear need to ensure payments are eventually made and mills stay in business. "Nobody gains from a non-payment situation," she says.

Looking to the future, Céréalis aims to strengthen its relationship with Credendo as it increases its customer base.

"Our ambition is to further develop our business with Credendo and to use the Top-Up product even more. Our customers rely on us. We are working with new mills and there is a lot for us to do in this market," Nunes concludes.

FLORENCE NUNES,
Export Director at Céréalis

"Our ambition is to develop our business with Credendo and to use the Top-Up product even more. Our customers rely on us. We are working with new mills and there is a lot for us to do in the African market."

ISABEL KERVYN,
Sales Director at Credendo

"If they have a new client and need to increase the insured amount, we can get back to them within a couple of days – or even faster if it is urgent."

Supporting energy transition in commodity finance

NATIXIS CIB

Natixis CIB has successfully managed the challenges of the recent commodity price rises, continuing to support producers and traders with the credit limits they required – thanks in part to its partnership with Credendo. The bank is also tightening its focus on aiding the global energy transition to greener fuel.

Natixis CIB, a subsidiary of Groupe BPCE, the second-largest banking group in France, has been a leading player in the commodity finance market for 30 years. The bank supports producers and traders across many sectors including soft commodities, mining and metals and energy.

The bank first established a relationship with Credendo in 2007 – with the partnership further strengthened when Carole Macaire-Freynet became Global Head of Credit Insurance in 2013. Her role has grown to include infrastructure and energy transition finance – an area of increasing importance for the bank.

CAROLE MACAIRE-FREYNET,
Global Head Infrastructure and Energy Finance Syndication and CPRI at Natixis CIB

"When we approach the insurance market, we don't always come with easy proposals, and some require more in-depth explanations. Credendo is very open to listening to us and our analysis and reasons why we think it is a good transaction."

ALINE DUPERREX,
Senior Underwriter at Credendo

"We hear Natixis when they say they really need capacity, and we will do our best – it doesn't mean it will always work, but we always try."

Natixis CIB regularly makes use of Credendo's Single Risk insurance – a division within the company that merged with Credendo – Excess & Surety in June 2021 to form Credendo – Guarantees & Speciality Risks. "This merger helped improve relations between Credendo and the bank even more," says Macaire-Freynet.

"We always had a good relationship with the team, but there has been a different momentum since the merger – helped by a clear definition of who is doing what. This is to some extent facilitating us doing business," she says.

Since the invasion of Ukraine by Russia in February 2022, commodity finance markets have been a challenging area to work in, with the conflict between two key markets pushing energy and food prices sky high.

"Natixis CIB was active in Ukraine and Russia for many years, so of course 2022 did affect us as we stopped doing business in these two countries," she says.

"There has been a clear impact on global trade flows and commodity prices. With prices increasing, traders need more support and increased credit lines – which in turn means we need to use more insurance products so that we can share the risks and preserve our balance sheet."

Natixis CIB is keen to maintain its support for traders and producers throughout both the good and more challenging times, particularly those involved in efforts to transition from fossil fuels to greener sources of energy. The bank is one of many financial institutions that signed up to the UN-backed Net-Zero Banking Alliance in April 2021, which commits members to align their lending and investment portfolios with net-zero emissions by 2050.

"ESG is a clear focus for our bank," she says, explaining how the bank's customers are supporting the energy transition in a multitude of ways. For example, metals traders are key in providing metals required for batteries that fuel renewable energy generation. Even on the traditional oil and gas side, traders and producers are investing in new greener technology such as carbon capture – which involves capturing carbon dioxide produced by industrial processes and storing it deep underground.

NATIXIS
CORPORATE AND INVESTMENT BANKING

"Due to the increased cost of oil and gas, many energy companies are reinvesting their increased cash flows into supporting the global energy transition – for example by investing more in their renewable energy production," she adds.

Natixis CIB's ESG goals align with Credendo's own increased focus on how it can support its clients to become greener.

Reflecting on the bank's partnership with Credendo, Macaire-Freynet says the insurer stands out from the competition for its market knowledge. "The team has a good understanding of the commodity finance sector and traders in particular. Knowledge and understanding make a big difference. It is important we have insurers that understand risk they are taking," she says.

She goes on to explain how Natixis CIB often requires insurance capacity on transactions that are a little more complex than the average commodity finance deal.

"We are not necessarily looking to support clients where everyone is and where the pricing is very tight. We prefer to be present where we see from our perspective that the risk is a good one. But it can be more complex, and we capitalise on our expertise and experience in fields that are considered more difficult by other players," she explains.

"When we approach the insurance market, we don't always come with easy proposals, and some require more in-depth explanations. Credendo is very open to listening to us and our analysis and reasons why we think it is a good transaction."

Aline Duperrex, Senior Underwriter at Credendo – Guarantees & Speciality Risks adds that Credendo always aims to work together on finding a solution for the bank: "We hear Natixis when they say they really need capacity, and we will do our best – it doesn't mean it will always work, but we always try."

Partnering for project bidding success

PORR

Growing demand for new and improved infrastructure across Europe bodes well for Austrian construction company PORR. With public entities keen to upgrade or completely replace underinvested bridges, roads, and railways, PORR is hoping to bid on many forthcoming developments. Its successful ability to win tenders will be underpinned by its close relationship with Credendo and the use of insurer-backed bid bonds and other guarantees.

PORR is the second-largest Austrian construction company. Founded in 1869, it is the oldest company listed on the Vienna Stock Exchange. PORR is involved in a variety of areas within the construction industry including roads, rail, tunnelling, building construction, and environmental engineering. Its key markets – which account for around 96% of its activity – are in Austria, Germany, Switzerland, Poland, Czech Republic, Slovakia and Romania.

Despite the current rocky macroeconomic environment shaped by the Russia-Ukraine war, an energy crisis, and global inflation concerns, PORR is anticipating a healthy pipeline of projects in its key markets over the next twelve to eighteen months.

"This is partly fuelled by investments in green projects linked to reducing polluting emissions, as well as a drive among some European countries to overhaul their public infrastructure," says Stefan Ondra, Deputy Head Group Treasury at PORR.

"We all know there is a large amount of money coming from various bodies in the coming years such as the EU's Green Deal, which will have links to infrastructure. So even beyond 2023 there is a big pipeline for the whole industry," he explains.

"In many countries, there has also been a lack of maintaining infrastructure over the last ten or fifteen years. In many parts of Germany for instance, rail and road infrastructures are virtually at their end-of-life cycle – especially when it comes to bridges," he adds.

Credendo supports PORR in all stages of a project's life cycle, mainly with advance payment guarantees, performance and maintenance bonds.

For example, at the end of 2022, Credendo provided a EUR 15.4 million advance payment bond for a project PORR is working on for a large Austrian real-estate developer. The project comprises the construction of two office buildings and an underground parking in Vienna.

What Stefan Ondra appreciates when working with Credendo is its speedy service. "One of the greatest benefits is that they are one of the fastest and one of the least complicated insurers."

"We centrally manage 12,500 single guarantees and we don't have six weeks to present the paper to the client. We have maybe a week or even less. If we worked with a financial institution that has complex and time-consuming internal processes, it would be a nightmare and it wouldn't be possible to handle so many guarantees," he says.

PORR's relationship with Credendo started five years ago with a small local facility in Poland via Credendo – Guarantees & Speciality Risks' Polish subsidiary.

"Not much later it made sense to enhance that facility and transfer it to Credendo's Austrian subsidiary after it had started operations and the whole thing gained momentum," Ondra says. Now PORR has a facility of EUR 50 million from Credendo covering all regions where PORR is active.

Looking to the future there are of course challenges for PORR and the wider construction industry. Lack of skilled labour has been an issue for a number of years and it is a problem that is unlikely to go away in the near future.

"Our biggest risk has nothing to do with supply chains or payment issues – it is simply the lack of qualified labour in the market. We are currently looking for more than 400 people but we just cannot find them," he says.

University graduates seem to be more attracted to high-profile companies in other sectors such as technology. They are still under the misconception that the construction industry requires you "to work outside even if it is raining and cold".

"For the vast majority of administrative jobs, this has completely changed," Ondra says, adding that PORR is trying to attract new talent by running training academies in Austria, Poland, and Romania.

Another challenge specific to its relationship with Credendo is the reluctance of some of PORR's clients to accept a bond from an insurer rather than from a bank. "This can make or break signing a project. I sometimes have endless discussions on this and then the client will tell me that if we want the contract, we need to bring a bank," he says.

"This is not a sensible approach," he adds, suggesting that some clients have unfounded preconceptions about insurance companies.

While it might take some time to win over all clients, PORR is very much looking to strengthen its relationship with Credendo in the coming years. "We started five years ago with something small at a local level, and within a short period of time we have grown our cooperation to the benefit of both parties. We will try to further that cooperation," Ondra says.

Credendo has also been a key supporter of PORR's digitisation drive over the last few years, which has seen the company digitise all its internal and external communication processes. Credendo was one of the first to join the new online platforms used by PORR for managing its guarantees.

PORR has eliminated the need to send papers around the world or to obtain in-person signatures on documents. Everything is now accessible via an online platform that can track every step in a bidding process, from who issued a document, over who approved it, to when a guarantee was received.

PORR's financial position is also improving, enhancing the company's attractiveness as a risk to be covered by Credendo.

"Last year was one of our best years ever – so that is a positive impact on our relationship," Ondra says.

Zuzana Huszar, Surety Underwriter at Credendo adds: "PORR is by far our largest client here in Austria so our relationship with them generated a nice volume of business last year and we hope this will continue."

PORR had a record year in 2021 with production output even surpassing the pre-pandemic levels seen in 2019. Preliminary figures published for 2022 also show strong growth.

STEFAN ONDRA,
Deputy Head Group Treasury at PORR

"The EU's Green Deal will have links to infrastructure. So even beyond 2023 there is a big pipeline for the whole industry."

ZUZANA HUSZAR,
Surety Underwriter at Credendo

"PORR is by far our largest client here in Austria so our relationship with them generated a nice volume of business last year and we hope this will continue."

Management report on the 2022 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 2022.

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 2022, 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.

Currently, an IFRS 17 cum IFRS 9 implementation project that incorporates accounting, actuarial and IT aspects is under way. At the time of writing, it is too early to provide a quantitative estimate of the new standard due to a number of reasons.

Whilst the IFRS 17 tool will be completed by the time IFRS 17 comes into effect, it takes time to assess whether the results from the tool are accurate, and that assurance will be obtained through repeated dry runs, user testing and validation by other known, well-established and validated tools. This is a time-consuming process that will guarantee the quality of the IFRS 17 solution.

The IFRS 17 standard itself underwent late amendments which made certain adjustments to IT tools necessary to comply with the new requirements. This has resulted in additional time to be spent on development and testing, thus further delaying the tool. As a relevant example of such amendment, Credendo cites the treatment of insurance acquisition costs, some of which can now be presented as assets if they relate to unrecognised insurance contracts at transition date. Time needed to change and calibrate IT tools to accommodate this new requirement has rendered it significantly more challenging to have reasonable quantitative impact estimates ready for the 2022 reporting.

2. Financials

The post-pandemic period initially saw fewer and less important Covid-19 claims than expected, but the situation changed with the Russian invasion of Ukraine in February 2022. The resulting international sanctions and compliance issues led to a risk deterioration in commitments on Russia, Ukraine and Belarus. Consequently, the participation in the Russian entity Credendo – Ingosstrakh Credit Insurance is pending sale, reported under IFRS 5 as discontinued operations and non-current assets held for sale and thus also resulting in a restatement of the 2021 Consolidated Income Statement.

The Russia-Ukraine conflict also caused an energy crisis and exacerbated supply chain shortages, resulting in strong inflationary pressure. The sharp rise in interest rates obviously will have a material impact on the debt burdens of many governments with the first signs of defaulting on external debts already appearing on the African continent. These events are thus far considerably affecting the insurance claims expenses.

The inflation impact on Credendo's operational expenses was severe but offset on the revenue side. On the short-term business side, we experienced continued strong premium growth thanks to the successful sale of new policies as well as elevated volumes and higher prices of raw materials and commodities in existing policies.

Premium income for the longer-term risks remained stable with a slight increase for the medium-term risks.

The volatility of the financial markets persisted throughout the year resulting in quite important financial losses, partly offset by the very favourable contribution of the Dynamic Risk Overlay protection.

Despite these challenges, Credendo's solid balance sheet, liquidity and solvency make it well-positioned to overcome further economic adversities.

The 2022 Consolidated Statement of Financial Position shows a balance total of EUR 3,424.7 million, compared to EUR 3,560.4 million at the end of 2021. The major movements relate to the considerable decrease in the unrealised capital gains negatively impacting the financial investments position and partially compensated by the increase in cash and cash equivalents, whilst the working capital noted a considerable rise of the insurance liabilities of EUR 128.8 million. Thus, the financial investment portfolio value reduced from EUR 2,805.4 million in 2021 to EUR 2,575.2 million at the end of 2022, whilst the cash and cash equivalents position rose from EUR 292.3 million in 2021 to EUR 328.5 million by the end of 2022.

Compared to last year's profit of EUR 209.5 million the Consolidated Income Statement is showing a significant loss of EUR 271.5 million for the year 2022. The 2022 insurance claims increased substantially due to the provisioning on Ghana after it announced its external debt moratorium and of course because of the Russian-Ukrainian war. Insurance premium revenue improved strongly, thanks mainly to the short-term whole turnover business, whilst operating expenses (other than claims) also went up. Consequently, the 2022 result from operating activities turned into a loss of EUR 41.1 million, well down from the EUR 94.1 million operational profit in 2021 after restatement.

The 5.9% growth in total written premium after restatement, from EUR 366.3 million in 2021 to EUR 388.0 million this year, was boosted by the positive variance in unearned premium reserve, leaving 16.0% growth in gross insurance premium revenues, from EUR 319.2 million in 2021 after restatement to EUR 370.2 million in 2022. After the cession of premium to reinsurance, the net insurance premium revenue grew by a hefty 28.2%, from EUR 207.8 million in 2021 after restatement to EUR 266.4 million in 2022.

The 2022 other operating income of EUR 52.9 million contains commissions received from reinsurers, recharges of investigation costs and other recoveries of expenses (EUR 54.1 million in 2021 after restatement). The net insurance claims and loss adjustment expenses went up from EUR 24.3 million in 2021 after restatement to EUR 189.3 million in 2022.

The operating expenses other than claims increased from EUR 143.6 million in 2021 after restatement to EUR 171.0 million in 2022. This is mainly explained by the increased acquisition costs in line with the substantial written premium growth and/or the mix of sales channels plus the strong inflation.

The heavy turmoil on the financial markets which started on 24 February and continued throughout 2022, resulted in a substantial loss of EUR 202.7 million, although our Dynamic Risk Overlay protection performed notably well. This is in stark contrast to the 2021 financial profit of EUR 124.4 million after restatement. The 2021 income tax expense of EUR 12.7 million after restatement decreased to a EUR 8.2 million tax expense in 2022.

In line with the IFRS 5 standard on 'Non-current assets held for sale and discontinued operations' we have designated the participation in Credendo – Ingosstrakh Credit Insurance as discontinued operations. The Credendo – Ingosstrakh Credit Insurance net income result is shown under the 'profit/(loss) from discontinued operations' line with all its other P&L line items eliminated from the Consolidated Income Statement.

For 2022, the result of these discontinued operations is a loss of EUR 19.3 million after full impairment of the Credendo – Ingosstrakh Credit Insurance participation. The 2021 income statement has also been restated accordingly, leading to a profit from discontinued operations of EUR 3.8 million. Furthermore, the assets and liabilities of Credendo – Ingosstrakh Credit Insurance are reported separately under 'assets/liabilities held for sale and discontinued operations' in the Consolidated Statement of Financial Position. We refer to note 30 for further details.

The 2021 positive net remeasurement result on post-employment benefits of EUR 5.6 million developed further into a profit of EUR 16.6 million (net of deferred tax thereon) in 2022, caused by important upward movements in the main actuarial assumptions (0.70% discount rate in 2021 became 3.50% in 2022 for the Belgian plans).

The 2022 loss of K EUR 13.0 (net of deferred tax thereon) in other comprehensive income pertaining to fair-value changes on available-for-sale financial assets including foreign-exchange differences, is entirely due to Credendo – Short-Term Non-EU Risks and Credendo – Guarantees & Speciality Risks transferring their financial investments into Credendo's institutional fund called Zephyr. Consequently, these financial investments have been accounted for as financial investments at fair value through profit or loss in 2022, with a reclassification from other comprehensive income to financial income for respectively EUR 14.2 million for Credendo – Short-Term Non-EU Risks and EUR 2.8 million for Credendo – Guarantees & Speciality Risks, both amounts gross of deferred tax thereon.

The 2022 exchange rate differences on translating foreign operations remained positive at EUR 2.0 million, slightly down from a positive exchange rate difference of EUR 2.5 million in 2021. The total other comprehensive income for the year 2022 is a profit of EUR 5.7 million, compared to the EUR 8.2 million profit in 2021. This brings the total comprehensive income to a loss of EUR 265.8 million for 2022, compared to a EUR 217.7 million profit in 2021.

In 2022, operating activities generated EUR 86.4 million net cash, compared to EUR 109.0 million generated in 2021. Together with the EUR 39.8 million cash used by investing and financing activities in 2022 (EUR 41.8 million net used in 2021), this resulted in an increase of the 2022 cash and cash equivalents position by EUR 46.6 million including EUR 8.6 million related to discontinued operations, compared to last year's increase of EUR 67.2 million. The 2022 exchange gain on cash and cash equivalents of EUR 5.3 million, is comparable to the EUR 7.5 million gain in 2021.

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 2022 consolidated audit fees of our statutory auditor KPMG Belgium amount to K EUR 497.7, and other audit fees (IFRS 17-related preparatory audit work) amount to K EUR 52.4. The 2022 fees for our statutory auditor's network include audit fees of K EUR 63.7, and non-audit fees for other missions external to the audit of K EUR 6.8 (mainly tax-related 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. All Credendo entities except the Russia-based subsidiary 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

A major earthquake hit Turkey and Syria in February 2023 causing devastation. Credendo's financial exposure in the affected area appears limited, but for any Credendo exposure related to the textile/clothing activities in the affected area and with a confirmed impact, an increased deterioration of risk provision will be applied.

Despite geopolitical tensions in the China-Taiwan dispute, Credendo does not see an immediate risk for losses, but will increase risk deterioration provisioning if the situation escalates.

Though the collapse of Silicon Valley Bank and the subsequent rescue of Credit Suisse in mid-March did not present an immediate financial risk, all measures were taken to prevent potential further fallout.

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 2022.

Credendo's balance sheet remains very solid and both its current liquidity and solvency remain very healthy. Therefore, Credendo's 2022 IFRS Consolidated Financial Statements have been established on a going-concern basis.


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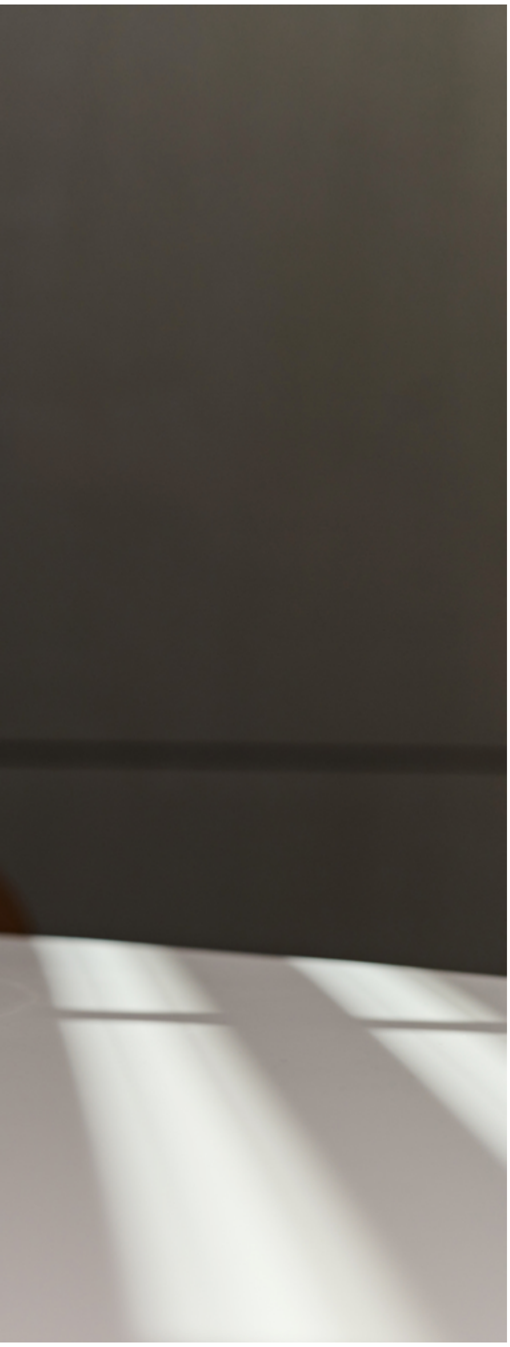
Consolidated financial statements for the year ended 31 December 2022



"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 2022, in accordance with the legal and regulatory requirements applicable in Belgium. It has issued an unqualified audit opinion on these financial statements."

Consolidated statement of financial position[1,2]

IN THOUSANDS EUR	Note	31/12/2022	31/12/2021
ASSETS			
Intangible assets	5	112,559	97,343
Property, plant and equipment	6	22,897	25,244
Other financial assets	7	14,999	13,007
Financial investments	8	2,575,163	2,805,442
Deferred income tax assets	9	4,558	3,248
Reinsurance assets	10-16	90,146	106,857
Loans and receivables including reinsurance receivables	11	224,301	197,738
Other assets	12	22,733	16,225
Current tax assets		2,699	3,031
Cash and cash equivalents	13	328,534	292,259
Assets held for sale and discontinued operations	30	26,143	-
Total assets		**3,424,732**	**3,560,394**

IN THOUSANDS EUR	Note	31/12/2022	31/12/2021
EQUITY AND LIABILITIES			
Equity			
Endowment	14	297,472	297,472
Consolidated reserves	15	2,367,737	2,632,936
Total other comprehensive income	15	6,532	1,122
Total equity excluding non-controlling interests		2,671,741	2,931,530
Non-controlling interests		-574	5,578
Total equity		**2,671,167**	**2,937,108**
Liabilities			
Liabilities arising from insurance contracts	16	616,697	487,885
Deferred income tax liabilities	9	486	3,462
Provisions for other liabilities and charges	17	31	185
Employee benefit liabilities	18	12,522	28,779
Payables	19	47,507	68,810
Other liabilities	20	42,317	28,039
Current tax liabilities		7,862	6,126
Liabilities held for sale and discontinued operations	30	26,143	-
Total liabilities		**753,565**	**623,286**
Total equity and liabilities		**3,424,732**	**3,560,394**

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 34 are an integral part of these consolidated financial statements.

Consolidated income statement[1,2,3]

IN THOUSANDS EUR	Note	31/12/2022	31/12/2021
Insurance premium revenue		370,200	319,151
Insurance premium ceded to reinsurers		-103,842	-111,308
Net insurance premium revenue	**21**	**266,358**	**207,843**
Other operating income	22	52,871	54,121
Net income		**319,229**	**261,964**
Insurance claims and loss adjustment expenses		-235,735	-11,188
Insurance claims and loss adjustment expenses recovered from reinsurers		46,398	-13,082
Net insurance claims and loss adjustment expenses	**23**	**-189,337**	**-24,270**
Employee benefit expenses	24	-55,495	-52,519
Services and other goods	25	-83,558	-72,958
Depreciation and amortisation	26	-9,859	-6,310
Other operating expenses	22	-22,038	-11,793
Operating expenses (other than claims)		**-170,950**	**-143,580**
Expenses		**-360,287**	**-167,850**
Profit/(loss) from operating activities		**-41,058**	**94,114**
Finance income	27	48,831	142,092
Finance expense	27	-251,543	-17,671
Net financial income		**-202,712**	**124,421**
Share of profit of associated and joint ventures accounted for using equity method		**-232**	**-128**
Profit/(loss) of the year before tax		**-244,002**	**218,407**
Income tax credit/(expense)	29	-8,153	-12,693
Profit/(loss) of the year from continuing operations		**-252,155**	**205,714**
Profit/(loss) from discontinued operations	**30**	**-19,337**	**3,803**
Profit/(loss) of the year		**-271,492**	**209,517**
Profit/(loss) attributable to:			
Owners of the parent		-265,039	208,249
Non-controlling interest		-6,453	1,268
Total profit/(loss) of the year		**-271,492**	**209,517**

Consolidated statement of other comprehensive income[1,2,3]

IN THOUSANDS EUR	Note	31/12/2022	31/12/2021
Profit/(loss) of the year		-271,492	209,517
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements on post-employment benefits	18	18,110	6,173
Deferred tax on remeasurements on post-employment benefits	9	-1,472	-542
Subtotal of other comprehensive income that will not be reclassified to profit or loss		16,638	5,631
Items that may be subsequently reclassified to profit or loss			
Change in value of available-for-sale financial investments		-17,120	410
Deferred taxes thereon	9	4,118	-322
		-13,002	**88**
Exchange differences on translating foreign operations		2,016	2,506
Subtotal of other comprehensive income for the year that may be subsequently reclassified to profit or loss		-10,986	2,594
Total other comprehensive income for the year		5,652	8,225
Total comprehensive income for the year		-265,840	217,742
Attributable to:			
Owners of the parent		-259,688	216,205
Non-controlling interest		-6,152	1,537
Total comprehensive income for the year		**-265,840**	**217,742**

1. The consolidated income statement and statement of other comprehensive income are 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 34 are an integral part of these consolidated financial statements.
3. The 2021 figures have been restated due to application of the treatment as discontinued operations.

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 01/01/2022		297,472	2,632,936	1,122	2,931,530	5,578	2,937,108
Profit/(loss) of the year		-	-265,039	-	-265,039	-6,453	-271,492
Other comprehensive income:							
Remeasurements on post-employment benefits	9-18	-	-	16,638	16,638	-	16,638
Change in value of available-for-sale financial investments		-	-	-13,002	-13,002	-	-13,002
Exchange differences on translating foreign operations		-	-	1,715	1,715	301	2,016
Total other comprehensive income for the year		-	-	5,351	5,351	301	5,652
Total comprehensive income for the year		-	-265,039	5,351	-259,688	-6,152	-265,840
Other equity movements		-	-160	59	-101	-	-101
Total equity movement for the year		-	-265,199	5,410	-259,789	-6,152	-265,941
Balance at 31/12/2022		**297,472**	**2,367,737**	**6,532**	**2,671,741**	**-574**	**2,671,167**

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 01/01/2021		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**

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 34 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows[1,2]

IN THOUSANDS EUR	Note	31/12/2022	31/12/2021
CASH FLOWS FROM OPERATING ACTIVITIES			
PROFIT/(LOSS) BEFORE INCOME TAX		-261,169	223,183
Adjustments for:			
Depreciation and amortisation	26	9,893	6,503
Movement of provisions	17	-146	-107
Write-offs on trade receivables	22	3,776	2,342
Impairment loss on the remeasurement of the discontinued operations to fair value less costs to sell	30	28,049	-
Fair-value gains/losses on financial assets at FVTPL	27	217,788	-102,900
Gains on sale of available-for-sale financial investments	27	-186	-98
Impairment of intangible assets		-	865
Finance income (net)		-4,459	-10,255
Net of unrealised exchange rate differences		-510	3,272
Subtotal (profit + adjustments)		**-6,963**	**122,805**
Changes in working capital assets and liabilities (excluding the effect of exchange differences on consolidation):			
Liabilities arising from insurance contracts		139,935	-35,724
Employee benefits (excluding remeasurements through OCI)		1,845	2,428
Payables		-14,294	7,158
Other liabilities and provisions		14,076	-4,540
Reinsurance assets		11,182	30,519
Changes in receivables		-39,576	-6,994
Changes in other financial assets		-1,992	-6,698
Changes in other assets		-6,095	6,891
Other equity movements		-101	-
Cash (used in)/generated from operations		**98,018**	**115,845**
Income tax paid		-11,592	-6,858
Net cash (used in)/generated by operating activities		**86,426**	**108,987**

All cash flow movements relate to both continued and discontinued operations with the profit/(loss) before income tax consisting of a K EUR 244,002 loss related to continuing operations and a K EUR 17,167 loss related to discontinued operations.

IN THOUSANDS EUR	Note	31/12/2022	31/12/2021
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	-914	-538
Sale of property, plant and equipment	6	305	97
Purchase of intangible assets	5	-21,851	-23,577
Disposal of intangible assets	5	22	897
Purchase of financial investments	8	-408,282	-161,366
Proceeds from sales of financial investments	8	385,833	122,503
Finance income		-50	13,819
Realised exchange gains/(losses) on financial assets		7,131	8,295
Net cash (used in)/generated by investing activities		-37,806	-39,871
CASH FLOWS FROM FINANCING ACTIVITIES[3]			
Financial charges and interest costs paid		-1,970	-1,943
Net cash (used in)/generated by financing activities		-1,970	-1,943
CHANGES IN CASH AND CASH EQUIVALENTS			
Net (decrease)/increase in cash and cash equivalents		46,650	67,175
Cash and cash equivalents at the beginning of the year		292,259	217,616
Exchange gains/(losses) on cash and cash equivalents		5,321	7,468
Cash and cash equivalents at the end of the year	**13**	**344,230**	**292,259**

The cash and cash equivalents as at 31 December 2022 consist of K EUR 328,534 related to continuing operations and K EUR 15,696 related to discontinued operations.

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 34 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.

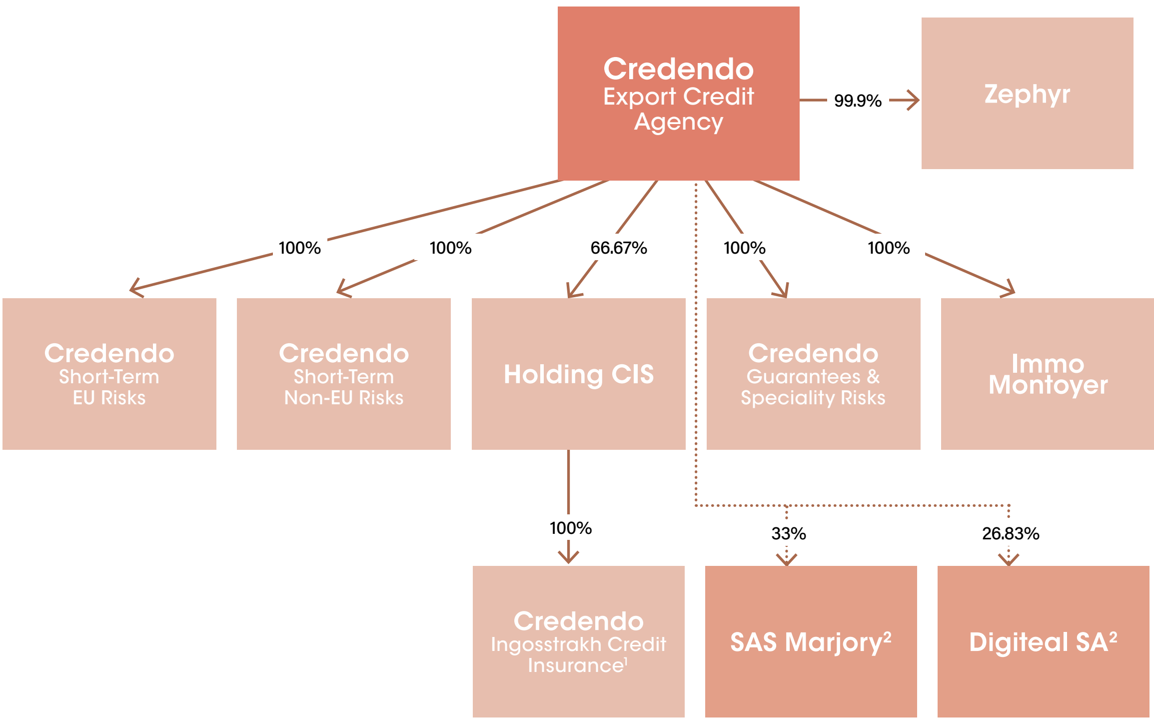
Credendo – Export Credit Agency insures companies and banks against political and commercial risks relating to international commercial transactions, mainly regarding capital goods and industrial projects, as well as contracted works and services. For these risks, Credendo – Export Credit Agency can 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 [1] 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, the Netherlands, Poland, Russia [1], Slovakia, Spain, Switzerland and the United Kingdom.



1. Following the invasion of Ukraine by Russia, it has been decided to exit the Russian market by selling our stake in Credendo – Ingosstrakh Credit Insurance. This process is ongoing.
2. Integrated using the equity method.

1.2. Russia-Ukraine conflict

The post-pandemic period started off well with fewer than expected and minor claims related to Covid-19. Unfortunately, that came to an end with the February 2022 Russian invasion of Ukraine. Though we have not seen any immediate increase in related losses, the regime of international sanctions, countersanctions and bank compliance have seriously hampered the cross-border cash flows and have complicated risk and capital management. Obviously this led to a strong risk deterioration of the outstanding commitments on Russia, Ukraine and Belarus and ultimately to the pending sale of our participation in our Russian entity, Credendo – Ingosstrakh Credit Insurance, that is now reported under IFRS 5 as discontinued operations and non-current assets held for sale and thus also resulting in a restatement of the 2021 Consolidated Income Statement.

In 2022, Credendo has already significantly reduced its exposures to risks in Russia (see note 4.1.6) with an additional substantial reduction in the first quarter of 2023.

The further repercussions of this Russia-Ukraine conflict were and still are felt worldwide. The ensuing European energy crisis is of an unprecedented nature and whilst proving hard to beat, it also offers opportunities to move closer to an increased use of alternative energy sources. It also exacerbated the supply chain shortages during 2022 whilst we now gradually see them easing off. Inflationary pressure seems here to stay after a significant increase in pricing and a series of interest hikes. The sharp rise in interest rates obviously will have a strong impact on the debt burdens of many governments with the first signs of defaulting on external debts already appearing on the African continent. These events are already materially affecting the insurance claims expenses.

The inflation impact on Credendo's operational expenses was severe but offset on the revenue side. On the short-term business side we experienced a continued strong premium growth thanks to the successful sale of new policies as well as elevated volumes and higher prices of raw materials and commodities in existing policies. Premium income for the longer-term risks remained stable with a slight increase for the medium-term risks.

Evidently, the volatility in the financial markets remained strong throughout the year, resulting in quite an important financial loss, which was softened by an important positive contribution to the financial result of the Dynamic Risk Overlay protection.

Despite the negative results and the current uncertainties, the going concern of Credendo is not in doubt. The company's very solid balance sheet, its current liquidity and its solvency have proven to withstand the consequences of the Russian-Ukrainian conflict and the related energy crisis. Credendo is still in a strong position to overcome any further economic adversities.

1.3. Sustainability information

Credendo pays significant attention to managing climate-related risk (for more information on the subject, see 'Sustainability and the environment' on page 6 of our Annual Report).

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 2022 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 2022 and have been **endorsed** by the European Union:

- 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 consequences, oversights or conflicts between requirements in the Standards.

- Amendments to IFRS 3 'Business Combinations', update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- Amendments to IAS 16 'Property, Plant and Equipment', prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', specify which costs a company includes when assessing whether a contract will be loss-making.
- Annual Improvements 2018-2020 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'.

■ Amendments to IFRS 16 'Leases': Covid-19-related Rent Concessions beyond 30 June 2021 (effective 1 April 2021, with early application permitted). 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).

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 2022 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.

■ IFRS 17 'Insurance contracts' (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. On 17 March 2020, IASB decided to defer the effective date to annual reporting periods beginning on or after 1 January 2023. The endorsement includes the amendments issued by the Board in June 2020, which are aimed at helping companies implement the Standard and making it easier for them to explain their financial performance.

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.

The EU regulation provides an optional exemption from applying the annual cohort requirement that relates to the timing of the recognition of the profit in the contract, the contractual service margin, in profit or loss. Entities making use of the exemption are not applying IFRS as issued by the IASB and need to disclose the fact.

Currently, an IFRS 17 cum IFRS 9 implementation project is under way which incorporates accounting, actuarial and IT aspects. At the time of writing, it is too early to provide a quantitative estimate of the new standard due to a number of reasons:

- Whilst the IFRS 17 tool will be completed by the time IFRS 17 comes into effect, it takes time to assess whether the results from the tool are accurate and that assurance will be obtained through repeated dry runs, user testing and validation by other known well-established and validated tools. This is a time-consuming process that will guarantee the quality of the IFRS 17 solution.
- The IFRS 17 standard itself underwent late amendments which made certain adjustments to IT tools necessary to comply with the new requirements. This has resulted in additional time to be spent on development and testing, further delaying the tool. As a relevant example of such amendment, Credendo cites the treatment of insurance acquisition costs, some of which can now be presented as assets if they relate to unrecognised insurance contracts at transition date. Time needed to change and calibrate IT tools to accommodate this new requirement has rendered it significantly more challenging to have reasonable quantitative impact estimates ready for the 2022 reporting.

- 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).
- 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 IFRS 17 'Insurance Contracts': Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective 1 January 2023). The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements. Given that Credendo is not going to restate comparatives under IFRS 9 in the first financial statements prepared under IFRS 17/9, these amendments are not relevant.

The following amendments have been issued, but are **not mandatory** for the first time for the financial year beginning on 1 January 2022 and have **not been endorsed** by the European Union:

- Amendments to IAS 1 'Presentation of Financial Statements': Classification of Liabilities as current or non-current (effective 1 January 2023), affect only the presentation of liabilities in the statement of financial position, not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They:
  - 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;

- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

- Amendments to IFRS 16 'Leases': Lease Liability in a Sale and Leaseback (effective 1 January 2024). The amendments explain how an entity accounts for a sale and leaseback after the date of the transaction, specifically where some or all the lease payments are variable lease payments that do not depend on an index or rate. They state that, in subsequently measuring the lease liability, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use it retains. Any gains and losses relating to the full or partial termination of a lease continue to be recognised when they occur as these relate to the right of use terminated and not the right of use retained.

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 in 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 in 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 the 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 is 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 in 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 – Guarantees & 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 payments 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 twelve months or less.

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

2.21. Assets and liabilities held for sale and discontinued operations

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

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

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

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

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

3. Critical accounting estimates and judgements

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

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

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

3.2. Impairment losses on loans and receivables

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

3.3. Pension benefits

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

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

3.4. Income taxes

Credendo is subject to income taxes in Belgium, Austria, the Czech Republic, France, Germany, Ireland, Italy, the Netherlands, Poland, Russia[1], 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 6 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 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 FVTPL in one line item 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 taken on the basis 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 into a line-by-line disaggregation of the individual items which Zephyr is made up of. Furthermore, we refer to notes 8 and 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

1. Following the invasion of Ukraine by Russia, it has been decided to exit the Russian market by selling our stake in Credendo – Ingosstrakh Credit Insurance. This process is ongoing.

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, resulting from inadequate pricing and provisioning assumptions due to internal or external factors, including sustainability risks. 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 who 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, prefinancing and delivery of services. Losses may arise from debtor insolvency or debtor defaults and/or political and assimilated ('force majeure') events. Policyholders are typically companies located in the larger Europe, while the risks covered encompass the whole world. These types of risks may be covered through different products, like Single Risk policies, turnover policies, excess-of-loss products, captive schemes, forfaiting contracts and financial guarantees.

Other types of risk under the credit insurance cover offered by some entities, concern losses due to contract termination and illicit calling of guarantees. Other ancillary risks from current trade transactions that may be covered are the risk of infringement of property rights, like deliveries of equipment and goods for consignment or in the framework of processing contracts and 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 28.2 million (2021: EUR 21.6 million). A 10% rise in claims expenses would lower the pre-tax income by EUR 18.7 million (2021: EUR 2.3 million).

4.1.5 Change in assumptions

No assumption changes with material impact have occurred since 1 January 2022.

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 (MIO EUR) BY TOP 10 DEBTOR COUNTRIES

	31/12/2022			31/12/2021	
Country	Total potential exposure	%	Country	Total potential exposure	%
Italy	3,466	4.7%	Russia	4,986	7.8%
Poland	2,906	4.0%	Italy	3,012	4.7%
Czech Republic	2,876	3.9%	China	2,589	4.0%
Germany	2,756	3.8%	Czech Republic	2,394	3.7%
Russia	2,699	3.7%	Germany	2,305	3.6%
China	2,696	3.7%	Poland	2,256	3.5%
France	2,691	3.7%	France	2,190	3.4%
United States	2,315	3.2%	United States	1,856	2.9%
Brazil	2,277	3.1%	Belgium	1,653	2.6%
United Arab Emirates	2,089	2.9%	Brazil	1,548	2.4%
Other countries	46,640	63.5%	Other countries	39,326	61.3%
Total potential exposure	**73,411**	**100%**	**Total potential exposure**	**64,113**	**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 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	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	285.6	68.2	8.9	59.6	52.5	40.5	88.0	
One year later	251.7	85.8	27.5	65.7	67.9	27.3		
Two years later	291.2	76.2	36.6	71.3	92.9			
Three years later	292.5	45.5	61.2	68.4				
Four years later	257.7	71.6	65.7					
Five years later	339.0	69.0						
Six years later	327.4							
Current estimate of cumulative claims	327.4	69.0	65.7	68.4	92.9	27.3	88.0	738.7
Cumulative payments to date	275.4	46.1	43.2	65.0	53.4	11.2	10.7	505.0
Liability in respect to prior years								25.1
Total liability included in the balance sheet at 31/12/2022								**258.8**

CREDENDO - EXPORT CREDIT AGENCY - DIRECT MLT BUSINESS

	Reported claims[1], net of reinsurance (in million EUR)							
Occurrence year	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	244.5	57.1	7.7	35.7	48.2	39.5	82.2	
One year later	245.3	79.9	11.6	52.6	60.6	24.3		
Two years later	238.9	15.0	32.9	57.2	85.4			
Three years later	194.1	41.6	56.2	54.2				
Four years later	215.2	67.2	54.4					
Five years later	295.7	65.7						
Six years later	284.9							
Current estimate of cumulative claims	284.9	65.7	54.4	54.2	85.4	24.3	82.2	651.1
Cumulative payments to date	233.4	42.8	38.5	51.1	47.9	9.0	7.1	429.8
Liability in respect to prior years								23.5
Total liability included in the balance sheet at 31/12/2022								**244.8**

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

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

CREDENDO - EXPORT CREDIT AGENCY - DIRECT ST BUSINESS & CREDENDO - SHORT-TERM NON-EU RISKS

	Reported claims[2], gross of reinsurance (in million EUR)							
Occurrence year	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	82.4	69.5	21.4	41.7	23.3	7.5	46.2	
One year later	78.2	149.4	55.6	54.1	24.5	18.6		
Two years later	86.7	155.1	78.8	48.8	28.6			
Three years later	84.0	93.6	73.5	62.4				
Four years later	90.6	88.3	63.8					
Five years later	85.4	101.9						
Six years later	85.8							
Current estimate of cumulative claims	85.8	101.9	63.8	62.4	28.6	18.6	46.2	407.3
Cumulative payments to date	84.8	87.2	50.2	51.7	22.2	7.0	17.0	320.1
Liability in respect to prior years								21.9
Total liability included in the balance sheet at 31/12/2022								**109.1**

CREDENDO - EXPORT CREDIT AGENCY - DIRECT ST BUSINESS & CREDENDO - SHORT-TERM NON-EU RISKS

	Reported claims[2], net of reinsurance (in million EUR)							
Occurrence year	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	67.8	60.1	14.3	18.4	14.6	3.7	33.1	
One year later	60.0	133.2	30.2	33.0	12.4	11.9		
Two years later	65.2	60.4	65.2	27.9	17.0			
Three years later	56.2	70.2	60.4	39.0				
Four years later	70.0	65.3	51.4					
Five years later	65.2	78.4						
Six years later	65.7							
Current estimate of cumulative claims	65.7	78.4	51.4	39.0	17.0	11.9	33.2	296.6
Cumulative payments to date	64.8	64.6	38.1	29.3	12.3	3.4	12.3	224.8
Liability in respect to prior years								14.8
Total liability included in the balance sheet at 31/12/2022								**86.6**

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 reinsurance and suretyship).

In the following claims development tables for Credendo – Short-Term EU Risks (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

	Reported claims[1], gross of reinsurance (in million EUR)							
Occurrence year	2016	2017	2018	2019	2020	2021	2022	Total
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	14.7	15.4	15.3	11.5	8.9	7.3	11.6	
One year later	13.1	15.2	11.1	8.2	4.5	4.2		
Two years later	12.8	16.3	10.5	7.9	4.1			
Three years later	12.7	16.1	10.1	7.7				
Four years later	12.7	14.2	10.2					
Five years later	12.7	13.6						
Six years later	12.8							
Current estimate of cumulative claims	12.8	13.6	10.2	7.7	4.1	4.2	11.6	64.2
Cumulative payments to date	13.0	13.5	10.5	8.0	4.3	4.6	5.1	59.0
Liability in respect to prior years								0.1
Total liability included in the balance sheet at 31/12/2022								**5.3**

CREDENDO - SHORT-TERM EU RISKS

	Reported claims[1], net of reinsurance (in million EUR)							
Occurrence year	2016	2017	2018	2019	2020	2021	2022	Total
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	5.9	6.2	5.4	4.6	4.0	3.3	5.2	
One year later	5.2	6.1	3.9	3.3	2.0	1.9		
Two years later	5.1	6.5	3.7	3.2	1.8			
Three years later	5.1	6.5	3.5	3.1				
Four years later	5.1	6.0	3.6					
Five years later	5.1	5.3						
Six years later	5.1							
Current estimate of cumulative claims	5.1	5.3	3.6	3.1	1.8	1.9	5.2	26.0
Cumulative payments to date	5.2	5.4	3.7	3.2	1.9	2.1	2.3	23.8
Liability in respect to prior years								-
Total liability included in the balance sheet at 31/12/2022								**2.3**

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

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	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	9.8	12.2	13.9	28.2	38.2	20.6	26.1	
One year later	25.0	18.4	26.1	55.7	19.7	26.4		
Two years later	27.0	21.3	32.5	49.0	18.1			
Three years later	24.6	22.5	31.0	51.9				
Four years later	26.5	22.8	31.9					
Five years later	27.5	22.8						
Six years later	27.5							
Current estimate of cumulative claims	27.5	22.8	31.9	51.9	18.1	26.4	26.2	204.8
Cumulative payments to date	27.4	18.9	24.2	31.5	8.0	1.7	0.3	112.0
Liability in respect to prior years								0.4
Total liability included in the balance sheet at 31/12/2022								**93.2**

CREDENDO - GUARANTEES & SPECIALITY RISKS

	Reported claims, net of reinsurance (in million EUR)							
Occurrence year	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	2.7	3.2	3.5	7.7	9.0	5.4	8.7	
One year later	6.4	6.1	7.0	14.8	5.5	10.2		
Two years later	8.2	6.4	9.0	13.1	6.1			
Three years later	7.4	6.3	8.0	13.7				
Four years later	8.6	6.1	8.2					
Five years later	8.8	6.1						
Six years later	8.7							
Current estimate of cumulative claims	8.7	6.1	8.2	13.7	6.1	10.2	8.6	61.6
Cumulative payments to date	8.8	4.7	6.2	8.6	3.1	0.4	-	31.8
Liability in respect to prior years								2.3
Total liability included in the balance sheet at 31/12/2022								**32.1**

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 rates points to a negligible decrease/increase in pre-tax profit of maximum K EUR 668 (2021: K EUR 769) 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)	31/12/2022	31/12/2021
ASSETS DENOMINATED IN FOREIGN CURRENCY		
Financial investments		
USD	301.7	229.6
GBP	6.2	23.0
Reinsurers' share of insurance liabilities		
USD	34.9	17.3
GBP	1.2	0.1

CURRENCY RISK EXPOSURE (IN MILLION EUR)	31/12/2022	31/12/2021
LIABILITIES DENOMINATED IN FOREIGN CURRENCY		
Lease liabilities		
USD	0.0	0.7
GBP	0.0	0.0
Liabilities arising from insurance contracts denominated in foreign currency		
USD	166.0	138.3
GBP	2.7	2.5

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 17.1 million (2021: EUR 10.8 million) and of the net asset position in GBP of EUR 0.5 million (2021: EUR 2.1 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 17.5 million (2021: EUR 12.9 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 2022	1.07	0.89	24.12	79.11
% fluctuation since the end of 2021	-5.6%	5.6%	-3.0%	-7.3%
Average 2022	1.05	0.85	24.54	73.48
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

4.2.1.3 Equity price risk

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

At the end of the reporting period, a sensitivity analysis on funds invested in equity instruments (including commodities and derivatives) demonstrates that if equity market prices had been 10% higher/lower, with all other variables held constant, the pre-tax impact on P&L would have been EUR 62 million higher/lower (2021: EUR 73.1 million) respectively, due to the change in mark-to-market of equity.

4.2.2 Credit risk

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

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

The following table demonstrates the credit quality of the consolidated financial investments that are neither overdue nor impaired. Mixed funds are classified on a look-through basis i.e. according to the category of the underlying financial investments. Therefore, amounts e.g. classified as equity instruments or cash (equivalents), are different from amounts in the balance sheet. A total amount of EUR 837 million is classified as not rated. It refers to equity investments (EUR 620 million), to debt instrument funds for which the average rating was not available (EUR 58 million) and finally to cash held in non-rated banks (EUR 159 million).

CREDIT RISK EXPOSURE (IN MILLION EUR)	AAA	AA	A	BBB	<BBB	Non-rated	Total
FINANCIAL INVESTMENTS & CASH (EQUIVALENTS) AT 31/12/2022							
Government bonds	214	496	19	17	-	-	746
Funds invested in debt/security instruments	190	166	124	445	35	58	1,018
Funds invested in equity instruments	-	-	-	-	-	620	620
Fixed-term deposits	-	-	16	-	-	-	16
Cash and cash equivalents	5	-	340	-	-	159	504
Total	**409**	**662**	**499**	**462**	**35**	**837**	**2,904**

CREDIT RISK EXPOSURE (IN MILLION EUR)	AAA	AA	A	BBB	<BBB	Non-rated	Total
FINANCIAL INVESTMENTS & CASH (EQUIVALENTS) AT 31/12/2021							
Government bonds	304	653	47	102	3	10	1,119
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**

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

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

COUNTERPARTY RISK EXPOSURE	AAA	AA	A	BBB	<BBB	Non-rated	Total
REINSURERS' SHARE OF INSURANCE LIABILITIES (IN MIO EUR)							
31/12/2022	3.3	22.4	126.6	0.5	0.1	0.3	153.1
31/12/2021	2.7	28.5	122.8	0.8	3.0	5.0	162.8

The exposition to AAA-rated reinsurers in 2021 and 2022 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.

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

4.2.3 Liquidity risk

Liquidity risk is defined as the risk that funds are not available in order to settle financial obligations when they fall due. Credendo entities' principal cash outflow commitments are related to their insurance liabilities. Credendo's (non-)derivative financial liabilities 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 twelve 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[1] 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.

All Credendo entities, except the Russia-based subsidiary[1], currently hold ratings from S&P Global at the end of the reporting period:

- Credendo – Short-term Non-EU Risks was assigned an A rating with a stable outlook in 2022;
- Credendo – Short-term EU Risks was assigned an A rating with a stable outlook in 2022;
- Credendo – Guarantees & Speciality Risks is rated A- with a stable outlook;
- parent company Credendo – Export Credit Agency is rated AA with a stable outlook.

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 2022 and 2021. 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.

1. Following the invasion of Ukraine by Russia, it has been decided to exit the Russian market by selling our stake in Credendo – Ingosstrakh Credit Insurance. This process is ongoing.

31/12/2022 (IN MILLION EUR)	Level 1	Total
ASSETS		
Financial assets at fair value through profit or loss	**2,234**	**2,234**
Mixed and other funds	2,234	2,234
Available-for-sale financial assets	**27**	**27**
Funds invested in debt instruments	27	27
Total assets	**2,260**	**2,260**

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**

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 2022, all financial investments measured at fair value on a recurring basis are classified as level 1 (31 December 2021: 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 - 31/12/2022	Group 1 - SPPI financial instruments				Group 2 - Other financial investments		
	AFS	Loans and receivables	Cash and cash equivalents	Total	FVTPL	AFS	Total
FINANCIAL INVESTMENTS							
Opening balance	**28,740**	**317,846**	**292,259**	**638,845**	**2,226,097**	**232,759**	**2,458,856**
Additions	10,135	21,587	36,275	67,997	373,858	2,703	376,561
Disposals	-12,319	-15,206	-	-27,525	-198,705	-157,431	-356,136
Change in fair value	201	-9,387	-	-9,186	-167,684	-78,031	-245,715
Closing balance	**26,757**	**314,840**	**328,534**	**670,131**	**2,233,566**	**-**	**2,233,566**
RECEIVABLES ARISING FROM FUNDING OPERATIONS[1]							
Opening balance	**-**	**129,750**	**-**	**129,750**	**-**	**-**	**-**
Additions	-	20,009	-	20,009	-	-	-
Disposals	-	-	-	-	-	-	-
Change in fair value	-	-	-	-	-	-	-
Closing balance	**-**	**149,759**	**-**	**149,759**	**-**	**-**	**-**

ASSET CLASS - 31/12/2021	Group 1 - SPPI financial instruments				Group 2 - Other financial investments		
	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. The receivables from policyholders and assets from reinsurers will be excluded from the scope of IFRS 9.

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 EXPOSURE (IN MILLION EUR) 31/12/2022	AAA	AA	A	BBB	<BBB	Non-rated	Total
FINANCIAL INSTRUMENTS INCLUDED IN GROUP 1							
Financial investments	-	328	76	3	-	209	670
Receivables arising from funding operations	-	-	-	-	-	150	150
Total	**-**	**328**	**76**	**3**	**-**	**359**	**820**

CREDIT RISK EXPOSURE (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**

5. Intangible assets

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 01/01/2022		5,835	774	30,582	82,181	12,307	606	132,285
Additions		-	15	1,322	19,769	321	218	21,645
Disposals		-	-	-862	-	-103	-	-965
Transfers		-	-	68,464	-68,464	-	-	-
Exchange differences		-	24	-	-	-	-4	20
Held for sale and discontinued operations		-	-	-	-	-	-373	-373
At cost at 31/12/2022		5,835	813	99,506	33,486	12,525	447	152,612
Accumulated amortisation and impairments at 01/01/2022		-5,560	-773	-16,625	-	-11,584	-400	-34,942
Amortisation charge	26	-	-	-5,799	-	-252	-35	-6,086
Amortisation on disposals		-	-	862	-	81	-	943
Exchange differences		-	-24	-	-	-	-5	-29
Held for sale and discontinued operations		-	-	-	-	-	61	61
Accumulated amortisation and impairments at 31/12/2022		-5,560	-797	-21,562	-	-11,755	-379	-40,053
BALANCE AT 01/01/2022		275	1	13,957	82,181	723	206	97,343
BALANCE AT 31/12/2022		275	16	77,944	33,486	770	68	112,559

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

The total amortisation expense of K EUR 6,086 (2021: K EUR 2,996) has been charged in 'Depreciation and amortisation' in the income statement.

The total additions of 2022 amount to K EUR 21,645 (2021: K EUR 23,577) 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

5.1.1 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.

5.1.2 Cash-generating units

The valuation of CGUs 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) a mandatory investment in Belgian government bonds or notes, that is equal to the endowment received from the Belgian state.

5.1.3 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 five years, which are recent and thus take into account current market conditions. The management forecasts of the net finance income as at

31 December 2022 applied in the test, are significantly more prudent than those applied as at 31 December 2021. Also included in the estimate is the value of the excess capital that Credendo – Export Credit Agency could potentially distribute to shareholders.

Estimating the weighted average cost of capital (WACC) has resulted in a rate of 8.02%. 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.

5.1.4 Increase in WACC

If the model's WACC is increased to 8.65%, the reduction in headroom does not result in the need to impair the intangible assets.

5.1.5 Decrease in permanent growth rate (g)

In case of a decrease in the g value, assumed in the model, to 0.65%, 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:

31/12/22	Opening	Impairment	Closing
Credendo – Guarantees & Speciality Risks	275		275
Credendo – Ingosstrakh Credit Insurance[1]	-		-
Total	**275**	**-**	**275**

31/12/21	Opening	Impairment	Closing
Credendo – Guarantees & Speciality Risks	275		275
Credendo – Ingosstrakh Credit Insurance[1]	-		-
Total	**275**	**-**	**275**

During the fourth quarter of 2022, Credendo completed its annual impairment test for goodwill. There was no impairment of goodwill required.

1. Following the invasion of Ukraine by Russia, it has been decided to exit the Russian market by selling our stake in Credendo – Ingosstrakh Credit Insurance. This process is ongoing.

6. Property, plant and equipment

6.1. Property, plant and equipment owned by Credendo

PROPERTY, PLANT AND EQUIPMENT	Note	Land and buildings	Plant, machinery and equipment	Office furniture, furnishing and vehicles	Operating equipment	Other	Total
At cost at 01/01/2022		18,746	15,324	9,689	185	153	44,097
Additions		-	760	69	35	-	864
Disposals		-	-2,780	-120	-	-2	-2,902
Transfers		-	132	-	-	-132	-
Exchange differences		-	20	26	12	-	58
Held for sale and discontinued operations		-	-	-103	-232	-	-335
At cost at 31/12/2022		18,746	13,456	9,561	-	19	41,782
Accumulated depreciation and impairments at 01/01/2022		-2,775	-13,201	-8,765	-166	-7	-24,914
Depreciation charge	26	-153	-901	-274	-	-	-1,328
Depreciation on disposals		-	2,475	120	-	2	2,597
Exchange differences		-	-20	-22	-10	-	-52
Held for sale and discontinued operations		-	-	76	176	-	252
Accumulated depreciation and impairments at 31/12/2022		-2,928	-11,647	-8,865	-	-5	-23,445
BALANCE AT 01/01/2022		15,971	2,123	924	19	146	19,183
BALANCE AT 31/12/2022		15,818	1,809	696	-	14	18,337

PROPERTY, PLANT AND EQUIPMENT	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

The total depreciation expense of K EUR 1,328 (2021: K EUR 1,389) has been charged in 'Depreciation and amortisation' in the income statement.

The total additions of 2022 amount to K EUR 864 (2021: K EUR 538) and are mainly related to the acquisition of furniture and hardware (K EUR 829).

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	2022	2021
Buildings	2,817	4,514
Vehicles	1,743	1,547
Total	**4,560**	**6,061**

LEASE LIABILITIES	2022	2021
Current	1,329	2,477
Non-current	3,367	3,578
Total	**4,696**	**6,055**

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

CONTRACTUAL MATURITIES OF LEASE LIABILITIES - 31/12/2022	Less than 1 year	1-5 years	>5 years	Total contractual cash flows	Carring amount of lease liabilities
Buildings	1,274	2,084	-	3,358	2,976
Vehicles	994	726	-	1,720	1,720
Lease liabilities	**2,268**	**2,810**	**-**	**5,078**	**4,696**

CONTRACTUAL MATURITIES OF LEASE LIABILITIES - 31/12/2021	Less than 1 year	1-5 years	>5 years	Total contractual cash flows	Carring 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**

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	Note	31/12/2022	31/12/2021
Buildings		-1,395	-1,515
Vehicles		-1,050	-603
Subtotal	26	-2,445	-2,118
Interest expense (incl. in finance cost)		50	43
Expenses related to leases of low-value assets not shown as short-term leases		33	31

7. Other financial assets

The other financial assets can be detailed as follows:

IN THOUSANDS EUR	31/12/2022	31/12/2021
Investments in companies in equity method	1,807	2,038
Loans to associates	13,010	10,730
Cash guarantees	182	239
Total other financial assets	**14,999**	**13,007**

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 2022 is reduced to zero due to losses in 2021 and 2022.

The line 'Loans to associates' as at 31 December 2022 and 31 December 2021 predominantly includes loans from Credendo – Export Credit Agency to Marjory SAS.

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 2022, Digiteal SA had a loss from continuing operations of K EUR 865 of which K EUR 232 are recorded as share of profit of associated 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 2022 is reduced to K EUR 1,807.

8. Financial investments

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

ANALYSIS BY CLASSES - 2022	AFS	FVTPL	Loans and receivables	Total
Government bonds[1]	-	-	298,922	298,922
Unquoted	-	-	298,922	298,922
Funds invested in debt instruments	26,757	-	-	26,757
Quoted	26,757	-	-	26,757
Mixed and other funds	-	2,233,566	-	2,233,566
Quoted	-	2,233,566	-	2,233,566
Unquoted	-	-	-	-
Fixed-term deposits	-	-	15,918	15,918
Total financial investments	**26,757**	**2,233,566**	**314,840**	**2,575,163**

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**

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	31/12/2022	31/12/2021
Current	341,597	629,938
Non-current	2,233,566	2,175,504
Total	**2,575,163**	**2,805,442**

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

8.1 Zephyr

The financial investments as per 31 December 2022 include financial investments in an institutional fund, called Zephyr, for an amount of EUR 2.22 billion (2021: EUR 2.21 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 1.19 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 0.94 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 0.09 billion, 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 2022 can be detailed as follows:

Detail per asset class

ASSET CLASS	Market Value	
	31/12/2022	31/12/2021
Corporate bonds	839,994	865,435
Government bonds	740,374	634,432
Equity	283,668	449,284
Cash and cash equivalents	178,099	111,684
Commodities	111,291	83,983
Real estate	49,546	57,571
Other	22,148	10,820
Forward	-1,407	-2,615
Total	**2,223,713**	**2,210,594**

Detail per currency

CURRENCY	Market value	
	31/12/2022	31/12/2021
EUR	1,826,335	1,892,047
USD	299,089	214,870
CHF	29,353	23,432
JPY	10,896	19,453
GBP	11,563	16,579
SEK	1,334	3,095
Other	45,141	41,117
Total	**2,223,713**	**2,210,594**

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.

8.2.1 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 2022 is 3.73 (31 December 2021: 4.19).

The bonds within Zephyr amount to EUR 1,580 million (2021: EUR 1,499 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 58.9 million (2021: EUR 62.8 million). This analysis instrument assumes that all other variables, in particular foreign-currency rates remain constant.

8.2.2 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%.

8.2.3 Currency risk

The main assets in foreign currency within Zephyr are denominated in USD and amount to USD 319 million (EUR 299 million) at 31 December 2022 (31 December 2021: USD 244 million or EUR 215 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 01/01/2021		**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) transfered to equity	15.2	508	-	-	508
Net gains/(losses) transfered 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**
Additions		12,837	373,858	21,587	408,282
Disposals		-232,557	-137,884	-15,206	-383,661
Net gains/(losses) transfered to equity	15.2	-16,934	-	-	-16,934
Net gains/(losses) transfered from equity	15.2-27	-186	-	-	-186
Conversion differences		2,098	1,540	843	4,481
Net gains/(losses) through profit or loss	27	-	-217,933	-	-217,933
Held for sale and discontinued operations		-	-12,112	-10,230	-22,342
AT 31/12/2022		**26,757**	**2,233,566**	**314,840**	**2,575,163**

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 2022, no impairment was booked on the Dynamic Risk Overlay compartment (2021: no impairment).

During the period from 1 January 2022 till 31 December 2022, 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	31/12/2022	31/12/2021
Deferred tax assets to be recovered after more than 12 months	4,558	3,248
Deferred tax assets to be recovered within 12 months	-	-
Deferred tax assets	**4,558**	**3,248**
Deferred tax liabilities to be recovered after more than 12 months	-486	-3,462
Deferred tax liabilities to be recovered within 12 months	-	-
Deferred tax liabilities	**-486**	**-3,462**
Net deferred tax position	**4,072**	**-214**

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

DEFERRED TAX ASSETS AND LIABILITIES - SET-OFF	31/12/2022	31/12/2021
Deferred tax assets before set-off	7,830	7,179
Set-off of deferred tax position	-3,272	-3,931
Deferred tax assets presented in the statement of financial position	**4,558**	**3,248**
Deferred tax liabilities before set-off	3,758	7,393
Set-off of deferred tax position	-3,272	-3,931
Deferred tax liabilities presented in the statement of financial position	**486**	**3,462**

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

GROSS MOVEMENTS DEFERRED TAXES	Note	2022	2021
BALANCE AT 01/01		-214	6 326
Income statement (charge)/credit	29	1,587	-5,652
Tax (charge)/credit relating to components of other comprehensive income	15.2	2,646	-864
Exchange differences		-182	-24
Discontinued operations		235	-
BALANCE AT 31/12		4,072	-214

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 01/01/2022	2,798	3,012	-	464	-	905	7,179
Charged/(credited) to the income statement	1,439	117	-	-	-	10	1,566
Charged/(credited) to other comprehensive income	-	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-915	-915
BALANCE AT 31/12/2022	4,237	3,129	-	464	-	-	7,830

The deferred tax assets before set-off include an amount of K EUR 4,237 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 three to seven 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 01/01/2022	**1,597**	**4,118**	**873**	**41**	**492**	**272**	**7,393**
Charged/(credited) to the income statement	4	-	-140	-46	88	74	-21
Charged/(credited) to other comprehensive income	1,472	-4,118	-	-	-	-	-2,646
Exchange differences	-	-	131	46	5	-	182
Discontinued operations	-	-	-829	-32	-	-289	-1,150
BALANCE AT 31/12/2022	**3,073**	**-**	**34**	**9**	**585**	**57**	**3,757**

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	31/12/2022	31/12/2021
REINSURERS' SHARE OF INSURANCE LIABILITIES		
Provision for unearned premium	24,988	32,026
Provision for risk deterioration	7,055	5,274
Provision for IBNR	40,229	32,995
Provision for incurred losses and recoveries	13,802	32,813
Provision for profit-sharing and rebates	3,311	2,884
Provision for claims management expenses	761	865
Total	**90,146**	**106,857**

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	31/12/2022	31/12/2021
RECEIVABLES ON INSURANCE AND REINSURANCE BUSINESS		
Amounts owed by policyholders and direct insurance operations	73,758	68,643
Receivables arising out of reinsurance	4,467	21,860
Provision for impairment	-31,376	-29,962
Receivables arising from funding operations	149,759	129,750
Total receivables related to insurance activity	**196,608**	**190,291**
Other receivables	27,693	7,447
Total other receivables	**27,693**	**7,447**
Total receivables	**224,301**	**197,738**

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	2022	2021
BALANCE AT 01/01	-29,962	-28,961
Provisions for impairment on receivables	-3,142	-1,893
Reversal of provisions for impairment on receivables	2,099	1,051
Provisions for impairment on outstanding claims	-380	-469
Reversal of provisions for impairment on outstanding claims	19	336
Other movements	-10	-26
BALANCE AT 31/12	-31,376	-29,962

The creation and release of the provision for impaired receivables of K EUR 1,043 (2021: K EUR 842) 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 2022, total loans and receivables of K EUR 190,028 (31 December 2021: K EUR 162,645) 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 - 31/12/2022	Impaired and provided for	Due but not impaired	Not due	Total
Gross	31,376	190,028	34,276	255,680
Impairment	-31,376	-	-	-31,376
Net	**-**	**190,028**	**34,276**	**224,304**

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**

At 31 December 2022, K EUR 31,376 (2021: K EUR 29,962) of total receivables was impaired.

AGEING ANALYSIS - 31/12/2022	<3 months	3-6 months	>6 months	Total
Impaired and provided for	-1,770	-1,077	-28,529	-31,376
% of total	6%	3%	91%	100%
Total	**-1,770**	**-1,077**	**-28,529**	**-31,376**

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 - 31/12/2022	<3 months	3-6 months	>6 months	Total
Due but not impaired	19,000	14,446	156,582	190,028
% of total	10%	8.0%	82.00%	100%
Total	**19,000**	**14,446**	**156,582**	**190,028**

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%	78.00%	100%
Total	**26,140**	**9,143**	**127,362**	**162,645**

12. Other assets

The other assets can be detailed as follows:

OTHER ASSETS	31/12/2022	31/12/2021
Deferred charges	499	628
Prepaid expenses	1,801	1,242
Accrued interests	1,442	1,312
Accrued revenue on insurance premiums	13,058	11,319
Other accrued income	5,933	1,724
Total other assets	**22,733**	**16,225**

13. Cash and cash equivalents

CASH AND CASH EQUIVALENTS	31/12/2022	31/12/2021
Cash at bank and in hand	328,526	292,251
Short-term bank deposits	8	8
Cash and cash equivalents in the statement of financial position	**328,534**	**292,259**

The effective interest rate on short-term bank deposits for 2022 amounted to 0.00% (2021: 0.00%).

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

CASH AND CASH EQUIVALENTS	31/12/2022	31/12/2021
Cash and cash equivalents	328,534	292,259
Bank overdrafts	-	-
Cash and cash equivalents in the statement of cash flows	**328,534**	**292,259**

14. Endowment

	Endowment	Total
AT 01/01/2021	297,472	297,472
Change in endowment	-	-
AT 31/12/2021	297,472	297,472
Change in endowment	-	-
AT 31/12/2022	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 2022 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 changed for several decades.

15. Consolidated reserves and other comprehensive income

15.1. Consolidated reserves

	2022			2021		
	Total	NCI	Share of parent	Total	NCI	Share of parent
BALANCE AT 01/01	2,639,389	6,453	2,632,936	2,429,872	5,185	2,424,687
Profit/(loss) of the year	-271,492	-6,453	-265,039	209,517	1,268	208,249
Other movements	-160	-	-160	-	-	-
Share in movements consolidated reserves	-271,652	-6,453	-265,199	209,517	1,268	208,249
BALANCE AT 31/12	2,367,737	-	2,367,737	2,639,389	6,453	2,632,936

15.2. Other comprehensive income

	Note	2022			2021		
		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	18,110	-	18,110	6,173	-	6,173
Deferred tax on actuarial gains/(losses) on post-employment benefits	9	-1,472	-	-1,472	-542	-	-542
Subtotal of items that will not be reclassified to profit or loss		**16,638**	**-**	**16,638**	**5,631**	**-**	**5,631**
ITEMS THAT MAY BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS							
Fair-value changes on available-for-sale financial assets	8	-16,888	-	-16,888	541	-	541
Foreign-exchange differences on available-for-sale financial assets	8-28	-46	-	-46	-33	-	-33
Fair-value changes on available-for-sale financial assets – recycled to profit or loss	8-27	79	-	79	-98	-	-98
Foreign-exchange differences on available-for-sale financial assets – recycled to profit or loss	8-27-28	-265	-	-265	-	-	-
Deferred taxes thereon	9	4,118	-	4,118	-322	-	-322
Subtotal items from financial assets that may be subsequently reclassified to profit or loss		**-13,002**	**-**	**-13,002**	**88**	**-**	**88**
Exchange differences on translating foreign operations	28	2,016	301	1,715	2,506	269	2,237
Subtotal of items that may be subsequently reclassified to profit or loss		**-10,986**	**301**	**-11,287**	**2,594**	**269**	**2,325**
Total other comprehensive income for the year		**5,652**	**301**	**5,351**	**8,225**	**269**	**7,956**

	31/12/2022	31/12/2021
Attributable to:		
Other comprehensive income from continuing operations	4,654	7,183
Other comprehensive income from discontinued operations	998	1,042
Total other comprehensive income for the year	**5,652**	**8,225**

The negative result reflected in the line "Fair value changes on available-for-sale financial assets" in 2022 is due to significant negative trends in financial market during that year.

16. Liabilities arising from insurance contracts and reinsurance assets

	31/12/2022			31/12/2021		
	Gross	Recoverable from reinsurance	Net	Gross	Recoverable from reinsurance	Net
Single Risk	331,224	-45,211	286,013	202,055	-23,647	178,408
Investment insurance	6,948	-	6,948	1,377	-	1,377
Financial guarantees	6,602	-	6,602	6,444	-	6,444
Sureties	53,719	-20,313	33,406	44,148	-22,847	21,301
Excess of loss & Captives	34,040	-8,317	25,723	35,736	-24,268	11,468
Turnover policies	27,482	-8,569	18,913	56,538	-24,826	31,712
Inward reinsurance	156,682	-7,736	148,946	141,587	-11,269	130,318
Liabilities arising from insurance contracts presented in the statement of financial position	**616,697**	**-90,146**	**526,551**	**487,885**	**-106,857**	**381,028**

16.1. Single Risk insurance

	31/12/2022			31/12/2021		
	Gross	Recoverable from reinsurance	Net	Gross	Recoverable from reinsurance	Net
Provision for incurred losses and recoveries	56,266	-6,780	49,486	-45,471	-5,703	-51,174
Claims incurred but not reported	52,167	-23,162	29,005	21,484	-3,149	18,335
Provision for profit-sharing and rebates	287	-68	219	306	-44	262
Provision for risk deterioration	25,680	-6,681	18,999	21,362	-5,170	16,192
Provision for unearned premiums	182,121	-8,366	173,755	191,354	-9,400	181,954
Provision for claims management expenses	14,703	-154	14,549	13,020	-181	12,839
Total	**331,224**	**-45,211**	**286,013**	**202,055**	**-23,647**	**178,408**

16.2. Investment insurance

	31/12/2022			31/12/2021		
	Gross	Recoverable from reinsurance	Net	Gross	Recoverable from reinsurance	Net
Provision for incurred losses and recoveries	39	-	39	35	-	35
Provision for unearned premiums	6,904	-	6,904	1,333	-	1,333
Provision for claims management expenses	5	-	5	9	-	9
Total	**6,948**	**-**	**6,948**	**1,377**	**-**	**1,377**

16.3. Financial guarantees

	31/12/2022			31/12/2021		
	Gross	Recoverable from reinsurance	Net	Gross	Recoverable from reinsurance	Net
Provision for incurred losses and recoveries	4,180	-	4,180	4,646	-	4,646
Provision for risk deterioration	1,685	-	1,685	742	-	742
Provision for unearned premiums	669	-	669	971	-	971
Provision for claims management expenses	68	-	68	85	-	85
Total	**6,602**	**-**	**6,602**	**6,444**	**-**	**6,444**

16.4. Sureties

	31/12/2022			31/12/2021		
	Gross	Recoverable from reinsurance	Net	Gross	Recoverable from reinsurance	Net
Provision for incurred losses and recoveries	24,887	-3,657	21,230	18,591	-5,528	13,063
Claims incurred but not reported	14,286	-8,732	5,554	12,665	-8,520	4,145
Provision for unearned premiums	13,753	-7,882	5,871	12,187	-8,769	3,418
Provision for claims management expenses	793	-42	751	705	-30	675
Total	**53,719**	**-20,313**	**33,406**	**44,148**	**-22,847**	**21,301**

16.5. Excess-of-loss and captive insurance

	31/12/2022			31/12/2021		
	Gross	Recoverable from reinsurance	Net	Gross	Recoverable from reinsurance	Net
Provision for incurred losses and recoveries	20 806	-2 850	17 956	9 842	-6 975	2 867
Claims incurred but not reported	4 847	-295	4 552	16 288	-11 500	4 788
Provision for profit-sharing and rebates	1 452	-798	654	1 390	-861	529
Provision for risk deterioration	276	-180	96	-	-	-
Provision for unearned premiums	6 233	-4 194	2 039	7 694	-4 932	2 762
Provision for claims management expenses	426	-	426	522	-	522
Total	**34 040**	**-8 317**	**25 723**	**35 736**	**-24 268**	**11 468**

16.6. Turnover policies

	31/12/2022			31/12/2021		
	Gross	Recoverable from reinsurance	Net	Gross	Recoverable from reinsurance	Net
Provision for incurred losses and recoveries	-17,564	6,677	-10,887	12,617	-7,395	5,222
Claims incurred but not reported	23,033	-7,760	15,273	18,647	-8,267	10,380
Provision for profit-sharing and rebates	6,993	-2,443	4,550	4,156	-1,979	2,177
Provision for risk deterioration	634	-194	440	199	-104	95
Provision for unearned premiums	10,101	-4,306	5,795	17,306	-6,485	10,821
Provision for claims management expenses	4,285	-543	3,742	3,613	-596	3,017
Total	**27,482**	**-8,569**	**18,913**	**56,538**	**-24,826**	**31,712**

16.7. Inward reinsurance

	31/12/2022			31/12/2021		
	Gross	Recoverable from reinsurance	Net	Gross	Recoverable from reinsurance	Net
Provision for incurred losses and recoveries	26,434	-7,192	19,242	20,836	-7,212	13,624
Claims incurred but not reported	87,520	-280	87,240	82,195	-1,560	80,635
Provision for profit-sharing and rebates	32	-	32	-	-	-
Provision for unearned premiums	42,637	-241	42,396	38,393	-2,439	35,954
Provision for claims management expenses	59	-23	36	163	-58	105
Total	**156,682**	**-7,736**	**148,946**	**141,587**	**-11,269**	**130,318**

17. Provisions for other liabilities and charges

PROVISIONS FOR OTHER LIABILITIES AND CHARGES	Litigation	Other	Total
BALANCE AT 01/01/2022	**160**	**25**	**185**
Charged/(credited) to the income statement:			
Additional provisions	-132	89	-43
Unused amounts reversed	-	-103	-103
Used during period	-8	-	-8
BALANCE AT 31/12/2022	**20**	**11**	**31**
Current	20	12	31
Non-current	-	-	-

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 period	-250	-	-250
BALANCE AT 31/12/2022	**160**	**25**	**185**
Current	160	25	185
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	31/12/2022	31/12/2021
Short-term employee benefits	9,448	8,236
Post-employment benefits	2,706	20,037
Other long-term employee benefits	368	506
Total	**12,522**	**28,779**

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 2022 the minimum return is 1.85%.

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 2022 are, however, assessed as not significant. For your information, some key figures related to the plan are given below:

- employer contributions 2022: K EUR 221 (2021: K EUR 264).

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 10 in 2022 (as compared to K EUR 11 in 2021).

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

DEFINED-BENEFIT PLAN	31/12/2022	31/12/2021
Present value of funded obligations	-53,167	-61,176
Fair value of plan assets	55,680	56,338
Deficit/surplus of funded plans	**2,513**	**-4,838**
Present value of unfunded obligations	-5,219	-15,199
Net asset/(liability) in the statement of financial position	**-2,706**	**-20,037**

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	2022	2021
DEFINED-BENEFIT OBLIGATION AT 01/01	61,519	63,942
Current service cost	3,419	3,763
Interest cost	436	252
Remeasurements:	-6,802	-3,139
Remeasurements resulting from changes in financial assumptions	-16,519	-3,279
Remeasurements resulting from experience gains/losses	9,717	140
Administration expense	-72	-80
Taxes paid	-322	-331
Internal transfers	48	-338
Benefits paid from plan	-4,790	-2,550
DEFINED-BENEFIT OBLIGATION AT 31/12	53,436	61,519

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	2022	2021
FAIR VALUE OF PLAN ASSETS AT 01/01	56,338	55,009
Interest income	415	227
Remeasurements: return on plan assets excluding interest income	296	564
Internal transfers	80	-318
Employer contributions	3,639	3,732
Administration expense	-72	-80
Taxes paid	-305	-332
Benefits paid from plan	-4,711	-2,464
FAIR VALUE OF PLAN ASSETS AT 31/12	55,680	56,338

Plan assets are represented by the following instruments:

PLAN ASSETS	31/12/2022	31/12/2021
Equity instruments	5,320	5,837
Government and corporate bonds	34,326	36,437
Corporate loans	5,245	5,643
Real estate	9,312	6,560
Cash	43	133
Qualifying insurance policies	1,434	1,728
Total	**55,680**	**56,338**

Pension plan assets include three financing funds at insurance companies.

The amounts recognised in the income statement are as follows:

INCOME STATEMENT - PENSION PLAN	31/12/2022	31/12/2021
Current service cost	3,419	3,763
Net interest cost	-77	-60
Expense recognised in the income statement	**3,342**	**3,703**

The total cost of post-employment benefits of K EUR 3,342 (31 December 2021: K EUR 3,703) 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	31/12/2022	31/12/2021
Remeasurements:	6,882	3,138
Remeasurements resulting from changes in financial assumptions	16,588	3,283
Remeasurements resulting from experience gains/losses	-9,707	-145
Return on plan assets excluding interest income	344	930
Total remeasurements included in OCI	**7,225**	**4,068**

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

ACTUARIAL ASSUMPTIONS - HEALTH PLAN	31/12/2022	31/12/2021
Discount rate	3.50%	0.70%
Future inflation rate	2.25%	1.85%
Future salary increases (after the age of 30)	1.25%	1.25%
Future salary increases (up to the 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 - YEAR ENDED 31/12/2022	Impact on defined benefit obligation	
	Change in assumption	Increase +/ decrease -
Discount rate	-0.25%	+1.13%

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 2023 are K EUR 2,040.

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	2022	2021
DEFINED-BENEFIT OBLIGATION AT 01/01	14,856	15,816
Current service cost	1,009	1,225
Interest cost	162	95
Remeasurements:	-10,885	-2,105
Remeasurements resulting from changes in financial assumptions	-3,268	-2,240
Remeasurements resulting from experience gains/losses	-7,617	135
Benefits paid from plan	-192	-175
DEFINED-BENEFIT OBLIGATION AT 31/12	4,950	14,856

The amounts recognised in the income statement are as follows:

INCOME STATEMENT - HEALTH PLAN	31/12/2022	31/12/2021
Current service cost	1,009	1,225
Net interest cost	-30	-80
Expense recognised in the income statement	**979**	**1,145**

Remeasurements included in other comprehensive income are as follows:

REMEASUREMENTS OTHER COMPREHENSIVE INCOME - HEALTH PLAN	31/12/2022	31/12/2021
Remeasurements:		
Remeasurements resulting from changes in financial assumptions	3,268	2,240
Remeasurements resulting from experience gains/losses	7,617	-135
Total remeasurements included in the OCI	**10,885**	**2,105**

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

ACTUARIAL ASSUMPTIONS - HEALTH PLAN	31/12/2022	31/12/2021
Discount rate	3.70%	1.10%
Medical increase trend	5.25%	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 2023 are K EUR 446.

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	31/12/2022	31/12/2021
Payables on insurance and reinsurance business		
Amounts due to policyholders	25,655	21,124
Payables arising out of reinsurance operations	21,852	47,686
Total payables	**47,507**	**68,810**

PAYABLES	31/12/2022	31/12/2021
Current	44,424	65,078
Non-current	3,083	3,732
Total	**47,507**	**68,810**

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:

OTHER LIABILITIES	31/12/2022	31/12/2021
Lease liabilities	4,696	6,055
Other debts	29,192	14,132
Accrued charges and deferred income	8,429	7,852
Total	**42,317**	**28,039**

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 2022, total other debts mainly related to invoices to be received of K EUR 9,751 (31 December 2021: K EUR 7,395), debt towards the Belgian state of K EUR 1,167 (31 December 2021: K EUR 67) and other non-insurance-related supplier debts of K EUR 18,274 (31 December 2021: K EUR 6,452).

The total accrual of K EUR 8,429 as per 31 December 2022 mainly relates to operating and administration expenses of K EUR 5,644 (31 December 2021: K EUR 907), deferred insurance revenue of K EUR 1,239 (31 December 2021: K EUR 3,773) and deferred interest income of K EUR 1,225 (31 December 2021: 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

NET INSURANCE PREMIUM REVENUE[1]	31/12/2022			31/12/2021		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
SINGLE RISK						
Written premium	107,365	-14,332	93,033	125,823	-14,657	111,166
Change in provision for unearned premium	10,319	-2,182	8,137	-29,687	5	-29,682
Net exchange gains/(losses) from operating activities	621	-127	494	-3,141	267	-2,874
Total	**118,305**	**-16,641**	**101,664**	**92,995**	**-14,385**	**78,610**
INVESTMENT INSURANCE						
Written premium	4,686	-	4,686	6,121	-	6,121
Change in provision for unearned premium	-5,567	-	-5,567	-802	-	-802
Net exchange gains/(losses) from operating activities	-1	-	-1	-3	-	-3
Total	**-882**	**-**	**-882**	**5,316**	**-**	**5,316**
FINANCIAL GUARANTEES						
Written premium	3,401	-	3,401	3,352	-	3,352
Change in provision for unearned premium	300	-	300	891	-	891
Net exchange gains/(losses) from operating activities	2	-	2	19	-	19
Total	**3,703**	**-**	**3,703**	**4,262**	**-**	**4,262**
SURETIES						
Written premium	17,596	-9,189	8,407	17,357	-11,235	6,122
Change in provision for unearned premium	-1,568	433	-1,135	-4,848	4,298	-550
Net exchange gains/(losses) from operating activities	-	-	-	-	-	-
Total	**16,028**	**-8,756**	**7,272**	**12,509**	**-6,937**	**5,572**
EXCESS OF LOSS & CAPTIVES						
Written premium	39,389	-21,808	17,581	38,084	-24,714	13,370
Change in provision for unearned premium	-509	324	-185	-42	94	52
Net exchange gains/(losses) from operating activities	-	-	-	-	-	-
Total	**38,880**	**-21,484**	**17,396**	**38,042**	**-24,620**	**13,422**
TURNOVER POLICIES						
Written premium	151,816	-59,956	91,860	127,084	-66,198	60,886
Change in provision for unearned premium	-1,306	476	-830	-1,223	579	-644
Net exchange gains/(losses) from operating activities	-	-	-	-22	22	-
Total	**150,510**	**-59,480**	**91,030**	**125,839**	**-65,597**	**60,242**

1. The note for 2021 has been restated due to the discontinued operations.

NET INSURANCE PREMIUM REVENUE	31/12/2022			31/12/2021		
	Gross	Reinsurers' share	Net	Gross	Reinsurers' share	Net
INWARD REINSURANCE						
Written premium	63,782	-3,880	59,902	48,511	-3,296	45,215
Change in provision for unearned premium	-5,623	-284	-5,907	1,767	2	1,769
Net exchange gains/(losses) from operating activities	-1,859	8	-1,851	-472	-13	-485
Total	56,300	-4,156	52,144	49,806	-3,307	46,499
Total written premiums	**388,035**	**-109,165**	**278,870**	**366,332**	**-120,100**	**246,232**
Change in provision for unearned premium	**-3,954**	**-1,233**	**-5,187**	**-33,944**	**4,978**	**-28,966**
Net exchange gains/(losses) from operating activities	**-1,237**	**-119**	**-1,356**	**-3,619**	**276**	**-3,343**
Total profit-sharing and rebates	**-12,644**	**6,675**	**-5,969**	**-9,618**	**3,538**	**-6,080**
Net insurance premium revenue	**370,200**	**-103,842**	**266,358**	**319,151**	**-111,308**	**207,843**

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

	31/12/2022	31/12/2021
United States	29,700	12,556
Ivory Coast	24,528	37,914
Italy	23,514	24,253
Germany	21,445	11,179
Switzerland	20,742	15,831
France	18,179	18,447
Turkey	17,599	10,999
China	14,120	15,329
Ghana	12,042	6,315
Poland	11,741	9,560
Belgium	10,802	11,081
Czech Republic	10,192	7,887
United Arab Emirates	9,567	595
Luxembourg	8,994	6,188
Brazil	8,161	7,612
Spain	8,044	9,897
United Kingdom	7,072	8,078
Netherlands	6,601	10,337
Russia	6,005	5,579
Egypt	5,089	8,074
Other countries	113,898	128,621
Total written premiums	**388,035**	**366,332**

22. Other operating income and expense

OTHER OPERATING INCOME AND EXPENSE[1]	31/12/2022	31/12/2021
Commissions from reinsurers	36,252	36,372
Investigation costs recharged	5,007	5,302
Interest received on claims	901	1,727
Other recoveries	10,711	10,720
Other operating income	**52,871**	**54,121**
General expenses and acquisition costs	-5,839	-5,031
Investigation costs	-3,780	-3,587
Losses on funded solutions receivables	-8,563	-516
Write-offs on trade receivables	-1,404	-985
Final losses on trade debtors	-2,372	-1,358
Other expense	-80	-316
Other operating expenses	**-22,038**	**-11,793**

23. Insurance claims and loss adjustment expenses

INSURANCE BENEFITS AND CLAIMS[1]	31/12/2022			31/12/2021		
	Gross	Reinsurers	Net	Gross	Reinsurers	Net
SINGLE RISK						
Claims paid in the year	104,282	-11,879	92,403	44,417	-8,649	35,768
Change in provision for outstanding claims	30,272	-5,152	25,120	-57,514	12,961	-44,553
Net exchange (gains)/losses from operating activities	721	-691	30	5,111	-1,232	3,879
Total	**135,275**	**-17,722**	**117,553**	**-7,986**	**3,080**	**-4,906**
INVESTMENT INSURANCE						
Claims paid in the year	913	-	913	-	-	-
Change in provision for outstanding claims	-913	-	-913	-170	-	-170
Net exchange (gains)/losses from operating activities	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-170**	**-**	**-170**
FINANCIAL GUARANTEES						
Claims paid in the year	-	-	-	84	-	84
Change in provision for outstanding claims	466	-	466	-8,717	-	-8,717
Net exchange (gains)/losses from operating activities	-27	-	-27	15	-	15
Total	**439**	**-**	**439**	**-8,618**	**-**	**-8,618**

1. The note for 2021 has been restated due to the discontinued operations.

INSURANCE BENEFITS AND CLAIMS[1]	31/12/2022			31/12/2021		
	Gross	Reinsurers	Net	Gross	Reinsurers	Net
SURETIES						
Claims paid in the year	7,851	-3,743	4,108	7,400	-5,103	2,297
Change in provision for outstanding claims	1,875	-858	1,017	-3,784	6,089	2,305
Net exchange (gains)/losses from operating activities	-	-	-	2	-	2
Total	9,726	-4,601	5,125	3,618	986	4,604
EXCESS OF LOSS & CAPTIVES						
Claims paid in the year	1,638	-1,376	262	8,440	-5,923	2,517
Change in provision for outstanding claims	-4,655	4,103	-552	-19,184	16,052	-3,132
Net exchange (gains)/losses from operating activities	165	-	165	-	-	-
Total	-2,852	2,727	-125	-10,744	10,129	-615
TURNOVER POLICIES						
Claims paid in the year	74,769	-48,453	26,316	39,648	-15,401	24,247
Change in provision for outstanding claims	-8,843	21,237	12,394	-30,426	14,717	-15,709
Net exchange (gains)/losses from operating activities	-1,536	82	-1,454	1,401	-646	755
Total	64,390	-27,134	37,256	10,623	-1,330	9,293
INWARD REINSURANCE						
Claims paid in the year	13,073	450	13,523	18,315	17	18,332
Change in provision for outstanding claims	14,131	-105	14,026	4,474	81	4,555
Net exchange (gains)/losses from operating activities	1,553	-13	1,540	1,676	119	1,795
Total	28,757	332	29,089	24,465	217	24,682
Total claims paid in the year	**202,526**	**-65,001**	**137,525**	**118,304**	**-35,059**	**83,245**
Total change in provision for outstanding claims	**32,333**	**19,225**	**51,558**	**-115,321**	**49,900**	**-65,421**
Total net exchange (gains)/losses from operating activities	**876**	**-622**	**254**	**8,205**	**-1,759**	**6,446**
Total claims expenses	**235,735**	**-46,398**	**189,337**	**11,188**	**13,082**	**24,270**

The figures above also consider the allowance for deterioration of the risk reserve. In 2022 and 2021 there have been no changes in provision due to Liability Adequacy Tests.

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

	31/12/2022	31/12/2021
Ghana	99,064	-957
Russia	41,838	1,203
Cuba	9,223	-3,243
Singapore	7,640	1,885
Ireland	6,927	454
France	6,773	-928
China	5,643	-2,723
Ukraine	4,489	93
Senegal	3,952	102
Sri Lanka	3,701	-13
Iraq	-1,294	144
Israel	-1,517	27
Togo	-2,100	-43
Niger	-2,330	-2,483
Algeria	-2,685	-714
Belgium	-3,062	9,921
Kenya	-3,247	-12,477
Brazil	-6,517	-5,561
Spain	-7,367	-1,890
Congo	-23,214	-7,314
Other countries	53,420	48,787
Total	**189,337**	**24,270**

24. Employee benefit expense

EMPLOYEE BENEFIT EXPENSE[1]	31/12/2022	31/12/2021
Wages, salaries and other benefits	41,152	38,227
Social security charges	9,801	9,180
Pension costs – defined-contribution plans	221	264
Pension costs – defined-benefit plans	3,342	3,703
Health plan	979	1,145
Total employee benefit expenses	**55,495**	**52,519**

The number of employees (in FTE) as per 31 December 2022 amounted to 523.6 including discontinued operations (31 December 2021: 530.6).

1. The note for 2021 has been restated due to the discontinued operations.

25. Services and other goods

SERVICES AND OTHER GOODS[1]	31/12/2022	31/12/2021
Broker fees	31,381	28,673
Commissions to inward reinsurance	19,305	17,620
Administration costs	32,872	26,659
Other operating costs	-	6
Total services and other goods	**83,558**	**72,958**

For 2022, administration costs relate to housing costs of K EUR 1,274 (2021: K EUR 1,258), management services and administration costs of K EUR 1,226 (2021: K EUR 797), consultancy and other fees of K EUR 9,493 (2021: K EUR 9,721), marketing expenses of K EUR 3,372 (2021: K EUR 2,325), representation and travel costs of K EUR 1,393 (2021: K EUR 860), IT expenses of K EUR 14,705 (2021: K EUR 10,363) and car expenses of K EUR 247 (2021: K EUR 159).

The total 2022 consolidated audit fees of our statutory auditor KPMG Belgium amount to K EUR 498 (2021: K EUR 388) and other audit fees (related to IFRS 17-related preparatory audit work) amount to K EUR 52. The 2022 fees for our statutory auditor's network include audit fees of K EUR 64 (2021: K EUR 132), and non-audit fees for other missions external to the audit amount to K EUR 7 (2021: K EUR 55) (mainly tax services).

26. Depreciation and amortisation

AMORTISATION INTANGIBLE ASSETS[1]	Note	31/12/2022	31/12/2021
Amortisation intangible assets	5	6,086	2,996
Depreciation property, plant and equipment (right-of-use assets included)	6	3,773	3,314
Total		**9,859**	**6,310**

27. Finance income and expense

FINANCE INCOME AND EXPENSE[1]	Note	31/12/2022	31/12/2021
FINANCE INCOME:			
Cash and cash equivalents – interest income		1,569	72
Other financial income		7,678	4,524
Fair-value gains/(losses) AFS – recycled from OCI	8-15.2	186	98
Income from financial investments – AFS		8,622	10,405
Net gains on financial investments – AFS		**8,808**	**10,503**
Fair-value gains FVTPL	8	-	103,315
Income from financial investments – FVTPL		-	5
Net gains on financial investments – FVTPL		**-**	**103,320**
Interests on rescheduling agreements		9,868	1,697
Interest on loans and receivables		894	2,463
Dividends and interests		46	64
Exchange gains on financial assets (other than AFS and FVTPL)	28	19,968	19,449
		48,831	142,092
FINANCE EXPENSE:			
Exchange losses on financial assets (other than AFS and FVTPL)	28	-7,339	-3,883
Loss from financial investments – AFS		-13,782	-
Charges on financial investments		-30	-186
Financial charges and interest costs		-1,800	-1,656
Amounts written off on interests of rescheduling agreements		-10,659	-11,613
Fair-value losses – FVTPL	8	-217,933	-
Net realised losses on sales of financial investments	8	-	-333
Net finance cost		-251,543	-17,671
Net financial result		**-202,712**	**124,421**

The positive changes reflected in Income from financial investments – AFS of K EUR 8,622 (2021: K EUR 10,405), Fair-value losses – FVTPL of K EUR 217,933 (2021: Fair-value gains of K EUR 103,315) result from significant improvements in market conditions in 2022 compared to 2021. The positive changes in Exchange gains/losses on financial assets of K EUR 12,629 in 2022 versus K EUR 15,566 in 2021 result from a strengthening of the USD versus the EUR in 2022.

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.

At the end of 2021 and during 2022, both Credendo – Guarantees & Speciality Risks and Credendo – Short-Term Non-EU Risks transferred their respective investment portfolios to Credendo's investment fund Zephyr.

In 2022, the negative net change related to investments in Zephyr amounts to minus EUR 212.4 million (2021: positive

1. The note for 2021 has been restated due to the discontinued operations.

net change of EUR 103.0 million), of which fair value gains/losses of minus EUR 296.1 million (2021: EUR 23.9 million), realised results of EUR 73.8 million (2021: EUR 68.8 million), dividend income of EUR 4.8 million (2021: EUR 5.4 million), interest income of EUR 11.8 million (2021: EUR 11.0 million) and other income and expenses of minus EUR 6.7 million (2021: minus EUR 6.1 million).

28. Net foreign-exchange gains and losses

NET FOREIGN-EXCHANGE GAINS[1]	Note	31/12/2022	31/12/2021
NET EXCHANGE GAINS/(LOSSES) RECOGNISED IN PROFIT OR LOSS		**11,019**	**5,777**
Net exchange gains/(losses) from operating activities	21-23	-1,610	-9,789
Net exchange gains/(losses) from investing activities	27	12,629	15,566
NET EXCHANGE GAINS/(LOSSES) THROUGH OTHER COMPREHENSIVE INCOME		**1,705**	**2,473**
Net exchange gains/(losses) through other comprehensive income	15.2	-311	-33
Exchange differences on translating foreign operations	15.2	2,016	2,506
Total		**12,724**	**8,250**

Total net exchange gains recognised in the income statement amount to K EUR 11,019 (31 December 2021: gains of K EUR 5,777). 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 1,705 (31 December 2021: K EUR 2,473).

29. Income tax expense

INCOME TAX EXPENSE	31/12/2022	31/12/2021
Current taxes on income for the reporting period	-9,835	-6,926
Current taxes referring to previous periods	95	35
Total current tax	-9,740	-6,891
Deferred tax expense	1,587	-5,802
Total deferred tax	1,587	-5,802
Income tax (expense)/credit	**-8,153**	**-12,693**

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[1]	31/12/2022	31/12/2021
PROFIT BEFORE INCOME TAXES	-244,002	218,407
Domestic tax rate	0,00%	0,00%
Income tax (expense)/credit calculated at domestic tax rate	-	-
Effects of:		
Tax rate effect	-1,804	-12,692
Disallowed expenses	-6,631	-210
Other permanent differences	-104	-
Prior-year adjustment	-32	34
Other	418	173
Income tax (expense)/credit for the year	**-8,153**	**-12,693**

The weighted average applicable 2022 tax rate amounts to -3.3% (31 December 2021: 5.8%). This results from the fact that the key source of profit is Credendo – Export Credit Agency, which is taxed at a 0% rate.

30. Assets and liabilities held for sale and discontinued operations

Following the sanctions regime against Russia, Credendo management took a decision in 2022 to dispose of the Russian subsidiary shareholding (i.e. 66.67% of shares in Holding CIS, a holding company, which, in turn, owns 100% of Credendo – Ingosstrakh Credit Insurance). Before the year end, management started to actively look for a potential buyer.

Whilst negotiations with the candidate buyer are still ongoing at the time of writing, the transaction is likely to be concluded in 2023.

1. The note for 2021 has been restated due to the discontinued operations.

The financial performance and cash flow information presented are for the years ended 31 December 2022 and 31 December 2021:

IN THOUSANDS EUR	31/12/2022	31/12/2021
Net income (insurance revenue and other operating income)	17,068	10,364
Expenses (insurance claims and loss adjustment expenses and operating expenses)	-8,496	-5,829
Profit/(loss) from operating activities	**8,572**	**4,535**
Net financial income	2,310	241
Impairment loss on remeasurement of the discontinued operations to fair value less costs to sell	-28,049	
Profit/(loss) of the year before tax	**-17,167**	**4,776**
Income tax credit/(expense)	-2,169	-973
Profit/(loss) of the year	**-19,337**	**3,803**

IN THOUSANDS EUR	31/12/2022	31/12/2021
Net cash inflow/(outflow) from operating activities	4,477	8,063
Net cash inflow/(outflow) from investing activities	4,331	-9,144
Net cash inflow/(outflow) from financing activities	-170	2,436
Changes in cash and cash equivalents from cash and cash equivalents	**8,637**	**1,355**

The cumulative foreign-exchange losses recognised in other comprehensive income in relation to the discontinued operations as at 31 December 2022 were K EUR 998 (31 December 2021: K EUR 646).

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operations as at 31 December 2022:

IN THOUSANDS EUR	Gross amount	Impairment	Amount net of impairment
ASSETS			
Intangible assets	312	-312	-
Property, plant and equipment	49	-49	-
Right-of-use assets	591	-591	-
Financial investments	22,884	-	22,884
Reinsurance assets	4,523	-	4,523
Loans and receivables including reinsurance receivables	10,136	-	10,136
Current tax assets	1	-	1
Cash and cash equivalents	15,696	-	15,696
Unallocated impairment	-	-27,097	-27,097
Total assets	**54,192**	**-28,049**	**26,143**
LIABILITIES			
Liabilities arising from insurance contracts	15,651		15,651
Deferred income tax liabilities	34		34
Payables	7,854		7,854
Other liabilities	2,097		2,097
Current tax liabilities	507		507
Total liabilities	**26,143**		**26,143**

Following the requirements of IFRS 5, Credendo measures the disposal group at the lower of its carrying amount and fair value less costs to sell (i.e. EUR 1) which resulted in an impairment loss of K EUR 28,049 in 2022. The impairment has been first allocated to non-current assets within the scope of IFRS 5 and the remaining impairment has been presented in the line 'Unallocated impairment'.

31. 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.

32. 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.

32.1. Key management compensation

Key management includes members of the Board of Directors as well as the members of the Executive Committee and senior non-executive management of all Credendo entities. Compensation paid or payable to key management for employee services is shown below:

	31/12/2022	31/12/2021
Salaries and other short-term employee benefits	7,848	7,715
Post-employment benefits	1,631	1,403
Leasing company car	237	243
Total	**9,716**	**9,361**

32.2. Year-end balances for related-party transactions

	31/12/2022	31/12/2021
Investments in companies in equity method and loans to associates	14,818	12,768
Loans and receivables incl. reinsurance receivables	54	527
Total receivables	**54**	**527**
Payables	1,167	67
Total payables	**1,167**	**67**

The receivables from related parties arise from receivables on the Belgian state. The payables to related parties arise from payables to the Belgian state. The payables bear no interest. These year-end balances result from the cession to the state account which is managed and administered by Credendo – Export Credit Agency.

There are no other receivables and payables from and to related parties.

We also refer to note 14 relating to the endowment that is granted to Credendo – Export Credit Agency by the Belgian state for an amount of K EUR 297,472.

33. List of consolidated companies

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

33.1. Subsidiaries

	31/12/2022		31/12/2021		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%	100%	100%	Belgium
Holding CIS	66,67%	66,67%	66,67%	66,67%	Belgium
Immo Montoyer	100%	100%	100%	100%	Belgium
Credendo – Ingosstrakh Credit Insurance[1]	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 2022 amount to K EUR -574 and only relate to the 33.33% participation held by JSC InWest-Policy, having its registered office at 41 Lesnaya Street, 127994 Moscow, Russian Federation, in Holding CIS and indirectly in Credendo – Ingosstrakh Credit Insurance[1].

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.

33.2. 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 2022, Marjory SAS shows a balance total of K EUR 3,833 (31 December 2021: K EUR 6,146), a total equity of K EUR -10,985 (31 December 2021: K EUR -5,428) and a total loss after taxes of K EUR 5,953 (31 December 2021: K EUR 3,402).

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 2022, Digiteal SA shows a balance total of K EUR 2,718 (31 December 2021: K EUR 3,541), a total equity of K EUR 2,531 (31 December 2021: K EUR 3,438) and a total loss after taxes of K EUR 865 (31 December 2021: K EUR 478).

	31/12/2022		31/12/2021		Country of incorporation
	% of interest	% of control	% of interest	% of control	
Marjory SAS	33.00%	33.00%	33.00%	33.00%	France
Digiteal SA	26.83%	26.83%	26.83%	26.83%	Belgium

1. Following the invasion of Ukraine by Russia, it has been decided to exit the Russian market by selling our stake in Credendo – Ingosstrakh Credit Insurance. This process is ongoing.

34. Events occurring after the reporting period

After the devastating earthquakes of 6 February 2023 in Turkey and Syria millions of people are still struggling with the aftermath of this major natural disaster. Whilst some areas were still suffering sizeable aftershocks, it is quite difficult to assess the full and final consequences at the time of writing. To the best of our knowledge based on information received, the financial repercussions from Credendo's exposure in the Turkish earthquake area seem limited. For Credendo exposure related to the textile/ clothing activities in the affected area and with a confirmed impact, an increased deterioration of risk provision will be applied even though the physical infrastructure of the debtors concerned has remained intact and/or alternative manufacturing sites are still operational. Obviously we continue to closely monitor the situation day by day.

Notwithstanding the heightened geopolitical tensions around the China-Taiwan dispute, Credendo does not perceive any immediate risk for losses albeit that the medium-longer term outlook has turned negative. Credendo keeps close track of these concerns and will accordingly increase its deterioration of risk provisioning as and when the situation escalates.

The recent failure of the Silicon Valley Bank and the subsequent collapse of Credit Suisse caused quite a stir on the financial markets. Central banks acted fast to calm the markets trying to prevent a banking crisis. Even though Credendo's financial exposure on both banks was respectively nil or minimal, appropriate measures have been taken to avoid any potential further damage.

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 2022.

Therefore, Credendo's 2022 IFRS Consolidated Financial Statements have been established on a going-concern basis.

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