CREDENDO

TURNING UNCERTAINTIES INTO **OPPORTUNITIES**

ANNUAL REPORT

VISION

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

MISSION

Our mission is to support trade relations.
We provide customised solutions of insurance, reinsurance, guarantees, bonding and financing related to domestic and international trade transactions or investments abroad. We protect companies, banks and insurance undertakings against credit and political risks or facilitate the financing of such transactions.
We turn uncertainties into opportunities.

CORE VALUES

CUSTOMER INTIMACY

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

RELIABILITY

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

RESPECT

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

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MESSAGE OF THE CHIEF EXECUTIVE OFFICER

CREDENDO SIGNIFICANTLY LIFTED ITS PROFITS, SUPPORTED MORE CUSTOMERS AND TIGHTENED ITS STRUCTURES IN 2017

The world's risk climate continued to challenge global exporters in 2017, as seen in Credendo's 24 country downgrades for short-term political risk, compared to 18 upgrades. Nonetheless our businesses performed extremely well, producing a combined post-tax profit of EUR 186 million in a year when global trade expansion surpassed GDP growth for the first time in six years.

Two especially welcome trends were a huge fall in claims, bringing down our net loss ratio from 113% in 2016 to 25%, and an increase in the number of SME exporting clients that we served, maintaining the steady growth in our smaller business customers since 2015. Despite a EUR 28 million fall in group-wide turnover against 2016 resulting from a steep decline in traditional medium- to long-term ECA cover for large Belgian exports, another major highlight was a rise of almost 4% in revenue from Credendo's short-term whole turnover business, in what remains a 'soft' insurance market.

The year provided additional pointers to the group's strength. Our rebranding is complete, showcased by a website which has seen visits increase in number and length. Internal cohesion across the various subsidiaries was enhanced by the creation of a Group Underwriting Committee, and this will be strengthened in the future by a new IT platform. We are now prioritising a long-term strategic view that will replace the current 'Get Ready!' strategy, and which will seek to integrate digitalisation across every aspect of Credendo's operations onto one platform, lifting efficiency and operational excellence. An initial manifestation was the December 2017 release of our mobile app for country risk, which had received 600 downloads at the beginning of 2018.

Investment continued to flow into several other aspects of the business, including Credendo – Short-Term EU Risks' launch in Poland, and the expansion of group personnel to over 500 people, as IT and regulatory requirements increase. On the underwriting side, the assessment procedure has been boosted by a new tool integrated last summer, which builds sectoral risk into the buyer evaluation process. A significant capital injection has been done for the Credendo – Single Risk business in Vienna, to facilitate more business in an evolving market. Further evidence that we are not standing still is an additional surety product focusing on SME's emerging from the planning stage, building on recent updates to our ECA product range.

To harmonise the governance aspect within Credendo as much as possible, a group-wide Corporate Governance framework was implemented, drawing upon the European Solvency II principles. At a wider societal level, our well-established Corporate Social Responsibility (CSR) dialogue with stakeholders saw a 2015-2017 update of the CSR Report published at the beginning of 2018.

Looking ahead, the IMF forecasts global economic growth to edge up to 3.9% in 2018 and 2019[1]. But there are big uncertainties, especially regarding US protectionism and potential trade wars, which were highlighted at the Credendo Trade Forum in December 2017. Those risks have the capacity to dramatically change the world's economic picture and outlook, and will be revisited at our December 2018 event. Whatever turbulence may lay in store for its exporting clientele as the year unfolds, Credendo can be relied upon to wield its full gamut of insurance and financing support.

Dirk Terweduwe
Chief Executive Officer

EUR **2,568.2** MILLION
TOTAL EQUITY

EUR **342.4** MILLION
INSURANCE PREMIUM REVENUE

EUR **0.0** MILLION
OUTSTANDING LOANS

(1) Source: IMF, WEO (April 2018).

HIGHLIGHTS OF THE YEAR

REBRANDING AND NEW WEBSITE

Our first rebranding campaign began in November 2013, when the completely new trade name of Credendo was introduced. The transition to the new name involved a temporary solution whereby most entities of the group kept their historical name, to which the words ‘Member of the Credendo Group’ were added. Although this was well received in general, confusion was inevitable as the terms Credendo, Delcredere and Ducroire became more interchangeable. Certain names also had linguistic limitations, resulting in a group image that was not optimal.

To consolidate the alignment within the group and to clarify our image vis-à-vis the outside world, it was decided that as from January 2017, the name Credendo would be used for all group entities, distinguishing between separate entities by means of their activity lines. Hence the names Credendo – Export Credit Agency, Credendo – Single Risk and others came into being, and the former historical names of the different group entities disappeared, under the new group structure.

The next step in the rebranding involved Credendo merging its ten separate websites into one single Credendo website. This new, integrated website has been online since the beginning of 2017, and accommodates all mobile appliances. The focus is heavily customer-centric, built around a product wizard that effortlessly guides customers to Credendo products that best suit their purposes, and featuring the group country risk application, providing a swift overview of Credendo’s risk assessment for any country in the world.

CREDENDO DIGITAL CIRCLE AND RISK APP

Early 2017, the Credendo Digital Circle (CDC) was launched. This is an innovative response to the growing spotlight on digitalisation, which is exerting an increasingly disruptive effect on the financial and associated sectors.

The role of the CDC is to monitor the market and anticipate important digital evolutions that could impact credit insurance.

One of the first realisations of the CDC is the new Credendo Risk mobile app, an innovative digital tool that was launched at the Credendo Trade Forum in December 2017. The main purpose of the app is to provide real-time information about country risks, with a focus on emerging countries. This includes our country risk reports, which are published on average twice a week. When a new report has been uploaded, users will be alerted by push notifications on their smartphones. The app is available for Android and iOS.

STRONGER FOCUS ON SECTOR RISK

Credendo has several models to assess risk at country level, and underwriting departments that are well equipped to assess risks at debtor level. To enhance this analytic capacity, there has been a further evolution, enabling risk evaluation at intermediate trade sector level. Consequently, trade sector ratings have been incorporated into risk assessment procedures since the summer of 2017.

However, the use of sectorial risk assessment goes beyond underwriting and could be extended to pricing, provisioning, and monitoring of underwritten risks. With these various objectives and possible applications in mind, one model per trade sector was designed for 14 different sectors, each selected on the basis of their importance in Credendo’s group exposure. To ensure conformity with the other Credendo models, ratings are given on a 7-category scale: A-G, with A being the lowest-risk category. For each trade sector, a rating for the 7 large world regions is available. The models are based on different sets of indicators deemed to be major drivers for the sector.

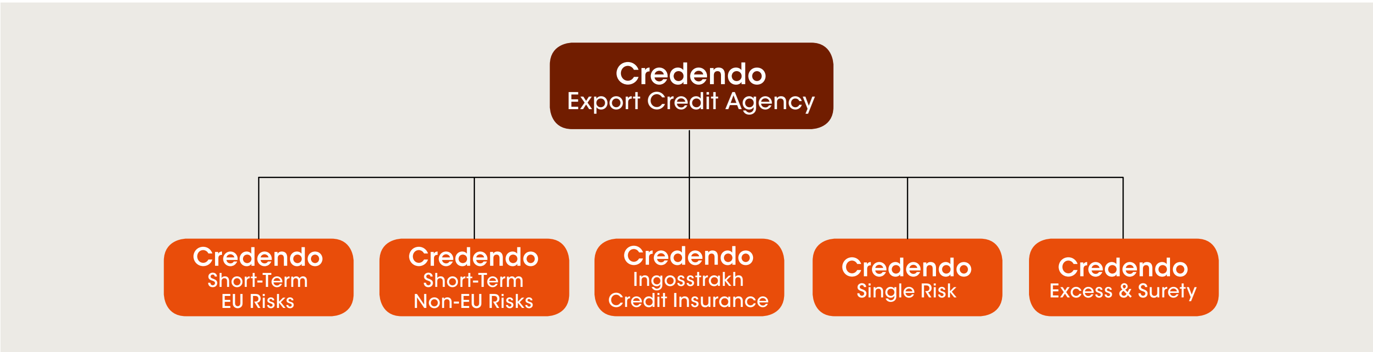
CORPORATE GOVERNANCE AND CSR REPORT

Maintaining past efforts in this sphere, Credendo further developed its group-wide Corporate Governance framework in 2017. To do this, Credendo drew upon the European Solvency II principles while respecting the specific regulatory frameworks as applicable to each entity of the group. The aim is to harmonise the governance aspect within Credendo as much as possible, in respect of both adherence to the guidelines of rule-making bodies, and regarding our own internal control functions for supervising procedures and reporting to internal bodies and/or external supervisory authorities.

Additionally, we further developed the guidelines within which Credendo wishes to operate as a responsible credit insurer and the importance attributed to integrity, conformity with regulations and transparency within the decision-making process. In this context an updated version of the Report on Corporate Social Responsibility (CSR) was made for the years 2015-2017, published at the beginning of 2018.

GROUP STRUCTURE

TOGETHER WITH THE REBRANDING, A NEW GROUP STRUCTURE WAS INTRODUCED ON 01/01/2017



WHERE TO FIND WHICH PRODUCT?

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

SERVING CUSTOMERS FOR ALMOST A CENTURY

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

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** (formerly known as Credimundi), 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** (formerly known as Trade Credit), a Belgian private credit insurance company that specialises in excess-of-loss and top-up cover. Today Credendo – Export Credit Agency is the sole shareholder in Credendo – Excess & Surety.

2005

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

CREDENDO – EXPORT CREDIT AGENCY[(1)] IS THE PARENT COMPANY OF CREDENDO, AND WORKS WITH A GUARANTEE OF THE BELGIAN STATE FOR ITS OWN ACTIVITIES

2006

Credendo – Export Credit Agency acquires a 50% stake in Austrian insurer **Credendo – Single Risk** (formerly known as Garant). Credendo – Single Risk is now a 96% subsidiary of Credendo – Export Credit Agency.

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

2007

Credendo – Short-Term Non-EU Risks acquires a 33% stake in **Credendo – Short-Term EU Risks** (formerly known as KUPEG), 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** (formerly known as INGO-ONDD) with Ingosstrakh. Credendo – Ingosstrakh Credit Insurance specialises in covering credit risks related to domestic and international transactions on the Russian and CIS market. Today, Credendo – Export Credit Agency has 67% of the shares.

2013

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

2017

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

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

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

THE FREE-TRADE WORLD AMID FALTERING FORCES

FURTHER DEVELOPING ITS REPUTATION AS A MAJOR NEW RISK DEBATING EVENT, THE 2017 EDITION OF THE CREDENDO TRADE FORUM FOCUSED ON AN ESPECIALLY HOT TOPIC FOR THE TRADE COMMUNITY, NAMELY THE RISE OF PROTECTIONISM WORLDWIDE AND THE RESULTING THREAT TO GLOBALISATION.

The forum placed a particular stress upon the United States' 'America First' policy, and the extent to which this could impact future country risk assessments at a time when key protectionist measures from the US administration were in the pipeline. "Moving into 2018, actions expected to materialise from Washington included higher tariffs on US imports, fiscal incentives to repatriate US overseas investments, and a stricter immigration policy, all of which contained the potential for diverging regional impacts," underlines Pascaline della Faille, who coordinates country and sector risk in the Risk Management department at Credendo – Export Credit Agency. Given the US' economic weight in world trade, presentations at the forum indicated that its protectionist plans could threaten the rule-based and multilateral global trade order enshrined by the World Trade Organisation since its inception in 1995.

Asia and Latin America were highlighted as the two regions most vulnerable to US protectionism. "Asia is on the front line given its multiple vulnerabilities as an economically open region with the US remaining an important export market," says Raphaël Cecchi, Country and Sector Risk Analyst focusing on Asian markets. He adds: "It is also a highly integrated region in the global value chain. China is the first potential target and victim due to its wide surplus in trade in goods with the US." However, the very real fear of bilateral trade tensions turning into a trade war is mitigated by a number of factors, not least China's gradual diversification away from exports and its capacity to retaliate, in the light of its economic and financial interdependence with the US. Most notably, "China is a major destination for US foreign direct investment in manufacturing industry and is the largest holder of US Treasury bonds," Raphaël Cecchi points out.

Other Asian countries were seen to be at risk, especially in South-East Asia, where Vietnam and Malaysia are potentially exposed due to their open trading regimes. Moreover Singapore and Hong Kong are exposed indirectly via their exports or re-exports to China, while the Philippines and India have successfully outsourced services industries which are closely tied to the US. "Nevertheless most Asian countries possess buffers against US protectionism via their robust domestic demand and relatively strong macroeconomic fundamentals, notwithstanding the probable negative impact of US protectionism on global trade and on individual countries," suggests Raphaël Cecchi.

Outside Asia, Mexico is undoubtedly the most at risk given the high dependence on its key US economic partner as its first source of exports, FDI and workers' remittances, according to Jolyn Debuysscher, a Country and Sector Risk Analyst who focuses on the Americas. "NAFTA re-negotiations proved to be very tough in 2017 and were not expected to be concluded before the end of 2018," she says. The new NAFTA might be less favourable to Mexico and cloud the country's export and growth outlook. Therefore, the country has been busy trying to diversify its trade markets and conclude new free-trade agreements in order to reduce its reliance on the US."

In the wider Central America and Caribbean region, countries which receive high volumes of remittances from their expatriates working in the US are also vulnerable to stricter US immigration rules. “Foreign currency inflows and consumption in several small countries such as Haiti, El Salvador or Guatemala could indeed eventually suffer from a revised US immigration policy,” Jolyn Debuysscher notes.

INCREASING PUBLIC DEBT

Another major rise in political risk comes in the form of increasing public-debt levels since 2014. “This perturbing trend has been witnessed in almost all regions,” observes Pascaline della Faille, who emphasises that public debt has risen particularly strongly both in Sub-Saharan Africa (from 32.2% of GDP to an estimated 45% by the end of 2017), and in the Middle East and North Africa (from 26.6% to 42.3%). Lesser rises have been witnessed in Latin America and the Caribbean (from 50% to 59.8%), Emerging Asia (from 43.5% to 49.2%) and the Commonwealth of Independent States (from 19.2% to 23.5%). The least affected region over the three-year period was Emerging and Developing Europe, where public debt remained almost unchanged (from 41.9% to 42.3%).

Louise Van Cauwenbergh, a Credendo Country and Sector Risk Analyst who concentrates on Sub-Saharan Africa, argues that the debt pattern “is particularly worrying in Sub-Saharan Africa where the increase is the result of swelling fiscal deficits, leading to both an accumulation of domestic and external debts.” She comments: “While the regional ratio of general government debt to GDP of Sub-Saharan Africa might not appear worrying, in comparison to western standards, the region’s interest rates on public borrowing are much higher and the governments’ public revenue collection capacity is much more constrained. These countries therefore have more difficulties coping with higher debt levels.”

Other eye-catching aspects of African debt accumulation in recent years are flagged up by Jan-Pieter Laleman, MENA and Sub-Saharan Country and Sector Risk Analyst at Credendo. “First of all, the recent public-debt build-up has led to the highest debt ratios since the region received substantial debt relief as a result of the Heavily Indebted Poor Countries initiative (HIPC), Multilateral Debt Relief Initiative (MDRI) and a number of bilateral debt relief programmes that were launched in 1996,” he says. “Secondly, government borrowing in Sub-Saharan Africa has moved away from concessional lending to much greater commercial terms. Thirdly, the unprecedented level of borrowing in foreign currencies is exposing countries to exchange rate risks. Fourthly, while foreign borrowing has increased strongly, export receipts have grown at a much slower pace, lifting external debt-to-export ratios significantly and raising questions concerning countries’ capability to repay their external debts. Lastly, the current debt build-up is now associated with significant transparency issues.”

Beyond Africa, rising levels of corporate debt in China, Chile, Hungary, Turkey and Malaysia have been a source of concern for analysts globally. “Over the past few years, in a context of abundant liquidity at favourable costs and rising financial needs, corporate debt in several emerging countries has substantially increased,” underscores Pascaline della Faille. “Corporate debt increased between December 2015 and March 2017 in Turkey, but levelled off in China and decreased in Hungary and Chile.”

Past experience at Credendo suggests that a rapid pace of global debt accumulation in both the public and private sectors, combined with high overall indebtedness and currency mismatches, will often give rise to debt repayment problems. Pascaline della Faille makes the point that “this is particularly true in a global context of rising interest rates, capital outflows and currency depreciation.”

OVERVIEW OF CREDENDO'S POLITICAL RISK CLASSIFICATION CHANGES

SHORT-TERM POLITICAL RISK: POSITIVE DEVELOPMENTS EXCEPT IN CFA FRANC ZONE

Excluding the smallest economies, the evolution of short-term political risk had a net negative trend in 2017, measured by 18 Credendo country upgrades against 24 downgrades. However, most downgrades were announced in the first quarter and concentrated in the CFA franc zone, where member countries saw their liquidity and macroeconomic situation deteriorate rapidly as a result of decreased commodity prices in the preceding years. Otherwise, excluding the West and Central African economic and monetary areas, the year was positive, supported by an upbeat global economic and trade context. In particular, China's growth was stronger, oil and other commodity prices rebounded, global demand – notably from advanced economies – picked up and world trade recorded its sharpest growth since 2011. "Together with macroeconomic adjustments, such as occurred in some Central Asian countries, all those factors explained stronger liquidity and economic performances for many emerging countries," says Raphaël Cecchi. However he cautions that the recent improvements in political risk could prove to be fragile for many countries, especially commodity exporters. "A few large uncertainties could hinder the positive global momentum, particularly a slowdown in Chinese growth and future levels of commodity prices, changes in investor risk perception, geopolitical developments and trade protectionism."

A BALANCED YEAR FOR MEDIUM- TO LONG-TERM (MLT) POLITICAL RISK

2016 was a particularly adverse year for Credendo's MLT political risk classifications as the collapse in oil prices led to a record number of 26 downgrades. On the contrary, 2017 proved to be more stable as three countries (Dominican Republic, Ghana and Serbia) were upgraded while Congo-Brazzaville, Kenya, Oman, Sierra Leone and Tunisia were downgraded. "Serbia's upgrade to category 5/7 was motivated by progress achieved in structural reforms, and was further boosted by Serbia's candidacy to a future EU adhesion while the political environment stabilised," explains Pascaline della Faille, who specialises in Eastern Europe and CIS risks. "Meanwhile the Dominican Republic's economic fundamentals vastly improved thanks to high tourism and remittances earnings, relatively low oil prices and robust capital inflows, which resulted in the island's upgrade to category 3/7. As for Ghana, which was upgraded to category 5/7, the overall economic situation and prospects improved on the back of rebounded oil and gold prices, higher oil and gas production, a more ambitious economic policy agenda and political stability."

RISK EVOLUTION IN ASIA

The primary driver of world growth in 2017 was the Asian region, supported by its open economies and high level of intra-regional trade. Most Asian countries greatly benefited from sharper US and EU demand, which lifted global trade rapidly. The stronger context was fuelled by the regional economic engine, China, where GDP growth climbed to 6.9%, from 6.7% in 2016. China enjoyed vigorous exports and enhanced state spending in the year of the Communist Party's five-yearly National Congress. In Asia, Credendo made no changes to its MLT political risk classifications, but announced six upgrades (Indonesia, Malaysia, Micronesia, Mongolia, Thailand and Vietnam) for short-term political risk. Indonesia and Malaysia benefited from re-rising commodity prices and exports to reverse a 2015 downgrade and be classified in categories 2/7 and 1/7 respectively. The commodity factor, via higher mining production and prices, drove an upgrade to 5/7 for Mongolia, where massive financial assistance from external donors put an end to a liquidity crisis. Elsewhere Thailand, in a stable political climate, was upgraded to category 2/7 as foreign exchange reserves soared due to higher exports of manufactured goods, tourist arrivals and foreign direct investment. "While upgrades appeared to be the result to some extent of the positive regional momentum, downgrades for Maldives, Philippines and Sri Lanka were more country-specific," says Raphaël Cecchi. "This was notably the case of Sri Lanka (downgraded to category 4/7) which was characterised by higher external short-term debt, adverse weather conditions affecting exports, and capital outflows," he adds.

> "Most Asian countries greatly benefited from sharper US and EU demand, which lifted global trade rapidly."

Despite the mainly solid economic and financial situations in Asia, which should act as buffers against future shocks, especially in South-East Asia, three downside risks were identified by Credendo. One stems from China's hard landing amid domestic debt deleveraging; a second risk resides in the region's high corporate debt levels; while there are also expectations of further monetary tightening, beginning in the US, alongside rising trade tensions fuelled by expanding global protectionism.

RISK EVOLUTION IN SUB-SAHARAN AFRICA

Regional growth recuperated to 2.6% in 2017, linked to improved commodity prices. This turned around an economic slowdown in Sub-Saharan Africa which commenced in 2014 and reached a low point of 1.4% regional GDP growth in 2016. In a region whose high natural resource dependency tends to dictate growth outcomes, the trend for 2018 is expected to improve further. Meanwhile an uncomfortable risk factor for many African governments is the fast

rise in external debt ratios, with public-debt ratios reaching the highest levels since the region received debt relief. "Better public financial management and strong policymaking will be vital to reverse the rising public-debt trend, recover investor confidence and revitalise economic activity and diversification," notes Louise Van Cauwenbergh. Tense 2017 election periods raised political instability and security risks in a number of countries like Democratic Republic of Congo, Guinea, Kenya and Togo. On the upside, positive political transitions took place in Zimbabwe, Liberia and Angola.

The 2017 trend in Credendo's short-term political risk classifications was negative, mainly due to the downgrades of most CFA zone members to short-term political risk category 5/7. The Central African Economic and Monetary Union (CEMAC) has endured a severe crisis – exacerbated by regional conflicts – since oil prices dropped. As a result, the regional economy was in recession in 2016 and 2017, while pooled foreign exchange reserves lost more than 70% of their nominal value between the end of 2014 and May 2017, dropping to less than 2 months of import cover. "Despite the partial recovery in oil prices and the IMF's regional support programmes for CEMAC members to help rebuild their reserves buffers and prevent devaluation, the CEMAC liquidity condition remains precarious and political violence risks in countries like the Central African Republic and Chad are expected to remain significant at the very least," indicates Louise Van Cauwenbergh. "Despite the uncertainty, risk mitigation for private debtors inside the monetary union is still in play thanks to the guaranteed convertibility of the CFA franc by the French Treasury and stable monetary policy, making for just 3% inflation," she elaborates. The CEMAC liquidity crisis has raised the risk for devaluation of the CFA franc, which would in turn affect the West African Economic and Monetary Union (WAEMU), Louise Van Cauwenbergh highlights. This part of the CFA zone, consisting mainly of smaller oil-importing countries,

"The regional economy was in recession in 2016 and 2017, while pooled foreign exchange reserves lost more than 70% of their nominal value between the end of 2014 and May 2017."

has been among the fastest-growing regions in Africa, averaging 6% in 2017. Eurobond issuances by Côte d'Ivoire and Senegal helped lift regional foreign exchange reserves to over 3 months of imports by year end.

RISK EVOLUTION IN LATIN AMERICA

After a disappointing slump over the past few years, regional growth climbed again in 2017. "Rebounding commodity prices and stronger growth in the US and China, the region's large trade partners, boosted a number of economies. Nevertheless, the improvement of macroeconomic fundamentals remained subdued as commodity prices were still relatively weak for this highly natural resource-dependent region," says Jolyn Debuysscher.

2017 provided a slightly positive trend for Credendo's MLT political risk ratings, with one upgrade (Dominican Republic to category 3/7). For short-term political risks, the net trend was broadly neutral. Upgrades for Suriname (to 4/7), St Lucia (to 2/7) and Guyana (to 3/7) were mainly the result of recovering oil and metal prices. Suriname was upgraded twice on the back of improving oil prices and a new gold mine coming on stream. Guyana's upgrade can be explained by its increasing gold output. By contrast, five downgrades (Bahamas to 4/7, Dominica to 4/7, Paraguay to 3/7, St Vincent and the Grenadines to 4/7 and Trinidad and Tobago to 4/7) were related to country-specific factors. Trinidad and Tobago was downgraded due to difficult

access to foreign currency reserves as the amount of foreign exchange made available by the government fell. The downgrade of the Bahamas reflected the increase of external short-term debt and its relative wide current account deficit due to lower tourism revenues. “For Paraguay, the sharp jump in external short-term debt justified a downgrade,” comments Jolyn Debuysscher.

She indicates that the outlook for the region is positive, notwithstanding important risks that are looming. In particular, several Latin American countries are scheduled to hold elections in 2018, at a time when the regional population is polarising amid multiple corruption charges related to the ongoing ‘Car Wash investigation’ in Brazil. “Hence, the risk of populist candidates winning the elections and reversing necessary reforms is growing,” says Jolyn Debuysscher. She cites the biggest external risks for the region as rising US protectionism, a sharper-than-expected slowdown in China and recurrent and more intense climate-related catastrophes, especially for the Caribbean.

RISK EVOLUTION IN THE COMMONWEALTH OF INDEPENDENT STATES

The risk evolution in the Commonwealth of Independent States (CIS) was positive in 2017. Credendo’s MLT political risk classifications remained stable, but the evolution of short-term political risk was largely encouraging, mirrored by an upgrade of four countries (Azerbaijan to 3/7, Belarus to 6/7, Ukraine to 5/7 and Uzbekistan to 5/7) and only one downgrade (Turkmenistan to 6/7). According to Pascaline della Faille, the recovery of the Russian economy explains much of the trend. “Russia remains the biggest economy in the region and an important partner of most of the CIS countries. Other drivers of the regional picture included the adoption of more flexible exchange rate regimes – with the exception of Turkmenistan – and a greater appetite for risk in financial markets,” she adds. “Capital flows to emerging markets were buoyant in 2017. This allowed countries with limited access to capital markets – Belarus, Ukraine and Tajikistan – to issue sovereign bonds which improved their liquidity." In the case of Belarus, liquidity improvements were also attributable to more efficient macroeconomic and financial policies, and an energy pricing agreement with Russia.

> "The risk evolution in the Commonwealth of Independent States (CIS) was positive in 2017. Credendo's MLT political risk classifications remained stable, but the evolution of short-term political risk was largely encouraging."

Drastic improvements were also witnessed in Uzbekistan, affirms Pascaline della Faille. "On the one hand, Credendo's payment experience improved significantly, while on the other hand, the authorities lifted most of the Soviet-era exchange restrictions in September 2017." The sole CIS country where a deterioration in risk was recorded was Turkmenistan, which introduced foreign exchange restrictions.

Pascaline della Faille comments: "Taking into account improved policymaking, strong oil prices and positive growth in Russia, the outlook for the region is largely positive. The downside risks arise from a slower Chinese growth, given the growing reliance on China, the future level of commodity prices, change in investor risk perception and geopolitical developments." One major catalytic initiative – China's Belt and Road initiative – "might weigh on public finances and balances of payment, despite its potentially positive impacts on construction, energy supply, connectivity and technological developments," she concludes.

RISK EVOLUTION IN THE MIDDLE EAST AND NORTH AFRICA

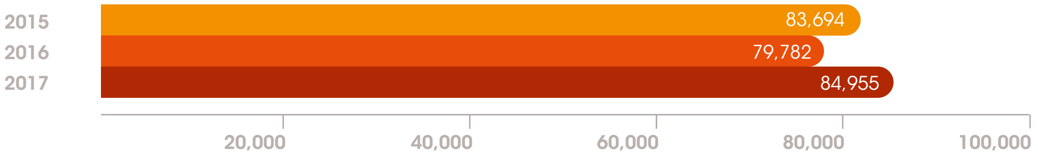
After an exceptionally large number of MLT political risk downgrades in 2016, the MENA region's risk trend stabilised substantially in 2017. Only two MLT political risk downgrades were made, in Tunisia and Oman, both of which were lowered to category 5/7. More positively, Credendo upgraded both Egypt and Iraq's short-term political risk classification to 4/7 and 6/7 respectively, and downgraded only Algeria (to 3/7) in its short-term rankings. "Nevertheless, growth during 2017 in the MENA region was impacted by fiscal tightenings," says Jan-Pieter Laleman. "This was especially the case in the oil-exporting countries which continued to be affected by relatively low crude prices. Additionally, the region remained impacted by increased political tensions, the most prominent being the increased strains between Saudi Arabia and Iran." One consequence in this respect was the blockade imposed on Qatar by Saudi Arabia, Egypt, the UAE, Oman and Bahrain. Meanwhile, conflicts continued in Libya, Syria and Yemen with little hope of improvement in 2018.

Yet, the successful conclusion of the fight against IS in Iraq and an adequate liquidity position led Credendo to upgrade the country's short-term political risk classification in June 2017.

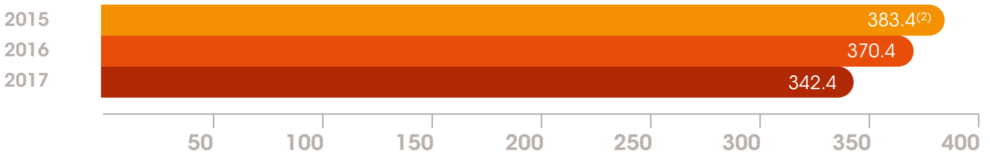
For oil-importing countries, the benefits of still-low oil prices during 2017 were generally countered by the bad shape of public finances, most notably in Lebanon, Jordan, Tunisia and Egypt. "Worsening public finances are one of the reasons why Tunisia's MLT political risk rating was downgraded in 2017," notes Jan-Pieter Laleman. "However, while Egyptian public finances remained weak, the country's short-term political risk rating was upgraded given that its liquidity position significantly improved in 2017 due to the floating of its currency at the end of 2016. Most oil-importing countries were also dealing with increased public discontent, a factor that should continue to risk causing domestic tensions in a number of the MENA countries," he adds. Although the oil price remained the largest economic driver for oil-exporting countries, diversification was also an important focus for most of these markets in 2017. It was especially notable in Saudi Arabia, but much more limited in countries such as Algeria and in Oman. In Oman, the dearth of economic reforms led to Credendo downgrading the MLT political risk. "In all oil-exporting countries, challenges of future economic diversification remain enormous," says Jan-Pieter Laleman.

KEY FIGURES

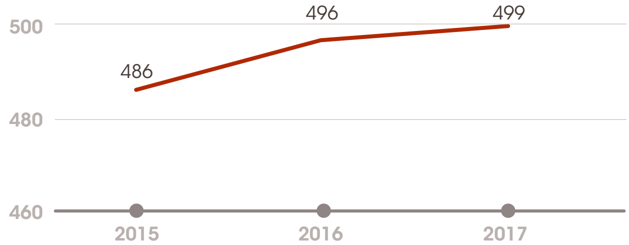
VALUE OF TRANSACTIONS INSURED[1] (IN MILLION EUR)



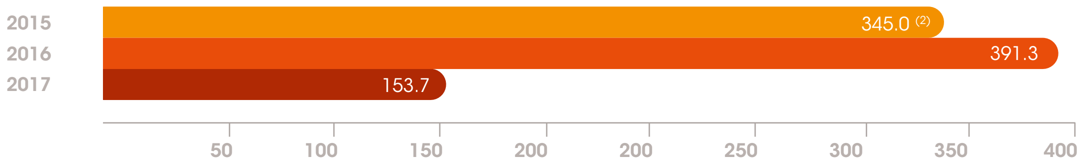
INSURANCE PREMIUM REVENUE[1] (IN MILLION EUR)



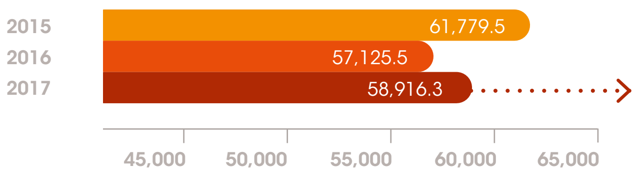
STAFF (IN UNITS)



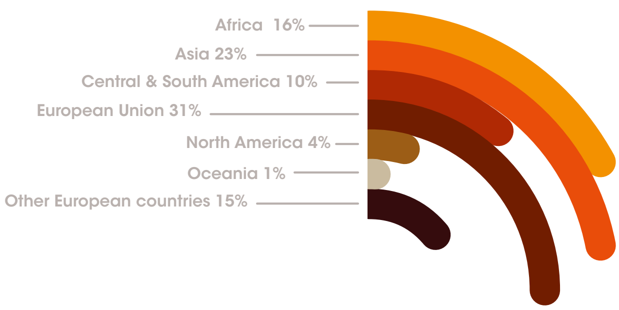
INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES(1) (IN MILLION EUR)



TOTAL POTENTIAL EXPOSURE (IN MILLION EUR)



GEOGRAPHICAL SPREAD OF RISK EXPOSURE



ACTIVITIES AND RESULTS

IN MILLION EUR	2017	2016	2015
Value of transactions insured during the financial year(1)	84,955.4	79,782.2	83,694.0
Total potential exposure	58,916.3	57,125.5	61,779.5
Insurance premium revenue(1)	342.4	370.4	383.4
Insurance claims and loss adjustment expenses(1)	153.7	391.3	345.0
Total profit/(loss)	185.9	20.5	8.9
Total comprehensive income	187.0	22.0	7.2
Total equity	2,568.2	2,391.5	2,375.7
Staff	499	496	486
RATIOS (IN %)			
Net loss ratio(2)	24.6%	112.5%	97.8%
Net cost ratio(3)	29.4%	28.8%	24.2%

(1) Before cession to reinsurers.
(2) Net insurance claims and loss adjustment expenses / net insurance premium revenue.
(3) Operating expenses minus other operating income / net insurance premium revenue.

PRODUCTS AND SERVICES

AVAILABLE PRODUCTS: CREDENDO GOES BEYOND TRADITIONAL EXPORT CREDIT INSURANCE

TRADE CREDIT INSURANCE
Private credit insurance
Standard comprehensive policy (whole turnover)
Single Risk
Prefinancing
XOL - Excess of loss
XOL Partners
Top Up
Public Credit Insurance
(Special) Cash transactions
Buyer credit
Supplier credit
Contract guarantees (unfair calling of bonds)
Contracting equipment
Import prefinancing
FINANCING
Forfaiting
Buyer credit Credendo
BONDING
Contract surety bonds
Legal surety bonds
INVESTMENT INSURANCE
Political risk insurance for investments abroad
Political risk insurance for Belgian investments abroad
FINANCIAL GUARANTEES
Financial guarantee for bank credits
Financial guarantee for bond issues (private placements)
RISK PARTICIPATION
Unfunded risk participation
Participation in insurance syndicate (Credendo – Export Credit Agency)
Participation in insurance syndicate (Credendo – Single Risk)
Participation in L/C confirmations
REINSURANCE
Reinsurance of trade credit and surety

BELGIAN EXPORTER		FOREIGN EXPORTER	FINANCING		BELGIAN STATE GUARANTEE	TENOR	
SME	LARGE COMPANY		BANK	CREDENDO		< 2 YEAR	≥ 2 YEAR
x	x	x				x	
x	x	x	x			x	x
x	x	x				x	x
	x	x				x	
x		x				x	
x	x	x				x	
x	x				x	x	x
	x		x		x		x
x	x				x		x
x	x		x		x	x	x
x	x				x	x	x
x	x				x	x	x
x				x	x		x
x	x			x	x		x
x	x	x				x	x
x	x	x				x	x
		x					x
x	x				x		x
x	x		x		x	x	x
x	x				x		x
			x		x	x	x
		x	x		x		x
		x	x			x	x
			x		x	x	x
					x	x	x

FORFAITING REMOVES BUYER UNCERTAINTIES

CREDENDO FINANCING OPTION UNDERPINS HI-TECH EQUIPMENT SALES TO MEXICO

How can a rapidly expanding Belgian SME expedite potential hi-tech exports during times of market uncertainty? One method is to make use of Credendo – Export Credit Agency's forfaiting product, to fill a trade finance market gap by discounting bills of exchange or other commercial paper for amounts deemed too small for commercial banks. This allows the exporter to be paid up front, while the foreign buyer obtains a flexible, deferred financing facility which does not interfere with their traditional banking lines.

Credendo mobilised its first forfaiting facility for the hi-tech medical sector in late 2017, when Optimized Radiochemical Applications SPRL (ORA), a fast-growing SME developer of innovative radiochemistry platforms, sold a state-of-the-art radiopharmaceutical synthesiser to a Mexican buyer.

Based in Philippeville, ORA has become the market leader for producing synthesised diagnostic tracing equipment, generating 95% of its turnover from exports which have flowed to some 35 countries during the last 7 years. However it had until recently failed to make any sales to Mexico, which is "an important reference market for the Central and Latin America region," says Olivier Van der Borght, ORA's Chief Operating Officer, who was already familiar with Credendo from past insurance transactions and meetings during trade missions. "I had been in contact with Credendo regarding the current synthesiser business since 2014 and had explored some projects, the first of which to come to conclusion was this Mexican sale," he adds.

ORA's first Mexican buyer, a commercial producer of radioisotopes, had previously purchased extensively from a US multinational company. But at a volatile time in Mexico's history, it chose to purchase ORA equipment, supported by Credendo's forfaiting facility. This provided 85% of the EUR 52,000 purchase price, with repayments deferred over 3 years via 12 quarterly reimbursements made through bills of exchange. Olivier Van der Borght comments: "Lately, maybe as a result of the protectionist policies from the new Trump administration, there has been a lack of confidence in the United States, and therefore, Mexican customers may be looking at alternative suppliers, such as ourselves, from Europe."

One palpable uncertainty, as the deal was closing, saw Mexico City experience a strong earthquake, which led ORA to believe that the transaction might be placed on hold for a while. "Although our customer said the general environment was still positive for them, there is no doubt that being able to offer a simple but flexible financing package, with possible terms up to 5 years, was seen by our customer as a very real attraction, alongside our innovative products," stresses Olivier Van der Borght. "Our buyer also liked Credendo's fast acceptance and confirmation of their financing file, a down-payment requirement of just 15%, and the lack of any need for a bank guarantee, which would otherwise cut back their traditional bank credit line."

For ORA, the key advantages of the forfaiting facility included the acceptance of a relatively small transaction amount, of around EUR 50,000 in this case. "Other benefits were a professional and efficient service from Credendo's supporting team, the clear and simple procedures to be followed, and the fast feedback on our requests," he says. "We also appreciated the direct contact and thoughtful guidance of an assigned team member, Arnaud Philippart, who knows our business and needs, but who leaves us in the driving seat for our discussions with our customer."

> "Being able to offer a flexible financing package has been seen as attractive by our customer."

ORA now intends to use Credendo's forfaiting for other countries, including the US and China. "We do see it as the start of a long relationship, and are in contact with the Credendo team to evaluate the forfaiting possibilities for several new projects underway," notes Olivier Van der Borght. "Personalised medicine is a young but rapidly advancing field of healthcare, and we see Credendo's products as part of our global offering."

CONTRACT INSURANCE FACILITATES PROCESS ENGINEERING EXPORTS

CREDENDO PRODUCTS COVER AGAINST POLITICAL AND COMMERCIAL RISKS

Operating from production facilities at Geel and Genk, Belgium's Coek Group has become a leading manufacturer of specialised process equipment, generating a turnover of over EUR 40 million. But with customers spread across the world in industries ranging from chemicals and petrochemicals to metallurgy, a wide scope of potential risks require evaluation and mitigation before exports can go ahead. To address this challenge, Coek has partnered for almost two decades with Credendo – Export Credit Agency, benefitting not only from its flexible commercial and political risk insurance facilities but also its analytical and advisory expertise.

"We have worked together on many projects, starting in 1999, when we were involved in Belgian supply to an Iranian project, before the sanctions," says Koen Van Looke, the Coek Group's Chief Executive Officer. "Our most commonly targeted market is China, but any other country where projects in our specific niches are active could come into the picture. We generally call on Credendo at around the point of commercial quotation, when we have to identify and evaluate all the potential risks, to ascertain whether we need additional cover."

Koen Van Looke highlights three cash-payable contracts in Nigeria, Russia and China, insured in autumn 2017 by Credendo – Export Credit Agency, as good illustrations of when cover has been required. In each case, Credendo was brought in to insure the risks of termination, non-payment and the unfair calling of bank guarantees, for either political or commercial reasons. "Some of these projects are not feasible without political risk cover," he says, citing an order won by Coek Engineering nv to design and deliver equipment for an oil refinery being implemented in Lagos by the Dangote Group, one of Africa's largest corporates. Coek secured Credendo insurance for this in August 2017. "For Nigeria, we believe that the political and monetary risks are substantially bigger than the commercial risk on the customer," Koen Van Looke underlines.

For Russia, similarly, "we believe an insurance policy is advisable given the geopolitical situation which could at some point result in trade restrictions," he observes. Hence Credendo issued a policy in September 2017 covering Coek's contract to manufacture and

> "Credendo enables us to do business in a very challenging environment in which we could not countenance certain risks."

deliver specialist equipment for a hydrometallurgical plant. Koen Van Looke says that while China is seen as a more stable market, where it has a deep track record, "we often seek cover from Credendo if the project is big or the customer is unknown to us." This was the case for a EUR 1.96 million contract to produce and deliver 3 heat exchangers to a petrochemical plant in the far-flung Chinese province of Xinjiang, for which Coek secured Credendo cover in October 2017.

Koen Van Looke lists multiple advantages of working with Credendo, including its willingness to insure only the countries and customers which Coek regards as higher risk. "Several other export credit insurers require 'full coverage', but Credendo goes out of its way to cooperate with us," he emphasises. "Even prior to tendering, we are able to obtain information from Credendo about the relevant buyer, country and project, as well as an indication of the cover costs. Credendo is also willing to consider cover based on the financial information of the project owners, even in the absence of a formal parent company guarantee. We could not do this, given our size compared to the value of our projects."

He continues: "When we insure, we are always covered from contract signature, which enables us to fully engage even before receiving the first payment. Throughout the contract period we engage in regular discussions, and typically receive swift answers to our queries from the Credendo team," looked after by Underwriting and Account Management Specialist Kenneth Verbruggen.

Continued cooperation with Credendo is expected by Koen Van Looke. "We are very happy to continue the relationship in China, while India is another country with big potential," he concludes. "In general the business environment is to our opinion much more challenging if compared to 10-15 years ago, which now demands for more precautions before entering into contracts. In that respect the cover offered by Credendo is a most welcome service."

MITIGATING RISK IN EMERGING MARKETS

CREDENDO PRODUCTS PROTECT AGAINST RANGE OF PERILS

> "What always pleases me is Credendo's positive reaction and professional approach, however difficult the negotiations for some of our more difficult projects."

When Belgian exporter Soulco was created in 2008, it consisted of former employees from Siemens Enterprises Communications nv, which specialised in turnkey solutions for designing, implementing and integrating information and communication technology (ICT) networks. Having already used products from Credendo to cover the risks of its business in the Middle East and Africa, it was a natural step for Soulco to replicate this cover over the subsequent decade, as its geographical area of focus remained identical, and local offices were set up in Algeria, Kenya, Egypt, UAE and Pakistan. As a result, Soulco has been a regular user of Credendo's investment and buyer credit insurance, to cover itself against the risks of termination, non-payment and the unfair calling of bank guarantees.

Jan De Keuster, Executive Director and Member of the Board at Soulco, had been working since the early 1990s with the Siemens ICT division, which was then transformed into a Belgian SME, based in Paal, in the municipality of Beringen. "I had become very familiar with Credendo at Siemens, so it was an obvious solution for controlling our new company's risks in Africa and the Middle East," he says.

Soulco has used the full range and tenor of Credendo insurance products to ensure that its projects are protected against commercial and political risk, Jan De Keuster explains. "We have a very long history with the countries where we operate. Although we trust our customers, we can never afford to take unnecessary risks in a part of the world that is never stable for long periods. Soulco nv is still an SME, with just 120 employees worldwide. Despite our healthy financial figures, we cannot risk to be confronted with financial upsets which could impact the well-being of our employees."

The collaboration with Credendo is showcased in Kenya, where Soulco is engaged in "its biggest ever project, in its third phase since 2015," says Jan De Keuster. This involves implementing a Last-Mile County Connectivity Project for the Ministry of Information, Communications and Technology Authority of Kenya. It is a backbone project for the nationwide delivery of a private governmental network with voice and data applications, which connects the 47 Kenyan counties and over 15,000 users.

A key component of Credendo's support for the project comprises long-term buyer credit insurance cover, to cover payment risk on the 20-year 'mixed-credit' lending, which involves an aid component from Finexpo. "Credendo is also providing coverage for termination risk and unfair calling of bank guarantees for advance payment and performance bonds that were issued by Soulco's bank," Jan De Keuster notes.

Further critical backing from Credendo protects Soulco's investment in a subsidiary in Pakistan, which handles distribution. "For this investment a political risk insurance (PRI) policy was concluded in 2013, and a similar policy was purchased for our subsidiary in Egypt," says Jan De Keuster. "Having that PRI cover is in our veins now. Even with 30 years' experience in these markets, you cannot predict what will happen, and cannot afford not to take out suitable cover." He underlines other support from Credendo, in the form of a financial guarantee in favour of a Belgian bank to cover 50% of its credit lines to Soulco, and further collaboration with Finexpo for mixed credits extended to projects in Côte d'Ivoire and Ghana.

Cooperation levels are excellent, Jan De Keuster emphasises. "We enjoy meetings at both sets of premises. If anything is unsatisfactory or unclear, Credendo is just a phone call away, and responds immediately or very soon afterwards. And we receive quick answers on whether new cases are possible." He projects further potential collaboration in other markets in West Africa, including Côte d'Ivoire. "What always pleases me is that when we present them with a difficult case, there is a positive reaction and a professional attitude, however tough the risk appears."

The key to the relationship, according to Anne Spreuwers, Analyst at the Underwriting and Account Management department of Credendo – Export Credit Agency, is to find common ground where projects are challenging. "A couple of years ago, Soulco approached Credendo with a more complex transaction in Mali, but we tried to support the exporter in the best way we could. If we cannot, we explain why and try to revisit the issues. We hope there will be other opportunities to keep supporting them, and following them where they go, as a Belgian SME."

WHOLE TURNOVER INSURANCE IN THE CZECH REPUBLIC

CREDENDO POLICY LOCKS IN PAYMENT PROTECTION FOR CZECH BREWERY

Having created one of the better-known global beer brands, the hugely popular Pilsner Urquell, Plzeňský Prazdroj sits at the forefront of the Czech Republic's brewing industry. But it still needs to ensure prompt payments from its buyers and distributors, which led it to select Credendo's whole turnover credit insurance policy and Prague representation as the most efficient way of underpinning its credit management. The result has been a smooth long-term relationship which has helped the company to maintain its status as the producer of a number of popular beer products, secure in the knowledge that its receivables are robustly insured by a trustworthy partner.

"Credendo's receivables insurance is a critical component of our credit management strategy."

Headquartered in Prague, and operating from four Czech breweries, Plzeňský Prazdroj has won renown around the world for a number of beer types, and has ventured successfully into other alcoholic and non-alcoholic drinks. Part of its success hinges around a "very detailed risk management strategy," says Miroslava Prokopova, the company's Credit & Collection Manager, responsible for domestic receivables. "Our payment terms are all based on a multi-faceted analysis, using a range of credit and sales data, and looking at the customer type, to make sure that none of our buyers present an unacceptably high risk. This also applies to exports, which account for around 14% of volume," she adds.

Miroslava Prokopova notes that one of the most important factors of the cooperation are the solid long-term relationships that Plzeňský Prazdroj has built with its clients, in a market where the payment morality is good. To add in an extra layer of protection, "another key component in the company's credit management strategy is to insure our receivables," she underlines.

Plzeňský Prazdroj's relationship with Credendo began in 2011, when it terminated a relationship with another credit insurer. "For us, Credendo was the best candidate to provide a whole turnover policy, because of both the reasonable price charged for the insurance and the scope for us to insure almost all of our customers on the same terms and conditions, while we continue to operate our tight credit management. It is generally good for us to have this insurance, which is based mainly on cooperating with each other over the long term, with mutual consent and respect on both sides."

This has proved especially to be the case in the few claims which have arisen during the seven-year relationship with Credendo – Short-Term EU Risks. "There have only been a few cases, all of these insolvency-linked, which have been concluded very quickly and flexibly," says Miroslava Prokopova. "When a claim does occur, we manage the legal procedures jointly, and Credendo is kept fully informed by regular communications with the claims officer. In each case, we have been paid by Credendo and then continued with the legal proceedings."

Excellent cooperation on credit limits is another important consideration, she stresses. "The office in Prague, led by Robert Hausman (Head of Sales at Credendo – Short-Term EU Risks in the Czech Republic), is very approachable and very flexible in dealing with credit limits, or any other non-claims issue."

In 2017, Plzeňský Prazdroj was acquired by Japan's Asahi Group, which has allowed its new Czech business to maintain the independent credit management strategy, after an early 2018 audit which assessed that all of its risks are fully covered. The relationship with Credendo reached another milestone in February, when both sides agreed a new two-year renewal of the whole turnover policy, "after very smooth discussions and with just a few cosmetic changes," observes Miroslava Prokopova.

WHOLE TURNOVER INSURANCE IN RUSSIA

CREDENDO SHORT-TERM SUPPORT UNDERPINS RUSSIAN BUSINESS EXPANSION

How does an expanding business ensure that it gets paid by distributors when selling on credit terms in a large emerging market? After global pharmaceutical giant GlaxoSmithKline plc (GSK) consolidated its consumer healthcare presence in Russia in 2015, it selected Credendo's whole turnover credit insurance policy and on-ground presence in Moscow as the best fit for its specific local consumer healthcare market needs. The outcome has been a close relationship, evolving in harmony as Credendo's local knowledge has helped GSK thrive in a growing over-the-counter market.

GSK has carved out an ever-strengthening profile in Russia, led by its consumer healthcare business. This grew strongly in 2017, accounting for some 65-70% of the group's Russian turnover, and working through local distributors to sell trusted brands into an economy now recovering strongly from a long recession.

"Russian payment morality is generally good, in comparison to other emerging markets," says GSK's Chief Financial Officer Guntis Zvigulis, who represents the company's consumer healthcare arm in Moscow. "We are permitted by the group to run our own local credit management strategy, tailored to suit specific needs in the Russian market," he says. "The average payment term is around 70 days, which is quite reasonable, and our Russian clients tend to pay on time, which we encourage by offering discounts for early payment. But we still have room for improvement in several standard credit management practices, for example in emphasising to customers the upcoming payment day."

To benefit from extra support, GSK chose to bring Credendo on board in 2015, after it pooled its consumer healthcare assets with Novartis in a joint venture which has become the local market leader in a dynamic sector where consolidation activity is ongoing. "Novartis had a strong footprint in Russia before the merger, including a local credit insurance contract. After combining the two businesses in Russia, we examined using just one provider for both companies, and selected Credendo in a tender process for a whole turnover policy. The relationship became effective in early 2016, and is a crucial part of our credit management strategy," explains Guntis Zvigulis. "It is very important to have this partner relationship in the Russian market as it becomes more concentrated," he emphasises.

During the initial two years of cooperation, GSK has credit insured most of its key consumer healthcare customers. A sole claim on the policy, related to 2016 activity, came in January 2018, "but this was not of material value," says Guntis Zvigulis. "More importantly, we have experienced several cases where we were very close to the claims, but successfully addressed the situations with the help of Credendo representatives. In each case, customer by customer, there was a three-way dialogue to agree a specific medium- to long-term solution."

Guntis Zvigulis highlights how Credendo's local representation and expertise, led by Hasan Umarov and Fedor Vasin project managers at Credendo's Russian offices, has been critical for GSK. "We work with Credendo as a real partner, in close cooperation with their local office, which knows the key market trends, understands the risks, and can negotiate successfully with local businesses. We meet regularly with local Credendo management, to review customers and strategies, and we benefit from swift response times from Credendo back office staff when they deal with our ad hoc requests. In fact the relationship has been so efficient and successful that our Russian GSK colleagues in the vaccines and pharmaceutical business have also turned to a credit insurance solution," he concludes.

"We appreciate Credendo's market knowledge and local footprint very highly at GSK."

COMBINED CREDIT INSURANCE PRODUCTS COVER GLOBAL RISK

PARALLEL CREDENDO POLICIES ENSURE OPTIMAL NON-PAYMENT PROTECTION

How does a global market-leading company ensure a suitably weighted level of payment protection for exports delivered to a very wide range of countries, with an attendant spread of risk? For the Liège-headquartered Prayon Group, which specialises in phosphate chemicals and operates production sites in Belgium, France and the United States, the solution has been to purchase two Credendo credit insurance products in parallel. A comprehensive whole turnover policy with Credendo – Short-Term Non-EU Risks for its risks in emerging countries, and an excess-of-loss policy with Credendo – Excess & Surety for business in OECD markets.

The company's connection with Credendo began in 1991, recalls Pierre Schils, Prayon S.A.'s Chief Financial Officer. "We initially required country risk cover for just non-OECD countries. The relationship deepened four years ago when we decided to transfer our excess-of-loss (XOL) policy to Credendo."

The XOL protection is especially well-suited to the 80% or so of Prayon's business which goes to around 1,500 buyers principally in Western Europe, says Pierre Schils. "Our customers in these countries are well distributed across a number of sectors, and generally pay at an average of 60 days, with few problems. The individual receivables are relatively small, so it is easier to manage the risk and decide the credit limits ourselves."

This strategy is controlled tightly via a centralised credit management policy, led by Prayon's mother company in Belgium. "If you calculate the costs and advantages, XOL cover is a very good solution," Pierre Schils explains. "The premium is low, with the trade-off that losses will occur in some years, and you will not be indemnified for a credit accident below a certain threshold, which you set yourself."

He elaborates that Prayon's greater challenge is with its 20% of buyers located in the emerging markets, where a key focus is to develop new business in Asia and South America. "It is simply too difficult for us to gain full knowledge of the financial, political and economic situation prevailing in some of the world's more exotic countries. Iraq's invasion of Kuwait and Argentina's financial crisis at the end of the nineties have shown how rapidly situations can change, but you cannot ask every customer for advance payments or letters of credit." Hence Prayon uses Credendo's classic whole turnover policy outside the OECD. "The premium is higher, but the much fuller risk coverage removes the key dangers, so it is another good solution for us."

"It is important to know that Credendo is not only a credit insurer but a partner that you can explain to and discuss problems with."

To ensure the policies run smoothly, Credendo and Prayon liaise on a weekly basis, and Pierre Schils meets several times annually with Credendo – Short-Term Non-EU Risks Account Manager Pascale Bonjean. "The Credendo team in Brussels always try to find solutions to specific requests, by taking an individual approach to customers," stresses Pierre Schils. "For example, there are a few sales from our US business to Asia and South America, which are covered by Credendo in Belgium. This is not possible with other credit insurers."

Credit limits are a key interface, he says. "Discussions can happen, if we think Credendo is a little too cautious on a country or customer. But we usually find a solution. Sometimes Credendo has too much exposure, or lacks sufficient buyer information, and we might propose to keep 25% or 50% of the risk over a period to ascertain the experience with the client."

Pierre Schils notes that Prayon has benchmarked Credendo against the wider credit insurance market several times, always favourably. "It is very important that Credendo keeps the same philosophy in place. To retain our market leadership in a fast-changing world we need financial and insurance support to back our good products. Credendo has done that job for a long time, and we hope it will continue."

SURETY GUARANTEEING GLOBAL CONTRACTS

CREDENDO BOND CAPACITY FACILITATES LARGE CONSTRUCTION BIDS

How can a specialist in household-waste processing technology, active in international markets, ensure that its clients in the construction sector trust its contract bids? One small Belgian company that focuses on biological waste-treatment installations has turned to the expertise and capacity of Credendo to support its drive to export around the developed world. By securing substantial volumes of bonding lines from Credendo, it has been able to offer crucial operational guarantees to buyers of its biogas plants.

Ghent-based contractor Organic Waste Systems (OWS) celebrated its 30th birthday in January 2018, having built a robust business in constructing and operating biological waste-treatment plants, plus accompanying research and consultancy work. With around 95% of its anaerobic waste and digestion plant business transacted in foreign markets, the company has become a consistent user of Credendo facilities in order to protect its revenue streams and bid for new projects with confidence.

“Our key customers are municipalities as well as large private waste-collection companies that construct key waste facilities for cities,” explains Luc De Baere, OWS Managing Director. “We are among the world’s top three companies in our sector, have built facilities in Europe and Asia, and are currently building our 30th full-scale plant in Japan. However it is a competitive and complex market, where the political complications of working with public authorities can slow projects down in ways that do not happen in a commercial environment.”

OWS had its first contact with Credendo in 2004. The main contractor of a project, for which OWS delivered the processing technology in waste-treatment installations, asked for additional guarantees to cover the non-performance risk from OWS. This was addressed by offering an insurance policy that covered the non-payment risk by OWS in the scenario of eventual claims due to non-performance. “A key concern for our clients in this business has been that a contractor like OWS might go bankrupt during projects that typically last about 3 years and cost somewhere in the region of EUR 10-20 million. Taking out insurance was of critical help to us in realising and building some of our projects in France and England,” says Luc De Baere.

> “Credendo’s support doubled the surety lines available to us from commercial banks.”

This insurance solution was replaced in 2009, when OWS turned to Credendo for an initial surety line of credit, worth EUR 8 million, to guarantee a contract bid, said Tine Hofmans, Surety Team Leader at Credendo – Excess & Surety. “Of course we also use bonds from banks, especially for guarantees on first demand, but Credendo has proved to be just as speedy and efficient, and has a particular ability to provide cover in cases where the clients’ questions or the project risks are more difficult,” notes Luc De Baere. “It can issue most of the types of surety bonds which clients ask us to provide, which can include an advanced payment bond, a performance bond and a warranty bond at the end of the project,” he comments.

Where Credendo has been an especially vital partner, Luc De Baere adds, is at the point where bank guarantees stop. “We are a small company, but our foreign projects are getting larger and larger. In order to win export and construction jobs that can now be worth as much as EUR 40 million we increasingly need the support of an additional credit line from Credendo to double our guarantee capacity. Without Credendo’s support, we could not pursue these kinds of larger projects, which is where we excel.”

Looking ahead, Luc De Baere believes that OWS could seek Credendo’s services for several projects in the North American market. “We are working very closely on these, and will come knocking on Credendo’s door if performance bonds are required,” he concludes.

SINGLE-RISK INSURANCE

CREDENDO – SINGLE RISK EXTENDS STRONG SUPPORT TO SPECIALIST COMMODITIES BROKERAGE

For an insurance broker seeking to place commodity-related credit and political risk transactions into underwriting markets, Credendo – Single Risk offers a stellar track record in assessing developing-country risks, proven know-how and experience in insuring complex transactions, and substantial insurance capacity of up to USD 25 million per trade and project risk. These qualities – plus a presence in Geneva's commodity trading community – have proved especially attractive to the Paris-headquartered Cofarco brokerage. This has developed an increasingly strong commercial relationship with Credendo – Single Risk, based upon local service and a listening ear.

As a specialist commodity finance and insurance broker, interfacing with traders, producers and banks active in the natural resources sector, one of Cofarco's key remits is to source bespoke credit and political risk cover for single risks, across a wide range of counterparty and sovereign risk exposures. Established nine years ago in Paris, and having expanded into Switzerland in 2016, Cofarco has found a number of deep synergies with Credendo – Single Risk, which underwrites emerging-market credit and political risks from its offices in Geneva and Vienna.

"It's a very special relationship, which has grown very nicely over the years," says Frédéric Blanchi, Cofarco's founder and Executive Partner, responsible for commodity structured trade finance. "When we started the business in 2009, Credendo – Single Risk was one of our initial insurance capacity providers, for a deal which concluded in 2010. That capacity was instrumental in acquiring one of our first clients, at a very critical moment for our business, which is why this relationship means so much to us."

Frédéric Blanchi singles out Credendo – Single Risk's much-vaunted emerging-market expertise, especially in relation to CIS and Eastern European risk. "The existence in the past of a Russian arm with underwriters that are very involved in the market really differentiated Credendo from some of the other single-risk underwriters. We also place a good share of business with Credendo that involves African risk."

> "We value Credendo's ability to take time, to get under the skin of our transactions, and to commit capacity for the right deals."

"Credendo's Geneva office is another major positive," he emphasises. "We decided to open in Geneva two years ago because physical proximity and local service is still important in the digital age. We wanted to be close to the banks in Geneva and to the Credendo team." This advantage is echoed by Christian Hendriks, Credendo – Single Risk's Deputy General Manager, who underlines that "the ability to discuss specific deals in detail, face to face, makes it easier to structure and place more complex transactions."

Frédéric Blanchi highlights the 'two-way' nature of the relationship with Credendo. "We have struck up a very helpful dialogue which has been going from strength to strength since that first transaction, including a great openness towards any ideas or new transactions that Cofarco presents. Then, when a decision is being made, there is always a chance to discuss the deal and the main risk considerations. The Credendo team takes time to listen to what we have to say and to debate the rationale for the transaction, and the possible alternatives." He adds that the good collaboration extends to Cofarco's sole claim under a Credendo policy. "This happened in late 2017, and is going smoothly so far."

Cofarco's ability to transfer risk on behalf of its clients will remain crucial, says Frédéric Blanchi. "Since the 2008 financial crisis that capacity has been even more critical to procure, and our clients will continue to have some big risk exposures that need hedging in the market. To facilitate this, I really hope that we continue to have Credendo supporting the development of our business."

CORPORATE GOVERNANCE

CREDENDO – EXPORT CREDIT AGENCY [1]

BOARD OF DIRECTORS

Vincent Reuter[2],
Chairman

Michel Delbaere[3],
Vice-Chairman

Ludivine Halbrecq,
Member, representative of the Federal Minister of Finance

Pieter-Jan Van Steenkiste,
Substitute member

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

Xavier De Cuyper,
Substitute member

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

Ivan Van den Bergh,
Substitute member

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

Yves Dricot,
Substitute member

Claire Tillekaerts,
Member, representative of the Flemish Government

Thomas Fiers,
Substitute member

Georges Stienlet,
Member, representative of the Flemish Government

Annemarie Van de Walle,
Substitute member

Jean-Jacques Westhof,
Member, representative of the Walloon Government

Jean-Jacques Gabriel,
Substitute member

Pascale Delcomminette,
Member, representative of the Walloon Government

Francis Mullers,
Substitute member

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

Christopher Kashale Ilunga,
Substitute member

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

Frederic Convent,
Substitute member

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

(1) Legal name Delcredere | Ducroire.
(2) Resigning on 1/09/2017.
(3) Resigning on 1/04/2018.

EXECUTIVE COMMITTEE

Dirk Terweduwe,
Chief Executive Officer and Chairman of the Executive Committee

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

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

AUDIT COMMITTEE

Ludivine Halbrecq,
Chair

Thierry Denuit,
Member

Henk Mahieu,
Member

GROUP COORDINATION COMMITTEE

Dirk Terweduwe (1),
Group CEO and Chairman of the Group Coordination Committee

Frank Vanwingh (2),
Group Deputy CEO, Vice-Chairman of the Group Coordination Committee

Nabil Jijakli (3),
Group Deputy CEO

Paul Balthasart (4),
Group Chief Reinsurance Officer

Thibaut De Haene (5),
Group Chief Legal Officer

Marina Hautman (6),
Group Chief Human Resources Officer

Ronny Matton (7),
Group Chief Financial Officer

Hans Slock (8),
Group Chief Risk Officer

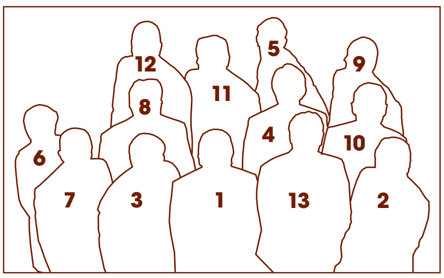
Lode Vermeersch (9),
Group Chief Information Officer

Alexey Bezdenezhnykh (10),
General Manager
Credendo – Ingosstrakh Credit Insurance

Michael Frank (11),
General Manager
Credendo – Single Risk

Eckhard Horst (12),
General Manager
Credendo – Excess & Surety

Stefaan Van Boxstael (13),
General Manager
Credendo – Short-Term Non-EU Risks
&
General Manager
Credendo – Short-Term EU Risks



MANAGEMENT REPORT ON THE 2017 CONSOLIDATED FINANCIAL STATEMENTS

1. IFRS CONSOLIDATION

In conformity with the provisions of the European regulation No. 1606/2002 of 19/07/2002 and the Royal Decree of 27/09/2009, and in conformity with the decision of the Board of Directors of 17/12/2013 to apply IFRS standards to the consolidated accounts of Credendo – Export Credit Agency we have the honour to report to you on our consolidated activities over the financial year and the consolidated financial statements closed as at 31/12/2017.

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

These consolidated financial statements of Credendo are presented based on the International Financial Reporting Standards (IFRS) as applicable per 31/12/2017, and as adopted by the European Union.

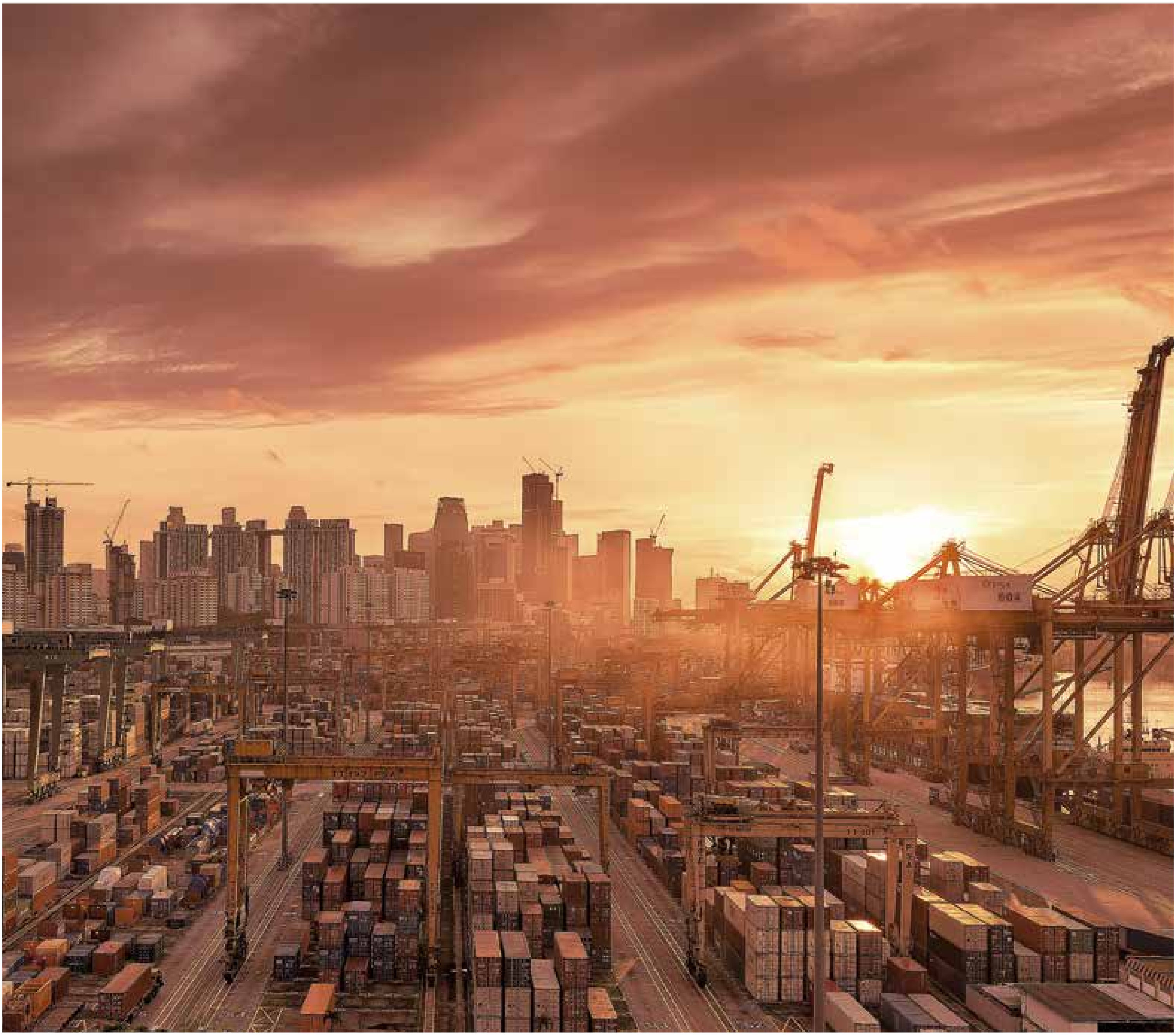
In July 2014 the International Accounting Standards Board (IASB) published IFRS 9, a new standard for financial instruments, which will have a significant impact on the way Credendo reports on the performance of its investment strategies. The standard was endorsed by the European Union in November 2016. Since the reporting of Credendo's financial investment results is linked to the reporting of its insurance obligations, it is important that Credendo applies both standards, i.e. IFRS 9 'Financial instruments' and IFRS 17 'Insurance contracts' simultaneously. IFRS 17 was published by the IASB in May 2017. In this regard, and as proposed by the IASB, Credendo opted to defer the application of IFRS 9 until 2021 when IFRS 17 will also become effective. Simultaneous application of both the financial instruments and insurance contracts standards will increase the ability of our ALM management to minimise any potential accounting mismatches that would arise if the new standards would be applied at different dates.

As a result of that deferral, we have set up a Credendo project to implement these new standards. The project is expected to be completed in 2021. The full effect of the impact of these standards will not be known until significant progress has been made on the implementation project. We will keep you informed of the progress of the implementation project.

2. FINANCIALS

The 2017 Consolidated Statement of Financial Position shows a balance total of EUR 3,239.9 million compared to EUR 3,283.1 million at the end of 2016 (restated for 'Expected recoveries on claims paid' being deducted from related insurance liabilities). The main movements are related to the changes in working capital assets and liabilities and the cash used in operating activities plus the net cash used by investing and financing activities. On the one hand the cash & cash equivalents position decreased from EUR 381.5 million in 2016 to EUR 242.3 million at the end of 2017 whilst on the other hand the financial investment portfolio increased from EUR 2,539.4 million at the end of 2016 to EUR 2,632.3 million in 2017.

The Consolidated Income Statement is showing a profit of EUR 185.9 million for the year 2017, a considerable improvement on last year's EUR 20.5 million profit. There were no new important insurance claims during the year compared to 2016. The 2016 loss from operating activities of EUR 109.1 million turned into a EUR 108.4 million profit in 2017. The insurance premium revenues, including variance in unearned premium reserve, decreased from EUR 370.4 million in 2016 to EUR 342.4 million in 2017. After the cession of premium to reinsurance the net insurance premium revenue also reduced from EUR 264.3 million in 2016 to EUR 235.7 million in 2017. This premium decrease is completely attributable to Credendo – Export Credit Agency's traditional business.



The 2017 other operating income of EUR 41.5 million contains commissions received from reinsurers, recharges of investigation costs and other recoveries of expenses (EUR 41.1 million in 2016). The 2017 net insurance claims and loss adjustment expenses decreased to EUR 58.1 million compared to EUR 297.3 million in 2016.

The operating expenses other than claims decrease from EUR 117.2 million in 2016 to EUR 110.7 million in 2017 mainly because of other operating expenses, more specifically lower write-offs on trade receivables.

Though the financial markets remained challenging in 2017, the net financial income stays positive at EUR 80.2 million in 2017 compared to the EUR 135.9 million previous year results. The 2016 income tax expense of EUR 6.3 million came down slightly to a EUR 2.7 million income tax expense in 2017.

The 2016 remeasurement loss on defined benefit pension plans of EUR 1.7 million (net of deferred tax thereon) has turned into an almost-zero positive net remeasurement result in 2017 with the main 2017 actuarial assumptions staying at exactly the same level as last year (1.40% in 2017 and 2016 for the Belgian plans; 2.00% in 2017 and 2016 for the Austrian plan).

For 2017 the fair-value changes on available-for-sale financial assets including foreign-exchange differences explain the positive change of EUR 1.2 million (net of deferred tax thereon) quite in line with the 2016 other comprehensive income result pertaining to investments of EUR 1.9 million. The 2017 exchange-rate differences on translating foreign operations turned slightly negative for an amount of EUR 0.1 million compared to a positive contribution of EUR 1.3 million in 2016. The total other comprehensive income for the year 2017 is a profit of EUR 1.1 million compared to the EUR 1.5 million profit in 2016. This brings the total comprehensive income to EUR 187.0 million for 2017 (EUR 22.0 million in 2016).

In 2017 the operating activities used EUR 94.3 million net cash compared to the EUR 19.3 million generated in 2016. Together with the EUR 25.8 million cash used in investing and financing activities in 2017 (EUR 43.7 million net generated in 2016) this resulted in a decrease of the 2017 cash & cash equivalents position by EUR 120.1 million, excluding the exchange loss on cash and cash equivalents of EUR 19.1 million, compared to last year's increase of EUR 63.0 million.

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

The total 2017 consolidated audit fees of our statutory auditor PwC Belgium amount to EUR 114,703. The 2017 fees for our statutory auditor's network include audit fees of EUR 156,933 and non-audit fees for a total value of EUR 259,825.

3. RISK MANAGEMENT AND SOLVENCY II

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

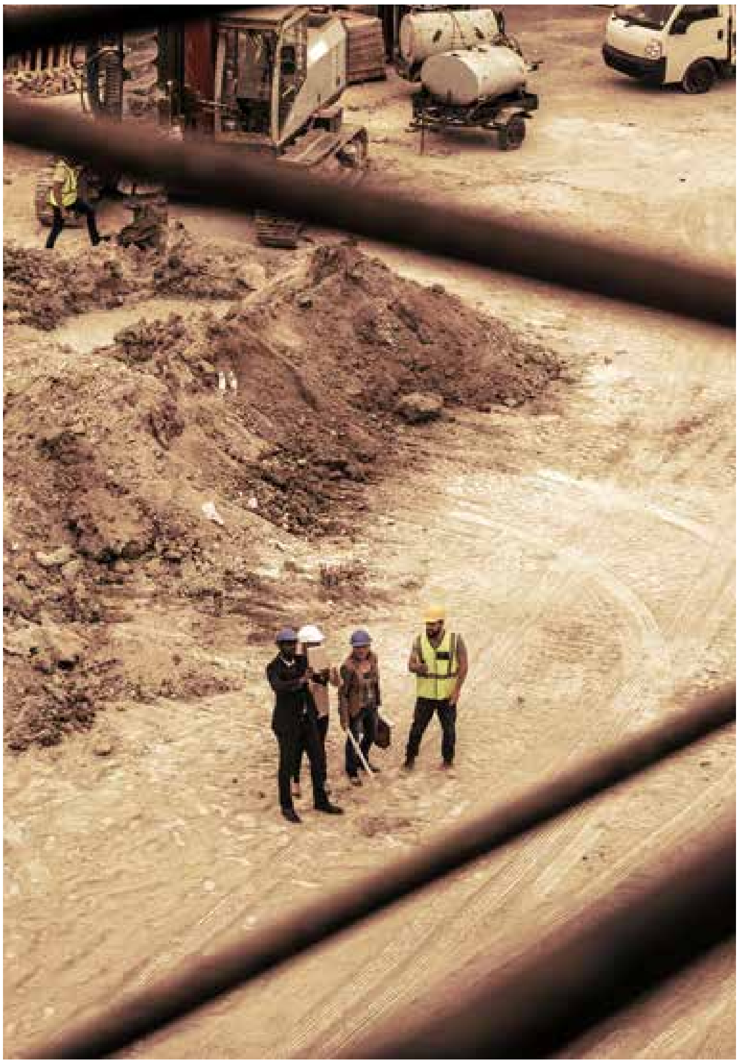
A first part covers the exposure to and the management of the **insurance risk** or underwriting risk with particulars on credit and investment insurance risk, surety contracts risk, accepted reinsurance contracts, sensitivity analysis, change in assumptions, quantitative concentrations and claims development tables. Similarly the second part on the **financial risk** specifies the market risks (interest rate, currency and equity price), the risks on credit, 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, the risk profile and its expected and stressed evolution on the other.

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

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

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



4. EVENTS OCCURRING AFTER THE REPORTING PERIOD

There are no events occurring after the reporting period that could have resulted in a material impact on the reported figures as at 31/12/2017.

The 2017 IFRS Consolidated Financial Statements have been established on the basis of going concern.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31/12/2017

PwC Réviseurs d'Entreprises - Bedrijfsrevisoren, has audited Credendo's annual accounts (statutory accounts, as well as consolidated accounts presented by applying the IFRS standards) as of and for the year ended 31/12/2017, 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	31/12/2017	31/12/2016
ASSETS			
Intangible assets	5	32,316	25,103
Property, plant and equipment	6	22,239	22,531
Other financial assets	7	176	382
Financial investments	8	2,632,312	2,539,381
Deferred income tax assets	9	10,042	13,183
Reinsurance assets(3)	10-16	104,206	113,242
Loans and receivables including reinsurance receivables(3)	11	179,947	176,602
Other assets	12	13,609	10,207
Current income tax assets		2,784	950
Cash and cash equivalents	13	242,268	381,476
TOTAL ASSETS		**3,239,899**	**3,283,057**

IN THOUSANDS EUR	NOTE	31/12/2017	31/12/2016
EQUITY AND LIABILITIES			
Equity			
Endowment	14	297,472	297,472
Consolidated reserves	15	2,272,122	2,092,581
Total other comprehensive income	15	-5,300	-1,976
Total equity excluding non-controlling interests		2,564,294	2,388,077
Non-controlling interests		3,920	3,417
Total equity		**2,568,214**	**2,391,494**
Liabilities			
Liabilities arising from insurance contracts(3)	16	568,556	786,521
Deferred income tax liabilities	9	483	2,954
Provisions for other liabilities and charges	17	157	227
Employee benefit liabilities	18	23,859	11,634
Payables(3)	19	48,568	60,596
Other liabilities	20	26,423	27, 744
Current income tax liabilities		3,639	1,887
Total liabilities		**671,685**	**891,563**
TOTAL EQUITY AND LIABILITIES		**3,239,899**	**3,283,057**

(1) The consolidated statement of financial position is presented in thousands of euros, rounded to the nearest thousand using a period 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) With effect from 01/01/2017, 'Expected recoveries on claims paid' are deducted from related insurance liabilities, to the extent that they do not qualify for recognition as separate assets. Comparative figures for 2016 have been restated. Management assessed that this is a more faithful presentation of the ultimate insurance liabilities. Since this is a mere reclassification, a third balance sheet as at 01/01/2016 is not required.

CONSOLIDATED INCOME STATEMENT (1)(2)

IN THOUSANDS EUR	NOTE	31/12/2017	31/12/2016
Insurance premium revenue		342,448	370,401
Insurance premium ceded to reinsurers		-106,709	-106,134
Net insurance premium revenue	**21**	**235,739**	**264,267**
Other operating income	22	41,514	41,078
Net income		**277,253**	**305,345**
Insurance claims and loss adjustment expenses		-153,745	-391,264
Insurance claims and loss adjustment expenses recovered from reinsurers		95,671	94,011
Net insurance claims and loss adjustment expenses	**23**	**-58,074**	**-297,253**
Employee benefit expenses	24	-44,345	-42,933
Services and other goods	25	-55,503	-57,874
Depreciation and amortisation	26	-4,717	-4,760
Other operating expenses	22	-6,173	-11,652
Operating expenses (other than claims)		**-110,738**	**-117,219**
Expenses		**-168,812**	**-414,472**
Profit/(loss) from operating activities		**108,441**	**-109,127**
Finance income	27	115,715	159,269
Finance expense	27	-35,549	-23,409
Net financial income		**80,166**	**135,860**
Profit/(loss) of the year before tax		**188,607**	**26,733**
Income tax credit/(expense)	29	-2,731	-6,260
Profit/(loss) of the year		**185,876**	**20,473**
Profit/(loss) attributable to:			
Owners of the parent		185,060	21,053
Non-controlling interest		816	-580
TOTAL PROFIT/(LOSS) OF THE YEAR		**185,876**	**20,473**

(1) The consolidated income statement is presented in thousands of euros, rounded to the nearest thousand using a period 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 OTHER COMPREHENSIVE INCOME (1)(2)

IN THOUSANDS EUR	NOTE	31/12/2017	31/12/2016
Profit/(loss) of the year		**185,876**	**20,473**
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurements on post-employement benefits	18	33	-2,009
Deferred tax on remeasurements on post-employement benefits	9	-21	340
Subtotal of other comprehensive income that will not be reclassified to profit or loss		**12**	**-1,669**
Items that may be subsequently reclassified to profit or loss			
Change in value of available-for-sale financial investments		1,228	3,201
Deferred taxes thereon	9	-24	-1,311
		1,204	**1,890**
Exchange differences on translating foreign operations		-124	1,292
Subtotal of other comprehensive income for the year that may be subsequently reclassified to profit or loss		**1,080**	**3,182**
Total other comprehensive income for the year		**1,092**	**1,513**
Total comprehensive income for the year		**186,968**	**21,986**
Attributable to:			
Owners of the parent		186,465	22,133
Non-controlling interest		503	-147
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**186,968**	**21,986**

(1) The consolidated statement of other comprehensive income is presented in thousands of euros, rounded to the nearest thousand using a period 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 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 01/01/2017		**297,472**	**2,092,581**	**-1,976**	**2,388,077**	**3,417**	**2,391 494**
Adjustment to the opening balance	18	-	-5,519	-4,729	-10,248	-	-10,248
Adjusted balance at 01/01/2017		297,472	2,087,062	-6,705	2,377,829	3,417	2,381,246
Profit / (loss) of the year		-	185,060	-	185,060	816	185,876
Other comprehensive income:							
Remeasurements on post-employement benefits	9-18	-	-	16	16	-4	12
Change in value of available-for-sale financial investments		-	-	1,245	1,245	-41	1,204
Exchange differences on translating foreign operations		-	-	144	144	-268	-124
Total other comprehensive income for the year		**-**	**-**	**1,405**	**1,405**	**-313**	**1,092**
Total comprehensive income for the year		**-**	**185,060**	**1,405**	**186,465**	**503**	**186,968**
Total equity movement for the year		**-**	**185,060**	**1,405**	**186,465**	**503**	**186,968**
BALANCE AT 31/12/2017		**297,472**	**2,272,122**	**-5,300**	**2,564,294**	**3,920**	**2,568,214**

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 01/01/2016		297,472	2,073,012	-2,816	2,367,668	7,984	2,375,652
Profit/(loss) of the year		-	21,053	-	21,053	-580	20,473
Other comprehensive income:							
Remeasurements on post-employement benefits	9-18	-	-	-1,669	-1,669	-	-1,669
Change in value of available-for-sale financial investments		-	-	1,884	1,884	6	1,890
Exchange differences on translating foreign operations		-	-	865	865	427	1,292
Total other comprehensive income for the year		-	-	1,080	1,080	433	1,513
Total comprehensive income for the year		-	21,053	1,080	22,133	-147	21,986
Changes in ownership interest in subsidiairies that do not result in a change in control		-	-1,484	-240	-1,724	-4,420	-6,144
Total equity movement for the year		-	19,569	840	20,409	-4,567	15,842
BALANCE AT 31/12/2016		**297,472**	**2,092,581**	**-1,976**	**2,388,077**	**3,417**	**2,391,494**

(1) The consolidated statement of changes in equity is presented in thousands of euros, rounded to the nearest thousand using a period 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	31/12/2017	31/12/2016
CASH FLOWS FROM OPERATING ACTIVITIES			
PROFIT / (LOSS) BEFORE INCOME TAX		**188,607**	**26,733**
Adjustments for:			
Depreciation and amortisation	26	4,717	4,760
Movement of provisions	17	-70	-165
Write-offs on trade receivables	22	207	5,311
Fair value gains/losses on financial assets at FVTPL	27	-81,598	-53,471
Gains on sale of available-for-sale financial investments	27	-990	-814
Finance income (Net)		-12,491	-79,429
Gain on disposal of subsidiaries		-	-869
Net of unrealised exchange-rate differences		-60,181	43,532
Subtotal (profit + adjustments)		**38,201**	**-54,412**
Changes in working capital assets and liabilities (excluding the effect of exchange differences on consolidation):			
Liabilities arising from insurance contracts(3)		-106,594	17,674
Employee benefits (excluding remeasurements through OCI)		1,264	631
Payables(3)		-11,664	-16,700
Other liabilities		-1,020	7,304
Reinsurance assets(3)		-6,103	27,738
Changes in receivables(3)		-4,201	38,361
Changes in other financial assets		188	-46
Changes in other assets		-3,400	-506
Cash (used in)/generated from operations		**-93,329**	**20,044**
Income tax paid		-962	-701
Net cash (used in)/generated by operating activities		**-94,291**	**19,343**

IN THOUSANDS EUR	NOTE	31/12/2017	31/12/2016
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	6	-1,188	-2,426
Sale of property, plant and equipment	6	56	9
Purchase of intangible assets	5	-10,522	-5,806
Sale of intangible assets		18	-
Purchase of financial investments		-599,721	-426,435
Proceeds from sale of financial investments		588,040	484,266
Net cash flows from disposal of subsidiaries		-	-1,076
Interests and dividends received on financial assets		5,764	5,268
Realised exchange gains/(losses) on financial assets		-4,590	-716
Net cash (used in)/generated by investing activities		**-22,144**	**53,084**
CASH FLOWS FROM FINANCING ACTIVITIES[4]			
Acquisition of non-controlling interests		-	-6,144
Financial charges and interest costs paid		-3,629	-3,279
Net cash (used in)/generated by financing activities		**-3,629**	**-9,423**
CHANGES IN CASH AND CASH EQUIVALENTS			
Net (decrease)/increase in cash and cash equivalents		-120,064	63,004
Cash and cash equivalents at the beginning of the year		381,476	317,647
Exchange gains/(losses) on cash and cash equivalents		-19,144	825
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**13**	**242,268**	**381,476**

(1) The consolidated statement of cash flows is presented in thousands of euros, rounded to the nearest thousand using a period 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 cash flow statement for the year ended 31/12/2016 has been restated in line with the changes in the way of presentation of expected recoveries on claims paid in the consolidated statement of financial position.
(4) Credendo does not have liabilities arising from financing activities that would require a reconciliation under IAS 7 amendments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

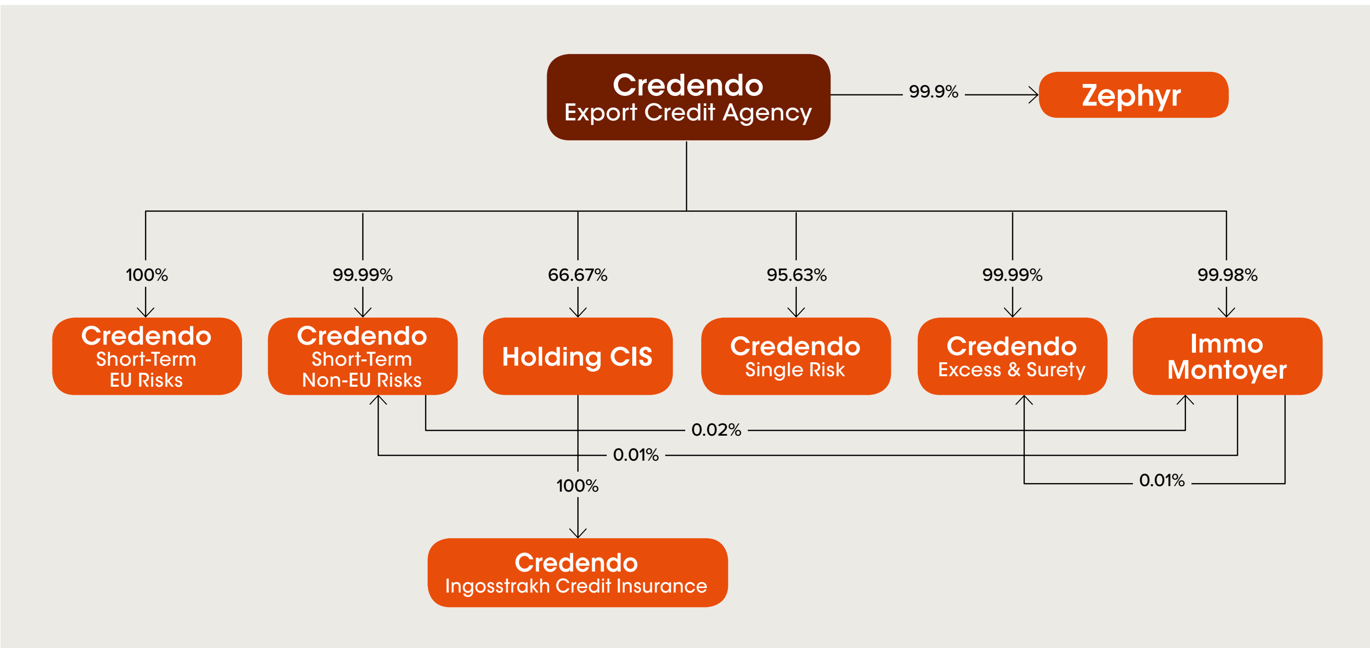
Credendo – Export Credit Agency (commercial name of Delcredere | Ducroire) and its subsidiaries form Credendo.

Credendo – Export Credit Agency is the official Belgian Export Credit Agency.

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

The skills of Credendo – Export Credit Agency are complemented by those of its subsidiaries (together 'Credendo'): Credendo – Short-Term Non-EU Risks, Credendo – Short-Term EU Risks, Credendo – Single Risk, Credendo – Ingosstrakh Credit Insurance and Credendo – Excess & Surety.

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



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL PRINCIPLES

The consolidated financial statements of Credendo per 31/12/2017 have been prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union and that have been published at that date, namely the standards published by the IASB (International Accounting Standards Board) and the interpretations issued by the IFRIC (International Financial Reporting Interpretations Committee).

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

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

The following new amendments to standards are mandatory for the first time for the financial year beginning 01/01/2017 and have been endorsed by the European Union:

> Amendments to IAS 7, ‘Statement of cash flows’. These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB’s Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

> Amendments to IAS 12,'Income taxes' on the recognition of deferred tax assets for unrealised losses. These amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value.

> Annual improvements 2014-2016. This set of amendments is applicable to three standards of which the amendments to IFRS 12 ‘Disclosure of interests in other entities’ are effective as from 01/01/2017. These amendments concern clarifications of the scope of the Standard.

The following new standards and amendments to standards have been issued, but are not mandatory for the first time for the financial year beginning 01/01/2017 and have been endorsed by the European Union:

> IFRS 9 ‘Financial instruments’, effective for annual periods beginning on or after 01/01/2018. The standard addresses the classification, measurement, derecognition of financial assets and financial liabilities and general hedge accounting.

> Amendments to IFRS 4: Applying IFRS 9 ‘Financial instruments’ with IFRS 4 ‘Insurance contracts’ (effective 01/01/2018). The amendments provide two options for entities that issue insurance contracts within the scope of IFRS 4:
- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets (the ‘overlay approach’); and
- an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4 (the ‘deferral approach’).

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 has assessed that the group has not previously applied any version of IFRS 9 and, in accordance with paragraph 20D of the IFRS 4 amendment, the total carrying amount of the group's liabilities connected with insurance for the year ended 31/12/2015, as the standard requires a year end preceding 01/04/2016, relative to the total carrying amount of all its liabilities is 98%, which is greater than 90%. In accordance with paragraph 20G of the IFRS 4 amendment, there has been no change in the group's activities that might warrant a reassessment.

> IFRS 15 ‘Revenue from contracts with customers’. The standard will improve comparability of the top line in financial statements globally. Companies using IFRS will be required to apply the revenue standard for annual periods beginning on or after 01/01/2018. No significant impact of application of the standard is expected as Credendo does not hold any significant operations which fall within the scope of IFRS 15.

These amendments to IFRS 15 'Revenue from contracts with customers' – Clarifications (effective 01/01/2018) comprise clarification guidance on identifying performance obligations, accounting for licences of intellectual property and the principal-versus-agent assessment. The amendment also includes more illustrative examples.

> IFRS 16 ‘Leases’. This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. For lessors, the accounting stays almost the same. However, as the IASB

has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts) lessors will also be affected by the new standard. Under IFRS 16, a contract is – or contains – a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The management has performed a high-level assessment of IFRS 16 impacts on Credendo's financial statements and estimates the increase in both assets and liabilities as K EUR 4,405-5,757 and the relevant impact on profit/(loss) as K EUR (98)–(77) depending on relevant assumptions applied.

> Amendments to IFRS 2 'Share-based payments' (effective 01/01/2018). The amendment clarifies the measurement basis for cash-settled payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and to pay the amount to the tax authorities.

> IAS 40 'Investment property' (effective 01/01/2018). These amendments clarify requirements related to transfers to or from investment property. The transfer should be recorded as a result of a change in the use of the asset, which should be supported by evidence, not by management's intentions in isolation.

> IFRIC 22 'Foreign-currency transactions and advance considerations' (effective 01/01/2018). This interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or liability arising from the payment or receipt of advance consideration in a foreign currency.

> Amendments to IFRS 9 'Prepayment features with negative compensation' (effective 01/01/2019). This narrow-scope amendment permits more assets to be measured at amortised cost than under the previous version of IFRS 9, in particular some prepayable financial assets. The amendment also deals with accounting for the modification of a financial liability, confirming that most such modifications will result in immediate recognition of a gain or loss. As indicated above, Credendo has decided to avail of the deferral of IFRS 9 until 01/01/2021.

The following new standards and amendments to standards have been issued, but are not mandatory for the first time for the financial year beginning 01/01/2017 and have not been endorsed by the European Union:

> IFRS 17 'Insurance contracts' (effective 01/01/2021). This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

Under the general model prescribed by IFRS 17, insurance contracts are to be measured using the business blocks of:
- discounted probability-weighted cash flows (fulfilment cash flows);
- a risk adjustment;
- and a contractual service margin, representing the unearned profit of the contract which is recognised as revenue over the coverage period.

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

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

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

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

> Annual improvements 2014-2016. The following amendments are effective 01/01/2018:
- amendments to IFRS 1 'First-time adoption of IFRS', regarding deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10;
- amendments to IAS 28 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value.

> IFRIC 23 'Uncertainty over income tax treatments' (effective 01/01/2019). This interpretation clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

> Amendments to IAS 28 'Long-term interests in associates and joint ventures' (effective 01/01/2019). This narrow-scope amendment clarifies accounting for long-term interests in an associate or joint venture to which the equity method is not applied – IFRS 9 is to be used instead.

> Amendments to IAS 19 'Employee Benefits' (effective 01/01/2019). These amendments are related to accounting for plan amendments, curtailments and settlements. The amendments

require an entity (i) to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and (ii) to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

> Annual improvements to IFRS Standards 2015-2017 cycle (effective 01/01/2019):
  – amendments to IFRS 3 'Business combinations'. The amendments clarify that obtaining control of a business that is a joint operation, is a business combination achieved in stages. The acquirer should remeasure its previously held interest in the joint operation at fair value as at the acquisition date;
  – amendments to IFRS 11 'Joint arrangements'. The amendments clarify that the party obtaining joint control of a business that is a joint operation should not remeasure its previously held interest in the joint operation;
  – amendments to IAS 12 'Income taxes'. The amendments clarify that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. These requirements apply to all income tax consequences of dividends;
  – amendments to IAS 23 'Borrowing costs'. The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

> IFRS 14 'Regulatory deferral accounts', effective for annual periods beginning on or after 01/01/2016. It concerns an interim standard on the accounting for certain balances that arise from rate-regulated activities. IFRS 14 is only applicable to entities that apply IFRS 1 as first-time adopters of IFRS. It permits such entities, on adoption of IFRS, to continue to apply their previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts. The interim standard also provides guidance on selecting and changing accounting policies (on first-time adoption or subsequently) and on presentation and disclosure. The European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard.

> Amendments to IFRS 10 'Consolidated financial statements' and IAS 28 'Investments in associates and joint ventures', for which the effective date still has to be determined. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

2.2. CONSOLIDATION

A. SUBSIDIARIES

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

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

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

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

B. ASSOCIATES

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

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

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

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

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

Profits and losses resulting from upstream and downstream transactions between Credendo and its associates are recognised in the Credendo financial statements only to the extent of unrelated investors' interests in the associates.

Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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

2.3. BUSINESS COMBINATIONS

Credendo applies the acquisition method to account for business combinations.

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

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

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

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

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

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

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

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

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

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

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

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

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

2.4. FOREIGN-CURRENCY TRANSLATION

A. FUNCTIONAL AND PRESENTATION CURRENCY

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

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

B. TRANSLATION OF TRANSACTIONS AND BALANCES

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

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

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

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

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in 'Other comprehensive income'.

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

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

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

2.5. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

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

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

2.6. INTANGIBLE ASSETS

A. GOODWILL

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

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

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

B. COMPUTER SOFTWARE

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

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

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

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

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

C. CONCESSIONS, PATENTS AND LICENCES

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

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

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

2.7. FINANCIAL INVESTMENTS AND OTHER FINANCIAL ASSETS

2.7.1 FINANCIAL INVESTMENTS

A. CLASSIFICATION

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

FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (FVTPL)

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

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial investments with fixed or determinable payments that are not quoted in an active market. Credendo's loans and receivables also comprise 'Loans and receivables including reinsurance receivables' and 'Cash and cash equivalents'.

In February 2016, Credendo introduced a new product named 'Buyer Credit Credendo' which provides direct loans of up to five years to foreign buyers of Belgian goods and services. The product goes a step beyond Credendo's forfaiting solution for supplier credits.

Recoveries

With effect from 01/01/2017, 'Expected recoveries on claims paid' are deducted from related insurance liabilities, to the extent that they do not qualify for recognition as separate assets, which is when Credendo becomes legal owner of the recovered assets. Management assessed that this is a more faithful presentation of the ultimate insurance liabilities and in line with the requirements of the new IFRS 17 standard.

AVAILABLE-FOR-SALE FINANCIAL INVESTMENTS (FVOCI)

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

B. RECOGNITION AND MEASUREMENT

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

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

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

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

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

C. DETERMINATION OF FAIR VALUE

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

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

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

D. RECLASSIFICATION OF FINANCIAL INVESTMENTS

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

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

E. IMPAIRMENT OF FINANCIAL INVESTMENTS

ASSETS CARRIED AT AMORTISED COST

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

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

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it is becoming probable that the issuer or debtor will enter bankruptcy or any other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial investments since the initial recognition of those assets, although the decrease cannot be identified yet with the individual financial investments in the portfolio.

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

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

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

ASSETS CLASSIFIED AS AVAILABLE FOR SALE

Credendo assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial investments is impaired.

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

F. INVESTMENTS IN OTHER INVESTMENT FUNDS: VALUATION

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

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

> the value date of the net asset value provided;

> any restrictions on redemptions;

> fair-value basis of accounting.

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

2.7.2 OTHER FINANCIAL ASSETS

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

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

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

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

2.8. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

Credendo does not apply hedge accounting.

2.9. IMPAIRMENT OF NON-FINANCIAL ASSETS

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

2.10. OFFSETTING FINANCIAL ASSETS AND LIABILITIES

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

2.11. CASH AND CASH EQUIVALENTS

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

2.12. ENDOWMENT AND SHARE CAPITAL

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

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

2.13. INSURANCE CONTRACTS AND REINSURANCE CONTRACTS

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

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

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

Insurance contracts are classified into the following main categories:

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

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

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

> **Forfaiting contracts:** contracts that are concluded in addition to the credit insurance policy for a medium-term supplier credit whereby the supplier credit is refinanced by Credendo. Credendo purchases the foreign trade receivable from the exporter. This purchase takes the form of a discounting without recourse on the exporter for all events of non-payment by the foreign buyer that cannot be attributed to negligence or fault of the exporter. Credendo has a direct risk of non-payment of claims on the debtor. Credit insurance, investment insurance, financial guarantees, surety business and forfaiting are commonly referred to as direct business activity. Part of the risk of these insurance activities – financial guarantees and forfaiting excepted – is ceded to reinsurers.

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

A. RECOGNITION AND MEASUREMENT

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

> removal of provisions for equalisation where applicable;

> identification and separation of embedded derivatives.

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

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

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

Credendo does not apply shadow accounting.

B. PREMIUM PROVISIONS

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

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

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

C. PROVISION FOR CLAIMS

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

Credendo has three types of provisions for claims:

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

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

> a provision for internal and external claims handling expenses.

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

D. THE IBNR PROVISION

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

All entities calculate their IBNR provision using insurance-mathematical and statistical methods. For the surety contracts, no IBNR provision is calculated.

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

E. THE RBNS PROVISION

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

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

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

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

F. THE PROVISION FOR CLAIMS HANDLING EXPENSES

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

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

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

G. LIABILITY ADEQUACY TEST

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

H. IMPAIRMENT OF REINSURANCE-RELATED ASSETS

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

2.14. CURRENT AND DEFERRED TAX

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

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

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit 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 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.

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

The group 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

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

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

B. SENIORITY BONUSES

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

C. TERMINATION BENEFITS

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

D. BONUS PLANS

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

2.16. PROVISIONS FOR RESTRUCTURING COSTS AND LEGAL CLAIMS

Provisions for restructuring costs and legal claims are recognised when:

> Credendo has a present legal or constructive obligation as a result of past events;

> it is probable that an outflow of resources will be required to settle the obligation; and

> the amount has been reliably estimated.

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

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

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

2.17. REVENUE RECOGNITION

A. PREMIUM EARNED

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

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

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

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

B. NET INCOME ON FINANCIAL INVESTMENTS

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

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

2.18. INTEREST INCOME AND EXPENSES

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

2.19. DIVIDEND INCOME

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

2.20. LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Credendo leases certain property, plant and equipment. The leases of property, plant and equipment where Credendo substantially has all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance expenses. The corresponding rental obligations, net of finance expenses, are included in other long-term payables. The interest element of the finance expense is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

2.21. ASSETS AND LIABILITIES HELD FOR SALE & DISCONTINUED OPERATIONS

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

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

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

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

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

3.1. THE ULTIMATE LIABILITY ARISING FROM CLAIMS MADE UNDER INSURANCE CONTRACTS

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

3.2. IMPAIRMENT LOSSES ON LOANS AND RECEIVABLES

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

3.3. PENSION BENEFITS

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

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

3.4. INCOME TAXES

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

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

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

4. MANAGEMENT OF INSURANCE AND FINANCIAL RISK

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

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

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

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

4.1. INSURANCE RISK

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

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

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

Outward reinsurance 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. Quota-share reinsurance lowers the estimated real exposure in retention while excess-of-loss and stop-loss programmes mitigate exceptional risks.

4.1.1 CREDIT & INVESTMENT INSURANCE RISK

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

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

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

4.1.2 SURETY CONTRACTS RISK

Credendo entities Credendo – Excess & Surety and Credendo – Short-Term EU Risks are 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 Credendo entities:

- 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 (issued by Credendo – Excess & Surety only): 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 takes place on a facultative and on a treaty basis and is subject to a similar risk management process as direct business. Credendo – Short-Term Non-EU Risks put the underwriting of reinsurance treaties that are not administered by itself in run-off as of 2013.

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 23.6 million (2016: EUR 26.4 million). A 10% rise in claims expenses would lower the pre-tax income by EUR 15.4 million (2016: EUR 39.1 million).

4.1.5 CHANGE IN ASSUMPTIONS

No assumption changes with material impact have occurred since 01/01/2017.

4.1.6 QUANTITATIVE CONCENTRATIONS

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

TOTAL POTENTIAL EXPOSURE BY TOP 10 DEBTOR COUNTRIES (IN MILLION EUR)					
	31/12/2017			31/12/2016	
COUNTRY	TOTAL POTENTIAL EXPOSURE	%	COUNTRY	TOTAL POTENTIAL EXPOSURE	%
Russia	3,400	6.1%	Russia	3,483	6.3%
United States	2,223	4.0%	United States	2,204	4.0%
Italy	2,002	3.6%	Turkey	2,087	3.8%
Turkey	1,879	3.4%	Brazil	2,046	3.7%
Germany	1,855	3.3%	Belgium	1,926	3.5%
France	1,633	2.9%	Italy	1,903	3.5%
Poland	1,620	2.9%	Germany	1,812	3.3%
Belgium	1,618	2.9%	France	1,684	3.1%
Brazil	1,545	2.8%	Poland	1,668	3.0%
China	1,487	2.7%	Saudi Arabia	1,494	2.7%
Other countries	36,176	65.3%	Other countries	34,798	63.1%
TOTAL POTENTIAL EXPOSURE	**55,437**	**100%**	**TOTAL POTENTIAL EXPOSURE**	**55,104**	**100%**

4.1.7 CLAIMS DEVELOPMENT TABLES

In addition to scenario testing, the development of insurance liabilities provides a measure of Credendo's ability to estimate the ultimate value of claims. The following tables give an overview of how claims payments and provisions for direct business develop through the years on a basis gross and net of reinsurance. The claims development tables below illustrate how Credendo entities' estimates of total claims outstanding for each occurrence/ underwriting year have changed at successive year-ends.

Amounts are gross of any intragroup transactions and gross of expected recoveries on settled claims, and give insight on how uncertainties surrounding claims evolve and on possible overestimations or underestimations of ultimate payments.

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

CREDENDO – EXPORT CREDIT AGENCY – DIRECT MLT BUSINESS	REPORTED CLAIMS(1), GROSS OF REINSURANCE (IN MILLION EUR)							
OCCURRENCE YEAR	2011	2012	2013	2014	2015	2016	2017	TOTAL
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	153.2	196.9	108.9	54.5	143.4	285.6	68.2	
One year later	167.5	172.9	101.9	93.4	43.7	251.7		
Two years later	174.3	103.2	119.9	106.8	40.9			
Three years later	197.7	108.6	136.5	102.1				
Four years later	168.6	81.1	106.8					
Five years later	181.5	80.3						
Six years later	184.5							
Current estimate of cumulative claims	184.5	80.3	106.8	102.1	40.9	251.7	68.2	834.6
Cumulative payments to date	171.9	58.4	60.1	47.8	19.6	247.5	5.8	611.1
Liability in respect to prior years								7.5
TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2017								**231.0**

CREDENDO – EXPORT CREDIT AGENCY – DIRECT MLT BUSINESS	REPORTED CLAIMS(1), NET OF REINSURANCE (IN MILLION EUR)							
OCCURRENCE YEAR	2011	2012	2013	2014	2015	2016	2017	TOTAL
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	139.5	177.2	98.2	50.8	132.8	244.5	57.1	
One year later	153.7	150.9	85.2	67.1	35.8	245.3		
Two years later	164.1	60.8	94.7	94.2	44.7			
Three years later	104.8	66.0	105.6	91.1				
Four years later	75.7	46.8	79.6					
Five years later	92.6	38.8						
Six years later	97.8							
Current estimate of cumulative claims	97.8	38.8	79.6	91.1	44.7	245.3	57.1	654.4
Cumulative payments to date	85.2	20.7	34.6	37.8	13.0	197.9	5.8	395.0
Liability in respect to prior years								6.0
TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2017								**265.3**

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

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

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

CREDENDO – EXPORT CREDIT AGENCY – DIRECT ST BUSINESS & CREDENDO – SHORT-TERM NON-EU RISKS	REPORTED CLAIMS(1), GROSS OF REINSURANCE (IN MILLION EUR)							
OCCURRENCE YEAR	2011	2012	2013	2014	2015	2016	2017	TOTAL
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	50.1	41.9	46.3	74.5	103.9	81.3	69.5	
One year later	33.2	34.7	57.9	106.7	126.3	78.2		
Two years later	29.3	31.9	65.5	130.0	113.3			
Three years later	28.1	32.0	62.5	123.7				
Four years later	27.6	30.2	59.0					
Five years later	27.5	29.9						
Six years later	22.0							
Current estimate of cumulative claims	22.0	29.9	59.0	123.7	113.3	78.2	69.5	495.4
Cumulative payments to date	20.7	29.7	56.8	112.9	91.6	32.7	25.2	369.5
Liability in respect to prior years								20.7
TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2017								**146.6**

CREDENDO – EXPORT CREDIT AGENCY – DIRECT ST BUSINESS & CREDENDO – SHORT-TERM NON-EU RISKS	REPORTED CLAIMS(1), NET OF REINSURANCE (IN MILLION EUR)							
OCCURRENCE YEAR	2011	2012	2013	2014	2015	2016	2017	TOTAL
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	25.2	13.2	16.3	21.4	25.4	54.4	48.3	
One year later	19.9	20.1	28.7	51.7	68.6	52.6		
Two years later	18.1	18.9	38.2	71.7	60.8			
Three years later	17.6	19.3	39.7	67.0				
Four years later	17.5	18.4	35.5					
Five years later	17.7	18.3						
Six years later	14.2							
Current estimate of cumulative claims	14.2	18.3	35.5	67.0	60.8	52.6	48.3	296.7
Cumulative payments to date	13.0	18.1	33.9	65.0	58.2	19.4	23.6	231.2
Liability in respect to prior years								14.0
TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2017								**79.6**

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

In the following claims development tables for Credendo – Short-Term EU Risks and Credendo – Ingosstrakh Credit Insurance (gross and net of reinsurance; including IBNR provisions), the

CREDENDO – SHORT-TERM EU RISKS & CREDENDO – INGOSSTRAKH CREDIT INSURANCE REPORTED CLAIMS(1), GROSS OF REINSURANCE (IN MILLION EUR)								
OCCURRENCE YEAR	2011	2012	2013	2014	2015	2016	2017	TOTAL
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	11.2	36.6	11.2	8.6	9.2	17.9	56.0	
One year later	10.1	36.3	10.1	8.2	21.5	15.3		
Two years later	9.1	36.1	9.5	15.1	20.1			
Three years later	8.9	34.6	24.4	15.8				
Four years later	8.8	35.2	22.4					
Five years later	10.9	30.1						
Six years later	10.9							
Current estimate of cumulative claims	10.9	30.1	22.4	15.8	20.1	15.3	56.0	170.6
Cumulative payments to date	10.9	9.9	22.5	15.9	20.3	14.4	6.2	100.0
Liability in respect to prior years								0.1
TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2017								**70.7**

CREDENDO – SHORT-TERM EU RISKS & CREDENDO – INGOSSTRAKH CREDIT INSURANCE REPORTED CLAIMS(1), NET OF REINSURANCE (IN MILLION EUR)								
OCCURRENCE YEAR	2011	2012	2013	2014	2015	2016	2017	TOTAL
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	5.6	6.0	4.5	3.5	3.7	5.6	5.8	
One year later	5.0	5.4	4.0	3.3	3.5	6.7		
Two years later	4.5	5.3	3.8	3.1	8.9			
Three years later	4.5	4.4	3.7	6.2				
Four years later	4.4	4.7	7.3					
Five years later	4.4	4.6						
Six years later	4.5							
Current estimate of cumulative claims	4.5	4.6	7.3	6.2	8.9	6.7	5.8	43.9
Cumulative payments to date	4.5	3.8	6.6	6.6	8.7	5.7	2.5	38.4
Liability in respect to prior years								0.1
TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2017								**5.6**

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

accident or risk occurrence year for reported claims is defined in terms of the date of reporting of the loss:

Finally, the following development tables for the excess-of-loss activity of Credendo – Excess & Surety (gross and net of

CREDENDO – EXCESS & SURETY	REPORTED CLAIMS. GROSS OF REINSURANCE (IN MILLION EUR)							
OCCURRENCE YEAR	2011	2012	2013	2014	2015	2016	2017	TOTAL
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	5.6	2.8	3.8	3.4	4.5	5.2	5.2	
One year later	11.7	10.3	9.4	7.1	10.3	15.0		
Two years later	15.3	15.1	9.0	5.1	8.0			
Three years later	16.5	13.3	6.6	4.8				
Four years later	15.7	12.9	5.9					
Five years later	15.5	12.7						
Six years later	15.6							
Current estimate of cumulative claims	15.6	12.7	5.9	4.8	8.0	15.0	5.2	67.1
Cumulative payments to date	15.5	12.4	5.7	4.6	7.2	5.2	0.2	50.8
Liability in respect to prior years								0.1
TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2017								**16.4**

CREDENDO – EXCESS & SURETY	REPORTED CLAIMS. NET OF REINSURANCE (IN MILLION EUR)							
OCCURRENCE YEAR	2011	2012	2013	2014	2015	2016	2017	TOTAL
ESTIMATE OF CLAIMS INCURRED:								
At the end of the reporting year	1.4	0.7	1.0	0.9	1.1	1.3	1.3	
One year later	2.9	2.6	2.3	1.8	2.6	3.8		
Two years later	3.8	3.8	2.2	1.3	2.0			
Three years later	4.1	3.3	1.6	1.2				
Four years later	3.9	3.2	1.5					
Five years later	3.9	3.2						
Six years later	3.0							
Current estimate of cumulative claims	3.9	3.2	1.5	1.2	2.0	3.8	1.3	16.8
Cumulative payments to date	3.9	3.1	1.4	1.1	1.8	1.3	0.1	12.7
Liability in respect to prior years								0.0
TOTAL LIABILITY INCLUDED IN THE BALANCE SHEET AT 31/12/2017								**4.1**

reinsurance) are defined in underwriting years and for its small surety contracts business, in terms of the date of bond calling:

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

4.2. FINANCIAL RISK

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

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

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

4.2.1 MARKET RISK

4.2.1.1 INTEREST RATE RISK

The interest rate risk stems from the risk of adverse movements in interest rates. Credendo's exposure to the interest rate risk is primarily limited to fixed-income instruments and, if discounted, technical provisions due to the fact that Credendo has no borrowings. Given the nature of the insurance activity, the undiscounted insurance liabilities are not sensitive to the level of market interest rates as they are contractually non-interest bearing. A higher interest rate lowers ceteris paribus the value of bonds and, if applied, the discounted value of technical provisions. At the end of the reporting period, a sensitivity analysis on that part of the bond portfolio identified as or assumed to be at variable interest rate points to a negligible decrease/increase in pre-tax profit of maximum K EUR 646 (2016: K EUR 875) due to a change in financial income, if interest rates would have been 100 bps lower/higher respectively.

4.2.1.2 CURRENCY RISK

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

CURRENCY RISK EXPOSURES (IN MILLION EUR)	31/12/2017	31/12/2016
ASSETS DENOMINATED IN FOREIGN CURRENCY		
Financial investments		
USD	265.6	293.3
GBP	41.3	33.4
Reinsurers' share of insurance liabilities		
USD	70.2	92.9
GBP	2.1	1.7

CURRENCY RISK EXPOSURES (IN MILLION EUR)	31/12/2017	31/12/2016
LIABILITIES DENOMINATED IN FOREIGN CURRENCY		
Financial liabilities		
USD		
GBP		
Liabilities arising from insurance contracts		
USD	457.3	549.9
GBP	5.2	3.3

At the end of the reporting period, a sensitivity analysis on the above positions points to an increase of the net liability position in USD of EUR 12.1 million (2016: EUR 16.4 million) and of the net asset position in GBP of EUR 3.8 million (2016: EUR 3.2 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 8.3 million (2016: EUR 13.2 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 2017	1.20	0.89	25.54	69.39
% fluctuation since the end of 2016	14.0%	4.0%	-5.5%	7.9%
Average 2017	1.14	0.88	26.29	66.18
Exchange rate at the end of 2016	1.05	0.85	27.02	64.30
% fluctuation since the end of 2015	-3.5%	16.9%	0.0%	-20.3%
Average 2016	1.11	0.82	27.04	73.31

4.2.1.3 EQUITY PRICE RISK

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

At the end of the reporting period, a sensitivity analysis on funds invested in equity instruments (not contained in the target volatility or other mixed funds) demonstrates that if equity market prices had been 10% higher/lower, with all other variables held constant, pre-tax impact on OCI would have been EUR 1.3 million higher/lower (2016: EUR 1.0 million) respectively, due to the change in mark-to-market of equity AFS.

4.2.2 CREDIT RISK

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

The receivables from the insurance activities mostly concern exposures to typically unrated counterparties, like policyholders and brokers, for which the overall credit risk is mitigated through the very diversification of the exposures.

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

The following table demonstrates the credit quality of the consolidated financial investments that are neither overdue nor impaired. Mixed funds are classified on a look-through basis i.e. according to the category of the underlying financial investments. Therefore, amounts e.g. classified as equity instruments or cash (equivalents), are different from amounts in the balance sheet. Investments for which no clear identification (other than e.g. 'other liquidity') was found are classified as non-rated.

CREDIT RISK EXPOSURES (IN MILLION EUR)	AAA	AA	A	BBB	<BBB	Non-rated	TOTAL
FINANCIAL INVESTMENTS & CASH (EQUIVALENTS) AT 31/12/2017							
Government bonds	124	543	28	103		-	798
Funds invested in debt/security instruments	20	15	370	150	13	251	819
Funds invested in equity instruments						806	806
Fixed-term deposits				3		1	4
Cash and cash equivalents	2	-	226	10	1	209	448
TOTAL	**146**	**558**	**624**	**265**	**14**	**1 268**	**2,875**

CREDIT RISK EXPOSURES (IN MILLION EUR)	AAA	AA	A	BBB	<BBB	Non-rated	TOTAL
FINANCIAL INVESTMENTS & CASH (EQUIVALENTS) AT 31/12/2016							
Government bonds	117	515	58	94	5	51	840
Funds invested in debt/security instruments	19	56	490	256	13	71	905
Funds invested in equity instruments						706	706
Fixed-term deposits	-	-	10	9	-	-	19
Cash and cash equivalents	-	5	359	15	1	71	451
TOTAL	**136**	**576**	**917**	**374**	**19**	**899**	**2,921**

While reinsurance agreements help mitigating and managing 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 optimisation of these agreements beyond the pure rating requirement. The choice of counterparties varies little from year to year, indicating an overall satisfaction with both the relationships and the creditworthiness of these counterparties.

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

COUNTERPARTY RISK EXPOSURES (IN MILLION EUR)	AAA	AA	A	BBB	<BBB	Non-rated	TOTAL
Reinsurers' share of insurance liabilities							
31/12/2017	0.0	76.0	85.1	-	-	11.2	172.3
31/12/2016	0.0	70.1	133.9	-	-	38.8	242.7

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

4.2.3 LIQUIDITY RISK

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

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

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

4.2.4 CAPITAL MANAGEMENT

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

Credendo entities relate risk tolerance to risk-based capital concepts, relevant for different stakeholders.

The following capital concepts are used within Credendo:

> Solvency II Capital Requirement (SCR): the regulatory SCR corresponds to a value-at-risk (VaR) of the basic own funds subject to a confidence level of 99.5% to meet the obligations to policyholders over the following 12 months.

> Rating capital: rating agencies also use risk-based capital models that indicate the VaR amount of own funds corresponding to varying confidence intervals commensurate with a target rating category.

> Economic capital: amount of own funds needed according to an internal model and a defined measure (value-at-risk, tail-value-at-risk,...) and confidence level.

Regarding the external regulation, all Credendo entities met the minimum capital requirement thresholds in 2016 as imposed by their respective jurisdictions.

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

Their actual Solvency II capital adequacy is disclosed in their Solvency & Financial Condition Report.

Two entities within Credendo currently hold ratings from recognised rating agencies:

> Credendo – Single Risk holds an AM Best financial strength rating and Fitch IFS rating of A-;

> parent company Credendo – Export Credit Agency is rated AA by S&P.

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

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

4.3. FAIR VALUE HIERARCHY

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

> quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

> input other than quoted prices included within level 1 that is observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2);

> input for the asset or liability that is not based on observable market data (unobservable input) (Level 3).

The following tables present Credendo's assets and liabilities measured at fair value at 31/12/2017 and 2016. Note that only the financial instruments measured at fair value are included in the tables below. As loans and receivables are not measured at fair value, these have not been included in the tables below.

31/12/2017	LEVEL 1	TOTAL
ASSETS		
Financial assets at fair value through profit or loss	**2,176,515**	**2,176,515**
Government bonds	3,163	3,163
Funds invested in debt instruments	105,734	105,734
Mixed & other funds	2,067,618	2,067,618
Available-for-sale financial assets	**154,483**	**154,483**
Government bonds	15,108	15,108
Funds invested in debt instruments	26,144	26,144
Funds invested in equity instruments	12,852	12,852
Mixed & other funds	100,379	100,379
TOTAL ASSETS	**2,330,998**	**2,330,998**

31/12/2016	LEVEL 1	TOTAL
ASSETS		
Financial assets at fair value through profit or loss	**2,096,688**	**2,096,688**
Government bonds	3,414	3,414
Funds invested in debt instruments	107,480	107,480
Mixed & other funds	1,985,794	1,985,794
Available-for-sale financial assets	**141,499**	**141,499**
Government bonds	21,749	21,749
Funds invested in debt instruments	19,414	19,414
Funds invested in equity instruments	10,256	10,256
Mixed & other funds	90,080	90,080
TOTAL ASSETS	**2,238,187**	**2,238,187**

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

At 31/12/2017, all financial investments measured at fair value on a recurring basis are classified as level 1 (31/12/2016: 100%). Fair-value measurements classified as level 1 include exchange-traded prices of fixed maturities, equity securities and derivative contracts.

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

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

There were no transfers between levels during the year.

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

5. INTANGIBLE ASSETS

	NOTE	GOODWILL	EXTERNALLY ACQUIRED SOFTWARE	INTERNALLY GENERATED SOFTWARE DEVELOPMENT COSTS	CONCESSIONS, PATENTS AND LICENCES	OTHER	TOTAL
At cost at 01/01/2017		**5,835**	**744**	**16,493**	**11,127**	**10,481**	**44,680**
Additions		-	-	840	291	9,391	10,522
Disposals		-	-32	-	-	-	-32
Transfers		-	-	953	-	-953	-
Exchange differences		-	42	-	-	-3	39
At cost at 31/12/2017		**5,835**	**754**	**18,286**	**11,418**	**18,916**	**55,209**
Accumulated amortisation and impairments at 01/01/2017		**-5,560**	**-633**	**-6,542**	**-6,772**	**-70**	**-19,577**
Amortisation charge	26	-	-56	-1,609	-1,546	-82	-3,293
Amortisation on disposals		-	14	-	-	-	14
Exchange differences		-	-37	-	-	-	-37
Accumulated amortisation and impairments at 31/12/2017		**-5,560**	**-712**	**-8,151**	**-8,318**	**-152**	**-22,893**
BALANCE AT 01/01/2017		**275**	**111**	**9,951**	**4,355**	**10,411**	**25,103**
BALANCE AT 31/12/2017		**275**	**42**	**10,135**	**3,100**	**18,764**	**32,316**

	NOTE	GOODWILL	EXTERNALLY ACQUIRED SOFTWARE	INTERNALLY GENERATED SOFTWARE DEVELOPMENT COSTS	CONCESSIONS, PATENTS AND LICENCES	OTHER	TOTAL
At cost at 01/01/2016		**5,835**	**740**	**12,530**	**10,902**	**9,373**	**39,380**
Additions		-	4	550	225	5,027	5,806
Disposals		-	-	-506	-	-	-506
Transfers		-	-	3,919	-	-3,919	-
At cost at 31/12/2016		**5,835**	**744**	**16,493**	**11,127**	**10,481**	**44,680**
Accumulated amortisation and impairments at 01/01/2016		**-5,560**	**-544**	**-3,722**	**-5,267**	**-1,399**	**-16,492**
Amortisation charge	26	-	-89	-1,770	-1,505	-159	-3,523
Amortisation on disposals		-	-	438	-	-	438
Transfers		-	-	-1,488	-	1,488	-
Accumulated amortisation and impairments at 31/12/2016		**-5,560**	**-633**	**-6,542**	**-6,772**	**-70**	**-19,577**
BALANCE AT 01/01/2016		**275**	**196**	**8,808**	**5,635**	**7,974**	**22,888**
BALANCE AT 31/12/2016		**275**	**111**	**9,951**	**4,355**	**10,411**	**25,103**

The total amortisation expense of K EUR 3,293 (31/12/2016: K EUR 3,523) has been charged in 'Depreciation and amortisation' in the income statement.

The total additions of 2017 amount to K EUR 10,522 (2016: K EUR 5,806) are mainly related to the continuing IT investment projects at Credendo level.

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

5.1. GOODWILL

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

31/12/2017	OPENING	IMPAIRMENT	CLOSING
Credendo – Excess & Surety	275		275
TOTAL	**275**	**-**	**275**

31/12/2016	OPENING	IMPAIRMENT	CLOSING
Credendo – Excess & Surety	275		275
TOTAL	**275**	**-**	**275**

During the fourth quarter of 2017, Credendo completed its annual impairment test for goodwill. There was no impairment of goodwill required.

6. PROPERTY, PLANT AND EQUIPMENT

	NOTE	LAND AND BUILDINGS	PLANT, MACHINERY AND EQUIPMENT	OFFICE FURNITURE, FURNISHING AND VEHICLES	OPERATING EQUIPMENT	OTHER	TOTAL
At cost at 01/01/2017		**18,746**	**12,725**	**8,731**	**264**	**604**	**41,070**
Additions		-	493	589	22	84	1,188
Disposals		-	-8	-66	-33	-	-107
Transfers		-	614	15	-15	-614	-
Exchange differences		-	17	22	-19	16	36
At cost at 31/12/2017		**18,746**	**13,841**	**9,291**	**219**	**90**	**42,187**
Accumulated depreciation and impairments at 01/01/2017		**-2,012**	**-7,927**	**-7,969**	**-105**	**-526**	**-18,539**
Depreciation charge	26	-152	-984	-263	-23	-2	-1,424
Depreciation on disposals		-	-	51	-	-	51
Transfers		-	-539	-	-	539	-
Exchange differences		-	-17	-15	9	-13	-36
Accumulated depreciation and impairments at 31/12/2017		**-2,164**	**-9,467**	**-8,196**	**-119**	**-2**	**-19,948**
BALANCE AT 01/01/2017		**16,734**	**4,798**	**762**	**159**	**78**	**22,531**
BALANCE AT 31/12/2017		**16,582**	**4,374**	**1,095**	**100**	**88**	**22,239**

	NOTE	LAND AND BUILDINGS	PLANT, MACHINERY AND EQUIPMENT	OFFICE FURNITURE, FURNISHING AND VEHICLES	OPERATING EQUIPMENT	OTHER	TOTAL
At cost at 01/01/2016		**18,788**	**10,056**	**8,160**	**790**	**816**	**38,610**
Additions		-	2,013	325	39	50	2,427
Disposals		-	-1	-32	-	-	-33
Transfers		-42	657	262	-615	-262	-
Exchange differences		-	-	16	50	-	66
At cost at 31/12/2016		**18,746**	**12,725**	**8,731**	**264**	**604**	**41,070**
Accumulated depreciation and impairments at 01/01/2016		**-1,885**	**-6,586**	**-7,625**	**-581**	**-632**	**-17,309**
Depreciation charge	26	-152	-805	-206	-31	-43	-1,237
Depreciation on disposals		-	1	22	-	-	23
Transfers		25	-537	-149	512	149	-
Exchange differences		-	-	-11	-5	-	-16
Accumulated depreciation and impairments at 31/12/2016		**-2,012**	**-7,927**	**-7,969**	**-105**	**-526**	**-18,539**
BALANCE AT 01/01/2016		**16,903**	**3,470**	**535**	**209**	**184**	**21,301**
BALANCE AT 31/12/2016		**16,734**	**4,798**	**762**	**159**	**78**	**22,531**

The total depreciation expense of K EUR 1,424 (2016: K EUR 1,237) has been charged in 'Depreciation and amortisation' in the income statement.

The total additions of 2017 amount to K EUR 1,188 (2016: K EUR 2,427) and are mainly related to the acquisition of furniture and hardware (K EUR 1,347).

Lease rentals amounting to K EUR 1,774 (2016: K EUR 2,134) relating to the lease of offices, cars and office equipment are included in the income statement.

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

7. OTHER FINANCIAL ASSETS

The other financial assets can be detailed as follows:

	2017	2016
Shares in non-consolidated companies	-	103
Cash guarantees	176	279
TOTAL OTHER FINANCIAL ASSETS	**176**	**382**

The other financial assets relate to cash guarantees and the participation in Global Trade Security (GTS) (situated at 29 Route de l'Aéroport in Geneva, Switzerland) in which Credendo held 100%. Due to its insignificant impact on the consolidated figures, GTS was not consolidated as per 31/12/2016. The company was liquidated in April 2017.

8. FINANCIAL INVESTMENTS

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

ANALYSIS BY CLASSES 2017	AVAILABLE FOR SALE	FAIR VALUE THROUGH PROFIT OR LOSS	LOANS AND RECEIVABLES	TOTAL
Government bonds[(1)]	**15,108**	**3,163**	**297,472**	**315,743**
Quoted	15,108	3,163	-	18,271
Unquoted	-	-	297,472	297,472
Funds invested in debt instruments	**26,144**	**105,734**	**-**	**131,878**
Quoted	26,144	105,734	-	131,878
Funds invested in equity instruments	**12,852**	**-**	**-**	**12,852**
Quoted	12,852	-	-	12,852
Mixed & other funds	**100,379**	**2,067,618**	**-**	**2,167,997**
Quoted	100,379	2,067,618	-	2,167,997
Fixed-term deposits	**-**	**-**	**3,842**	**3,842**
TOTAL FINANCIAL INVESTMENTS	**154,483**	**2,176,515**	**301,314**	**2,632,312**

ANALYSIS BY CLASSES 2016	AVAILABLE FOR SALE	FAIR VALUE THROUGH PROFIT OR LOSS	LOANS AND RECEIVABLES	TOTAL
Government bonds[(1)]	**21,749**	**3,414**	**297,472**	**322,635**
Quoted	21,749	3,414	-	25,163
Unquoted	-	-	297,472	297,472
Funds invested in debt instruments	**19,414**	**107,480**	**-**	**126,894**
Quoted	19,414	107,480	-	126,894
Funds invested in equity instruments	**10,256**	**-**	**-**	**10,256**
Quoted	10,256	-	-	10,256
Mixed & other funds	**90,080**	**1,985,794**	**-**	**2,075,874**
Quoted	90,080	1,985,794	-	2,075,874
Fixed-term deposits	**-**	**-**	**3,722**	**3,722**
TOTAL FINANCIAL INVESTMENTS	**141,499**	**2,096,688**	**301,194**	**2,539,381**

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

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

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

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

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

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

CURRENT/NON-CURRENT SPLIT	2017	2016
Current	150,893	127,414
Non-current	2,481,419	2,411,967
TOTAL	**2,632,312**	**2,539,381**

8.1. ZEPHYR

The financial investments as per 31/12/2017 include financial investments in an institutional fund, called Zephyr, for an amount of EUR 2.16 billion (2016: EUR 2.06 billion). These are classified as financial investments at fair value through profit or loss (see table below for more details per asset class). Credendo has elected to designate these financial investments as financial investments at fair value through profit or loss based on the fact that these relate to a group of financial assets that is managed and their performance is evaluated on a fair-value basis, in accordance with a documented risk management and investment strategy.

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

> one money market fund for a total amount of EUR 99.7 million with an investment objective to preserve the invested capital over a three-month period corresponding to the recommended investment horizon while producing the best possible money market return for the investors;

> three mixed funds for a total amount of EUR 1.09 billion managed by three different asset managers within a traditional balanced mandate on the basis of the following benchmark: 35% government bonds of OECD countries, 26% corporate bonds investment grade, 29% equities, 6% commodities and 4% real estate;

> two mixed funds for a total amount of EUR 933 million managed by two different asset managers within specific mandates with as primary objective to optimise the return while maintaining ex ante and ex post a predefined measure of risk budget;

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

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

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

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

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

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

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

The financial investment portfolio in Zephyr as per 31/12/2017 can be detailed as follows:

DETAIL PER ASSET CLASS

ASSET CLASS	MARKET VALUE	
	2017	2016
Government bonds	457,337	466,840
Corporate bonds	813,867	779,242
Equity	601,842	545,845
Cash and cash equivalents	134,927	124,810
Commodities	105,955	97,761
Real estate	43,254	47,542
Other	178	-
Forward	-	-123
TOTAL	**2,157,361**	**2,061,916**

DETAIL PER CURRENCY

CURRENCY	MARKET VALUE	
	2017	2016
EUR	1,802,907	1,747,268
USD	239,251	249,904
JPY	22,221	10,722
GBP	34,949	28,867
CHF	11,650	16,908
SEK	7,551	3,505
Other	38,832	4,742
TOTAL	**2,157,361**	**2,061,916**

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

8.2. MARKET RISK

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

A. INTEREST RATE RISK

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

An excellent parameter to measure the interest sensitivity is the modified-duration percentage. Modified duration within Zephyr at 31/12/2017 is 4.06 (31/12/2016: 4.38).

The bonds within Zephyr amount to EUR 1,271 million (2016: EUR 1,246 million). An increase (decrease) of 100 bps in interest rates at the reporting date would have decreased (increased) the market value of the bonds by EUR 51.6 million (2016: EUR 54.6 million). This analysis instrument assumes that all other variables, in particular foreign-currency rates remain constant.

B. VARIATION IN EQUITY PRICES

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

C. CURRENCY RISK

The main assets in foreign currency within Zephyr are denominated in USD and amount to USD 286.8 million (EUR 239 million) at 31/12/2017 (31/12/2016: USD 261 million – EUR 250 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 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). The monetary fund in Zephyr is composed of high-quality short-term-rated paper with a weighted average maturity (WAM) of maximum 180 days.

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 money market fund included in Zephyr amounts to EUR 99.7 million and has daily liquidation dates.

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

	NOTE	AVAILABLE FOR SALE	FAIR VALUE THROUGH PROFIT OR LOSS	LOANS AND RECEIVABLES	TOTAL
AT 01/01/2016		**191,515**	**2,028,904**	**316,101**	**2,536,520**
Additions		15,367	410,874	195	426,436
Disposals		-68,625	-398,523	-16,303	-483,451
Net gains/(losses) transfer to equity	15.2	4,106	-	-	4,106
Net gains/(losses) transfer from equity	15.2-27	-814	-	-	-814
Conversion differences		-7	1,962	1,201	3,156
Net gains/(losses) through profit or loss	27	-	53,471	-	53,471
Other movements		-43	-	-	-43
AT 31/12/2016		**141,499**	**2,096,688**	**301,194**	**2,539,381**
Additions		25,457	571,132	3,132	599,721
Disposals		-13,270	-572,151	-2,973	-588,394
Net gains/(losses) transfer to equity	15,2	2,218	-	-	2,218
Net gains/(losses) transfer from equity	15.2-27	-990	-	-	-990
Conversion differences		-430	-752	-40	-1,222
Net gains/(losses) through profit or loss	27	-	81,598	-	81,598
AT 31/12/2017		**154,484**	**2,176,515**	**301,313**	**2,632,312**

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 2017, no impairment has been booked on the Dynamic Risk Overlay compartment (2016: no impairment).

During the period from 01/01/2017 till 31/12/2017 there were no reclassifications of financial investments.

9. DEFERRED INCOME TAX

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

DEFERRED TAX ASSETS AND LIABILITIES	31/12/2017	31/12/2016
Deferred tax assets to be recovered after more than 12 months	6,472	10,762
Deferred tax assets to be recovered within 12 months	3,570	2,421
Deferred tax assets	**10,042**	**13,183**
Deferred tax liabilities to be recovered after more than 12 months	-169	-2,745
Deferred tax liabilities to be recovered within 12 months	-314	-209
Deferred tax liabilities	**-483**	**-2,954**
NET DEFERRED TAX POSITION	**9,559**	**10,229**

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

DEFERRED TAX ASSETS AND LIABILITIES - SET-OFF	31/12/2017	31/12/2016
Deferred tax assets before set-off	12,040	13,415
Set-off of deferred tax position	-1,998	-232
Deferred tax assets presented in the statement of financial position	**10,042**	**13,183**
Deferred tax liabilities before set-off	2,481	3,186
Set-off of deferred tax position	-1,998	-232
Deferred tax liabilities presented in the statement of financial position	**483**	**2,954**

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

GROSS MOVEMENTS DEFERRED TAXES	NOTE	2017	2016
BALANCE AT 01/01		**10,229**	**15,585**
Adjustment of the opening balance		712	-
ADJUSTED BALANCE 01/01		**10,941**	**15,585**
Income statement (charge)/credit	29	-1,256	-4,681
Tax (charge)/credit relating to components of other comprehensive income	15,2	-45	-971
Other movements		-68	94
Exchange differences		-13	202
BALANCE AT 31/12		**9,559**	**10,229**

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

DEFERRED TAX ASSETS	TAX LOSSES	PROVISION FOR PENSIONS AND OTHER EMPLOYEE BENEFIT OBLIGATIONS	FINANCIAL INVESTMENTS	LIABILITIES ARISING FROM INSURANCE CONTRACTS	TIMING DIFFERENCES ON PROPERTY, PLANT AND EQUIPMENT	TIMING DIFFERENCES ON INTANGIBLE ASSETS	OTHER	TOTAL
BALANCE AT 01/01/2017	**10,637**	**998**	**-**	**367**	**1,413**	**-**	**-**	**13,415**
Adjustment of the opening balance	-	712	-	-	-	-	-	712
ADJUSTED BALANCE 01/01/2017	**10,637**	**1,710**	**-**	**367**	**1,413**	**-**	**-**	**14,127**
Charged/(credited) to the income statement	-1,659	392	209	-176	-734	-	-	-1,968
Charged/(credited) to other comprehensive income	-	-97	-	-	-	-	-	-97
Exchange differences	4	-	-	-	-26	-	-	-22
BALANCE AT 31/12/2017	**8,982**	**2,005**	**209**	**191**	**653**	**-**	**-**	**12,040**

The deferred tax assets include an amount of K EUR 8,982 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. The losses can be carried forward indefinitely and have no expiry date.

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 01/01/2017	**71**	**1,532**	**738**	**8**	**55**	**782**	**3,186**
Adjustment of the opening balance	-	-	-	-	-	-	-
ADJUSTED BALANCE 01/01/2017	**71**	**1,532**	**738**	**8**	**55**	**782**	**3,186**
Charged/(credited) to the income statement	5	22	-543	1	16	-213	-712
Charged/(credited) to other comprehensive income	-76	24	-	-	-	-	-52
Other movements	-	-	-	-	-	68	68
Exchange differences	-	-	-	-	-	-9	-9
BALANCE AT 31/12/2017	**-**	**1,578**	**195**	**9**	**71**	**628**	**2,481**

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	31/12/2017	31/12/2016
REINSURERS' SHARE OF INSURANCE LIABILITIES		
Provision for unearned premium	23,060	29,128
Provision for risk deterioration	6,358	7,710
Provision for IBNR	47,929	19,479
Provision for incurred losses and recoveries	23,909	54,418
Provision for profit-sharing and rebates	2,622	2,256
Provision for claims management expenses	318	206
Other technical provisions	10	45
TOTAL	**104,206**	**113,242**

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

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

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

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

11. LOANS AND RECEIVABLES INCLUDING REINSURANCE RECEIVABLES

The receivables are analysed by classes in the table below:

ANALYSIS BY CLASSES	31/12/2017	31/12/2016
RECEIVABLES ON INSURANCE AND REINSURANCE BUSINESS		
Amounts owed by policyholders and direct insurance operations	66,230	74,574
Receivables arising out of reinsurance	18,995	35,798
Provision for impairment	-28,031	-29,314
Receivables arising from funding operations	113,951	86,486
Total receivables related to insurance activity	**171,145**	**167,544**
Other receivables	8,802	9,058
Total other receivables	**8,802**	**9,058**
TOTAL RECEIVABLES	**179,947**	**176,602**

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	2017	2016
BALANCE AT 01/01	**-29,314**	**-24,017**
Provisions for impairment on receivables	-215	-239
Reversal of provisions for impairment on receivables	8	68
Provisions for impairment on outstanding claims	-98	-5,435
Reversal of provisions for impairment on outstanding claims	1,011	296
Other movements	577	13
BALANCE AT 31/12	**-28,031**	**-29,314**

The creation and release of the provision for impaired receivables of K EUR 207 (2016: K EUR 5,311) have been included in 'Other operating expenses' in the income statement.

Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

As of 31/12/2017, total loans and receivables of K EUR 158,307 (31/12/2016: K EUR 152,862) were past due but not impaired. These mainly relate to accounts receivable from indemnities for which there is no recent history of default.

LOANS AND RECEIVABLES - 31/12/2017	IMPAIRED AND PROVIDED FOR	DUE BUT NOT IMPAIRED	NOT DUE	TOTAL
Gross	28,031	158,307	21,640	207,978
Impairment	-28,031	-	-	-28,031
NET	**-**	**158,307**	**21,640**	**179,947**

LOANS AND RECEIVABLES - 31/12/2016	IMPAIRED AND PROVIDED FOR	DUE BUT NOT IMPAIRED	NOT DUE	TOTAL
Gross	29,314	152,862	23,740	205,916
Impairment	-29,314	-	-	-29,314
NET	**-**	**152,862**	**23,740**	**176,602**

As of 31/12/2017, K EUR 28,031 (2016: K EUR 29,314) of total receivables were impaired.

AGEING ANALYSIS - 31/12/2017	< 3 MONTHS	3 - 6 MONTHS	> 6 MONTHS	TOTAL
Impaired and provided for	-62	-884	-27,085	-28,031
% of total	0%	3%	97%	100%
TOTAL	**-62**	**-884**	**-27,085**	**-28,031**

AGEING ANALYSIS - 31/12/2016	< 3 MONTHS	3 - 6 MONTHS	> 6 MONTHS	TOTAL
Impaired and provided for	-32	-	-29,282	-29,314
% of total	0%	-	100%	100%
TOTAL	**-32**	**-**	**-29,282**	**-29,314**

AGEING ANALYSIS - 31/12/2017	< 3 MONTHS	3 - 6 MONTHS	> 6 MONTHS	TOTAL
Due but not impaired	29,396	16,952	111,959	158,307
% of total	19%	11%	70,0%	100%
TOTAL	**29,396**	**16,952**	**111,959**	**158,307**

AGEING ANALYSIS - 31/12/2016	< 3 MONTHS	3 - 6 MONTHS	> 6 MONTHS	TOTAL
Due but not impaired	20,158	18,340	114,364	152,862
% of total	13%	12%	75%	100%
TOTAL	**20,158**	**18,340**	**114,364**	**152,862**

12. OTHER ASSETS

The other assets can be detailed as follows:

	31/12/2017	31/12/2016
Deferred charges	161	2,601
Prepaid expenses	1,608	1,568
Accrued interests	2,270	1,690
Accrued revenue on insurance premiums	8,640	4,153
Other accrued income	930	195
TOTAL OTHER ASSETS	**13,609**	**10,207**

13. CASH AND CASH EQUIVALENTS

	31/12/2017	31/12/2016
Cash at bank and in hand	242,241	365,489
Short-term bank deposits	27	15,987
CASH AND CASH EQUIVALENTS IN THE STATEMENT OF FINANCIAL POSITION	**242,268**	**381,476**

The effective-interest rate on short-term bank deposits for 2017 amounted to 0.32% (2016: 0.38%).

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

	31/12/2017	31/12/2016
Cash and cash equivalents	242,268	381,476
Bank overdrafts	-	-
CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS	**242,268**	**381,476**

14. ENDOWMENT

	ENDOWMENT	TOTAL
AT 01/01/2016	297,472	297,472
Change in endowment	-	-
AT 31/12/2016	297,472	297,472
Change in endowment	-	-
AT 31/12/2017	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 31/12/2017 the endowment is represented by two Euro Medium Term Notes (EMTNs) which will come to maturity in one to three years. These financial assets represent the capital of Credendo – Export Credit Agency and cannot be sold or liquidated without the approval of the Belgian State. The amount of the endowment has not been changed for several decades.

15. CONSOLIDATED RESERVES AND OTHER COMPREHENSIVE INCOME

15.1. CONSOLIDATED RESERVES

	NOTE	2017			2016		
		TOTAL	NCI	SHARE OF PARENT	TOTAL	NCI	SHARE OF PARENT
BALANCE AT 01/01		**2,083,461**	**-9,120**	**2,092,581**	**2,061,626**	**-11,386**	**2,073,012**
Other movements		-5,519	-	-5,519	-	-	-
ADJUSTED BALANCE AT 01/01		**2,077,942**	**-9,120**	**2,087,062**	**2,061,626**	**-11,386**	**2,073,012**
Profit/(loss) of the year		185,876	816	185,060	20,473	-580	21,053
Changes in ownership interests in subsidiaries that do not result in a change in control		-	-	-	1,362	2,846	-1,484
Share in movements consolidated reserves		**185,876**	**816**	**185,060**	**21,835**	**2,266**	**19,569**
BALANCE AT 31/12		**2,263,818**	**-8,304**	**2,272,122**	**2,083,461**	**-9,120**	**2,092,581**

15.2. OTHER COMPREHENSIVE INCOME

	NOTE	2017			2016		
		TOTAL	NCI	SHARE OF PARENT	TOTAL	NCI	SHARE OF PARENT
ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS							
Remeasurements on post-employement benefits	18	33	-5	38	-2,009	-	-2,009
Deferred tax on actuarial gains/(losses) on post-employement benefits	9	-21	1	-22	340	-	340
Subtotal of items that will not be reclassified to profit or loss		**12**	**-4**	**16**	**-1,669**	**-**	**-1,669**
ITEMS THAT MAY BE SUBSEQUENTLY RECLASSIFIED TO PROFIT OR LOSS							
Fair value changes on available-for-sale financial assets	8	2,224	-11	2,235	3,288	17	3,271
Foreign exchange differences on available-for-sale financial assets	8-28	-6	-	-6	818	35	783
Fair value changes on available-for-sale financial assets - recycled to profit or loss	8-27	355	14	341	-213	-11	-202
Foreign exchange differences on available-for-sale financial assets - recycled to profit or loss	8-27-28	-1,345	-59	-1,286	-601	-26	-575
Other changes on available-for-sale financial assets - recycled to profit or loss		-	-	-	-91	-4	-87
Deferred taxes thereon	9	-24	15	-39	-1,311	-5	-1,306
Subtotal items from financial assets that may be subsequently reclassified to profit or loss		**1,204**	**-41**	**1,245**	**1,890**	**6**	**1,884**
Exchange differences on translating foreign operations	28	-124	-268	144	1,292	427	865
Subtotal of items that may be subsequently reclassified to profit or loss		**1,080**	**-309**	**1,389**	**3,182**	**433**	**2,749**
TOTAL OTHER COMPREHENSIVE INCOME FOR THE YEAR		**1,092**	**-313**	**1,405**	**1,513**	**433**	**1,080**

16. LIABILITIES ARISING FROM INSURANCE CONTRACTS AND REINSURANCE ASSETS

TOTAL	31/12/2017			31/12/2016		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Single risk	312,169	-18,607	293,562	551,247	-35,260	515,987
Investment insurance	1,045	-	1,045	4,560	-	4,560
Financial guarantees	7,162	-60	7,102	6,568	-	6,568
Sureties	3,719	-2,116	1,603	2,376	-842	1,534
Excess of loss & Captives	36,108	-22,472	13,636	35,935	-20,030	15,905
Turnover policies	106,703	-60,801	45,902	75,407	-53,483	21,924
Inward reinsurance	101,650	-150	101,500	110,428	-3,627	106,801
LIABILITIES ARISING FROM INSURANCE CONTRACTS PRESENTED IN THE STATEMENT OF FINANCIAL POSITION	**568,556**	**-104,206**	**464,350**	**786,521**	**-113,242**	**673,279**

16.1. SINGLE-RISK INSURANCE

	31/12/2017			31/12/2016		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Provision for incurred losses and recoveries	73,274	-1,147	72,127	262,810	-13,622	249,188
Claims incurred but not reported	15,969	-1,548	14,421	13,257	-474	12,783
Provision for profit-sharing and rebates	-	-	-	425	-202	223
Provision for risk deterioration	33,104	-6,289	26,815	46,157	-7,619	38,538
Provision for unearned premiums	179,957	-9,542	170,415	216,377	-13,238	203,139
Provision for claims management expenses	9,848	-74	9,774	12,128	-77	12,051
Other technical provisions	17	-7	10	93	-28	65
TOTAL	**312,169**	**-18,607**	**293,562**	**551,247**	**-35,260**	**515,987**

16.2. INVESTMENT INSURANCE

	31/12/2017			31/12/2016		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Provision for incurred losses and recoveries	253	-	253	3,625	-	3,625
Provision for unearned premiums	745	-	745	796	-	796
Provision for claims management expenses	47	-	47	139	-	139
TOTAL	**1,045**	**-**	**1,045**	**4,560**	**-**	**4,560**

16.3. FINANCIAL GUARANTEES

	31/12/2017			31/12/2016		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Provision for incurred losses and recoveries	4,285	-	4,285	3,705	-	3,705
Provision for profit-sharing and rebates	184	-60	124	-	-	-
Provision for unearned premiums	2,377	-	2,377	2,790	-	2,790
Provision for claims management expenses	316	-	316	73	-	73
TOTAL	**7,162**	**-60**	**7,102**	**6,568**	**-**	**6,568**

16.4. SURETIES

	31/12/2017			31/12/2016		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Provision for incurred losses and recoveries	2,596	-1,343	1,253	1,656	-411	1,245
Claims incurred but not reported	396	-297	99	52	-39	13
Provision for unearned premiums	697	-475	222	643	-392	251
Provision for claims management expenses	30	-1	29	25	-	25
TOTAL	**3,719**	**-2,116**	**1,603**	**2,376**	**-842**	**1,534**

16.5. EXCESS-OF-LOSS & CAPTIVE INSURANCE

	31/12/2017			31/12/2016		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Provision for incurred losses and recoveries	16,397	-8,407	7,990	14,830	-4,997	9,833
Claims incurred but not reported	11,037	-8,278	2,759	11,882	-8,912	2,970
Provision for profit-sharing and rebates	1,253	-940	313	831	-623	208
Provision for unearned premiums	6,864	-4,847	2,017	7,856	-5,498	2,358
Provision for claims management expenses	557	-	557	536	-	536
TOTAL	**36,108**	**-22,472**	**13,636**	**35,935**	**-20,030**	**15,905**

16.6. TURNOVER POLICIES

	31/12/2017			31/12/2016		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Provision for incurred losses and recoveries	39,403	-17,104	22,299	34,634	-35,446	-812
Claims incurred but not reported	50,034	-37,513	12,521	19,936	-9,081	10,855
Provision for profit-sharing and rebates	4,027	-1,622	2,405	3,197	-1,340	1,857
Provision for risk deterioration	186	-69	117	252	-91	161
Provision for unearned premiums	12,506	-4,292	8,214	14,738	-7,415	7,323
Provision for claims management expenses	543	-201	342	2,491	-110	2,381
Other technical provisions	4	-	4	159	-	159
TOTAL	**106,703**	**-60,801**	**45,902**	**75,407**	**-53,483**	**21,924**

16.7. INWARD REINSURANCE

	31/12/2017			31/12/2016		
	GROSS	RECOVERABLE FROM REINSURANCE	NET	GROSS	RECOVERABLE FROM REINSURANCE	NET
Provision for incurred losses and recoveries	26,940	4,093	31,033	45,602	59	45,661
Claims incurred but not reported	44,184	-294	43,890	44,869	-974	43,895
Provision for profit-sharing and rebates	-	-	-	98	-91	7
Provision for unearned premiums	27,861	-3,904	23,957	19,565	-2,586	16,979
Provision for claims management expenses	2,655	-42	2,613	241	-18	223
Other technical provisions	10	-3	7	53	-17	36
TOTAL	**101,650**	**-150**	**101,500**	**110,428**	**-3,627**	**106,801**

17. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	LITIGATION	OTHER	TOTAL
BALANCE AT 01/01/2017	**143**	**84**	**227**
Charged/(credited) to the income statement:			
Additional provisions	42	-20	22
Unused amounts reversed	-92	-	-92
BALANCE AT 31/12/2017	**93**	**64**	**157**
Current	93	40	133
Non-current	-	24	24

	LITIGATION	OTHER	TOTAL
BALANCE AT 01/01/2016	**231**	**162**	**393**
Charged/(credited) to the income statement:			
Additional provisions	170	-78	92
Unused amounts reversed	-240	-	-240
Used during period	**-18**	**-**	**-18**
BALANCE AT 31/12/2016	**143**	**84**	**227**
Current	143	40	183
Non-current	-	44	44

18. EMPLOYEE BENEFIT OBLIGATIONS

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

	31/12/2017	31/12/2016
Short-term employee benefits	6,401	6,013
Post-employment benefits	17,058	5,327
Other long-term employee benefits	400	294
TOTAL	**23,859**	**11,634**

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 Austria under broadly similar regulatory frameworks.

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

Because of the Belgian legislation applicable to 2nd-pillar pension plans (so-called 'Law Vandenbroucke'), all Belgian defined contribution plans have to be considered under IFRS as defined benefit plans. Law Vandenbroucke states that in the context of defined contribution plans, the employer must guarantee a minimum return of 3.75% on employee contributions and 3.25% on employer contributions. As a result of a law change in December 2015, the interest rate to be guaranteed is variable starting from 01/01/2016, based on a mechanism linked to the return of the Belgian OLO bond with a minimum of 1.75% and a maximum of 3.75%. For 2017, the minimum return is 1.75%.

Because of this minimum guaranteed return for defined contribution plans in Belgium, the employer is exposed to a financial risk: there is a legal obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employment service in the current and prior periods. Therefore these plans are classified and accounted for as defined benefit plans under IAS 19 except for one pension plan. The potential additional liabilities for this pension plan as at 31/12/2017 are, however, assessed as not significant. For your information, some key figures related to the plan are given below:

> employer contributions 2017: K EUR 236 (2016: K EUR 256).

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

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

Credendo – Single Risk operates defined benefit pension plans based on employee pensionable remuneration and length of service. One plan is 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.

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

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

DEFINED BENEFIT PLAN	31/12/2017	31/12/2016
Present value of funded obligations	-49,351	-46,975
Fair value of plan assets	47,468	45,076
Deficit/surplus of funded plans	**-1,883**	**-1,899**
Present value of unfunded obligations	-15,175	-3,428
NET ASSET/(LIABILITY) IN THE STATEMENT OF FINANCIAL POSITION	**-17,058**	**-5,327**

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	2017	2016
DEFINED BENEFIT OBLIGATION AT 01/01	50,403	45,884
Current service cost	2,885	2,819
Interest cost	724	868
Remeasurements:	397	2,166
Remeasurements resulting from changes in financial assumptions	239	3,361
Remeasurements resulting from experience gains/losses	158	-1,195
Administration expense	-75	-72
Taxes paid	-259	-246
Benefits paid from plan	-1,091	-1,016
DEFINED BENEFIT OBLIGATION AT 31/12	52,984	50,403

The weighted average duration of the defined benefit obligation in Belgium is 12.6 years. In Austria the average duration of the defined benefit obligation is 21.69 years.

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

FAIR VALUE OF PLAN ASSETS	2017	2016
FAIR VALUE OF PLAN ASSETS AT 01/01	**45,076**	**42,562**
Interest income	649	876
Remeasurements: return on plan assets excluding interest income	298	157
Employer contributions	2,774	2,633
Administration expense	-75	-72
Taxes paid	-259	-246
Benefits paid from plan	-995	-834
FAIR VALUE OF PLAN ASSETS AT 31/12	**47,468**	**45,076**

Plan assets are represented by the following instruments:

PLAN ASSETS	31/12/2017	31/12/2016
Equity instruments	5,367	4,821
Government and corporate bonds	36,139	34,673
Corporate loans	1,331	1,181
Real estate	3,719	3,449
Qualifying insurance policies	912	952
TOTAL	**47,468**	**45,076**

Pension plan assets include three financing funds at insurance companies.

The amounts recognised in the income statement are as follows:

INCOME STATEMENT - PENSION PLAN	31/12/2017	31/12/2016
Current service cost	2,885	2,819
Net interest cost	74	-8
EXPENSE RECOGNISED IN INCOME STATEMENT	**2,959**	**2,811**

The total cost of post-employment benefits of K EUR 2,959 (31/12/2016: K EUR 2,811) 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	31/12/2017	31/12/2016
Remeasurements:	**-397**	**-2,166**
Remeasurements resulting from changes in financial assumptions	-239	-3,361
Remeasurements resulting from experience gains/losses	-158	1,195
Return on plan assets excluding interest income	**298**	**157**
TOTAL REMEASUREMENTS INCLUDED IN OCI	**-99**	**-2,009**

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

A. FOR THE BELGIAN DEFINED BENEFIT PENSION PLANS

ACTUARIAL ASSUMPTIONS - PENSION PLAN	31/12/2017	31/12/2016
Discount rate	1.40%	1.40%
Future inflation rate	1.75%	1.75%
Future salary increases (after age of 30)	1.25%	1.25%
Future salary increases (up to age of 30)	5.00%	5.00%
Mortality	MR-5/FR-5	MR-5/FR-5

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

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

SENSITIVITY ANALYSIS	IMPACT ON DEFINED BENEFIT OBLIGATION	
	CHANGE IN ASSUMPTION	INCREASE + / DECREASE -
Year ended 31/12/2017		
Discount rate	0.25%	-2.94%

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

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

B. FOR THE AUSTRIAN DEFINED BENEFIT PENSION PLAN

	31/12/2017	31/12/2016
Discount rate	2.00%	2.00%
Rate of compensation increase	1.75%	1.75%
Rate of benefit in payment increase	1.75%	1.75%

Through its defined benefit pension plans, Credendo is exposed to a number of risks, the most significant of which are detailed bellow:

> asset volatility: the plan liabilities are calculated using a discount rate set with reference to corporate bond yields. If plan assets are lower than this yield, this will create a deficit;

> changes in bond yields: a decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings;

> inflation risk: the pension obligations are linked to inflation, and higher inflation will lead to higher liabilities. The majority of the plan's assets are either (fixed-interest bonds) unaffected by or (equities) loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Expected contributions to post-employment defined benefit plans for the year ending 31/12/2018 are K EUR 2,764.

18.2.2. OTHER POST-EMPLOYMENT OBLIGATIONS

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

Following a review of the health benefit plan, the balance for employee benefit liabilities has been increased by K EUR 10,960 (or K EUR 10,248 net of deferred taxes amounting to K EUR 712) to reflect the revised estimates in line with the independent actuarial report. The adjustment has been recorded using a modified retrospective approach by adjusting the opening equity as at 01/01/2017. Since the total adjustment for prior periods is not material when compared with the total balance sheet, in accordance with IAS 1, no second comparative balance sheet as at 01/01/2016 is presented.

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

DEFINED BENEFIT OBLIGATION - HEALTH PLAN	2017
DEFINED BENEFIT OBLIGATION AT 01/01	**10,960**
Current service cost	**670**
Interest cost	**206**
Remeasurements :	**-132**
Remeasurements resulting from changes in financial assumptions	286
Remeasurements resulting from experience gains/losses	-418
Benefits paid from plan	**-162**
DEFINED BENEFIT OBLIGATION AT 31/12	**11,542**

The amounts recognised in the income statement are as follows:

INCOME STATEMENT - HEALTH PLAN	31/12/2017
Current service cost	670
Net interest cost	206
EXPENSE RECOGNISED IN INCOME STATEMENT	**876**

Remeasurements included in other comprehensive income are as follows:

REMEASUREMENTS OTHER COMPREHENSIVE INCOME - HEALTH PLAN	31/12/2017
Remeasurements :	
Remeasurements resulting from changes in financial assumptions	-286
Remeasurements resulting from experience gains/losses	418
TOTAL REMEASUREMENTS INCLUDED IN OCI	**132**

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

ACTUARIAL ASSUMPTIONS - HEALTH PLAN	31/12/2017
Discount rate	1.80%
Medical Increase trend	4.75%
Mortality	MR-5/FR-5

Expected contributions to the post-employment health benefit plan for the year ending 31/12/2018 are K EUR 907.

18.3. OTHER LONG-TERM EMPLOYEE BENEFITS

The other long-term benefits consist of the seniority bonuses. Credendo operates seniority bonus plans in Belgium, providing a loyalty bonus for employees in recognition of many years of service.

19. PAYABLES

The payables are analysed in the table below:

	31/12/2017	31/12/2016
Payables on insurance and reinsurance business		
Amounts due to policyholders	13,473	17,164
Payables arising out of reinsurance operations	35,095	43,432
TOTAL PAYABLES	**48,568**	**60,596**

	31/12/2017	31/12/2016
Current	44,418	53,776
Non-current	4,150	6,820
TOTAL	**48,568**	**60,596**

Amounts due to policyholders and other parties related to the contract mainly relate to payables to brokers.

Payables arising out of reinsurance operations relate to payables resulting from ceded claims and provisions as well as to deposits from reinsurers. These payables have a contractual profile payment within one year.

The outstanding payables are substantially all current and consequently their fair values are considered to approximate their carrying amounts.

20. OTHER LIABILITIES

The other liabilities can be detailed as follows:

	31/12/2017	31/12/2016
Other debts	23,996	19,210
Accrued charges and deferred income	2,427	8,534
TOTAL	**26,423**	**27,744**

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

As per 31/12/2017, total other debts mainly relate to invoices to be received of K EUR 7,929 (31/12/2016: K EUR 4,766), debt towards the Belgian State of K EUR 5,139 (31/12/2016: K EUR 6,013) and other non-insurance-related supplier debts of K EUR 9,408 (31/12/2016: K EUR 8,092).

The total accrual of K EUR 2,427 as per 31/12/2017 mainly relates to accrued interest of K EUR 336 (31/12/2016: K EUR 88), operating and administration expenses of K EUR 245 (31/12/2016: K EUR 223) and deferred income of K EUR 1,389 (31/12/2016: K EUR 7,157).

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

21. NET INSURANCE PREMIUM REVENUE

	31/12/2017			31/12/2016		
	GROSS	REINSURERS' SHARE	NET	GROSS	REINSURERS' SHARE	NET
SINGLE RISK						
Written premium	106,744	-20,804	85,940	161,703	-23,996	137,707
Change in provision for unearned premium	28,900	-633	28,267	3,015	2,794	5,809
Net exchange gains/(losses) from operating activities	7,277	-1,118	6,159	3,055	-220	2,835
Total	**142,921**	**-22,555**	**120,366**	**167,773**	**-21,422**	**146,351**
INVESTMENT INSURANCE						
Written premium	3,117	-	3,117	4,090	-	4,090
Change in provision for unearned premium	20	-	20	-188	-	-188
Net exchange gains/(losses) from operating activities	31	-	31	-11	-	-11
Total	**3,168**	**-**	**3,168**	**3,891**	**-**	**3,891**
FINANCIAL GUARANTEES						
Written premium	5,871	-	5,871	6,418	-	6,418
Change in provision for unearned premium	342	-	342	-96	-	-96
Net exchange gains/(losses) from operating activities	70	-	70	-72	-	-72
Total	**6,283**	**-**	**6,283**	**6,250**	**-**	**6,250**
SURETIES						
Written premium	1,814	-1,250	564	1,903	-1,062	841
Change in provision for unearned premium	-46	80	34	759	-732	27
Net exchange gains/(losses) from operating activities	-	-	-	-	-	-
Total	**1,768**	**-1,170**	**598**	**2,662**	**-1,794**	**868**
EXCESS OF LOSS & CAPTIVES						
Written premium	30,747	-30,050	697	31,485	-31,663	-178
Change in provision for unearned premium	813	-847	-34	13,762	-5,815	7,947
Net exchange gains/(losses) from operating activities	-90	65	-25	87	-65	22
Total	**31,470**	**-30,832**	**638**	**45,334**	**-37,543**	**7,791**

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	31/12/2017			31/12/2016		
	GROSS	REINSURERS' SHARE	NET	GROSS	REINSURERS' SHARE	NET
TURNOVER POLICIES						
Written premium	106,070	-48,603	57,467	95,557	-39,631	55,926
Change in provision for unearned premium	2,247	-1,327	920	-2,510	1,502	-1,008
Net exchange gains/(losses) from operating activities	-31	25	-6	19	-6	13
Total	**108,286**	**-49,905**	**58,381**	**93,066**	**-38,135**	**54,931**
INWARD REINSURANCE						
Written premium	65,411	-7,226	58,185	59,365	-10,963	48,402
Change in provision for unearned premium	-9,365	-187	-9,552	-1,088	-261	-1,349
Net exchange gains/(losses) from operating activities	914	-90	824	65	27	92
Total	**56,960**	**-7,503**	**49,457**	**58,342**	**-11,197**	**47,145**
TOTAL WRITTEN PREMIUMS	**319,774**	**-107,933**	**211,841**	**360,521**	**-107,315**	**253,206**
Change in provision for unearned premium	22,911	-2,914	19,997	13,654	-2,512	11,142
Net exchange gains/(losses) from operating activities	8,171	-1,118	7,053	3,143	-264	2,879
Total profit-sharing and rebates	-8,408	5,256	-3,152	-6,917	3,957	-2,960
NET INSURANCE PREMIUM REVENUE	**342,448**	**-106,709**	**235,739**	**370,401**	**-106,134**	**264,267**

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

	31/12/2017	31/12/2016[1]
Russia	28,183	22,642
Belgium	16,354	16,319
Germany	15,781	17,545
Switzerland	15,489	16,971
Italy	13,860	14,125
France	11,899	14,704
Czech Republic	9,386	7,003
China	8,861	8,403
Brazil	8,155	8,564
Netherlands	8,038	8,032
Luxembourg	7,579	7,912
Japan	7,313	8,073
Turkey	6,741	13,673
Benin	6,287	99
United States	4,843	4,343
United Kingdom	4,569	7,321
Bangladesh	4,237	259
Dominican Republic	4,156	7,276
India	3,903	3,841
Spain	3,885	4,474
Other countries	130,255	168,942
TOTAL WRITTEN PREMIUMS	**319,774**	**360,521**

22. OTHER OPERATING INCOME AND EXPENSE

	31/12/2017	31/12/2016
Commissions from reinsurers	28,623	26,132
Investigation costs recharged	5,176	3,726
Interest received on claims	968	4,440
Other recoveries	6,747	6,780
Other operating income	**41,514**	**41,078**
General expenses and acquisition costs	-2,307	-2,306
Investigation costs	-3,384	-3,604
Write-offs on trade receivables	-207	-5,311
Other expense	-275	-431
Other operating expenses	**-6,173**	**-11,652**

23. INSURANCE CLAIMS AND LOSS ADJUSTMENT EXPENSES

	31/12/2017			31/12/2016		
	GROSS	REINSURANCE	NET	GROSS	REINSURANCE	NET
SINGLE RISK						
Claims paid in the year	88,292	-17,103	71,189	59,186	-14,140	45,046
Change in provision for outstanding claims	44,853	-29,871	14,982	172,559	-19,845	152,714
Net exchange (gains)/losses from operating activities	-78,046	10,338	-67,708	48,579	-5,162	43,417
Total	**55,099**	**-36,636**	**18,463**	**280,324**	**-39,147**	**241,177**
INVESTMENT INSURANCE						
Claims paid in the year	-	-	-	-	-	-
Change in provision for outstanding claims	-2,702	-	-2,702	1,789	-	1,789
Net exchange (gains)/losses from operating activities	-34	-	-34	20	-	20
Total	**-2,736**	**-**	**-2,736**	**1,809**	**-**	**1,809**
FINANCIAL GUARANTEES						
Claims paid in the year	4	-	4	-	-	-
Change in provision for outstanding claims	1,838	-	1,838	-11,722	-	-11,722
Net exchange (gains)/losses from operating activities	63	-	63	-6	-	-6
Total	**1,905**	**-**	**1,905**	**-11,728**	**-**	**-11,728**
SURETIES						
Claims paid in the year	1,157	-215	942	2	-11	-9
Change in provision for outstanding claims	684	-820	-136	154	-343	-189
Net exchange (gains)/losses from operating activities	-	-	-	-	-	-
Total	**1,841**	**-1,035**	**806**	**156**	**-354**	**-198**

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	31/12/2017			31/12/2016		
	GROSS	REINSURANCE	NET	GROSS	REINSURANCE	NET
EXCESS OF LOSS & CAPTIVES						
Claims paid in the year	9,564	-12,411	-2,847	3,114	-9,352	-6,238
Change in provision for outstanding claims	711	7,364	8,075	-1,150	-9,399	-10,549
Net exchange (gains)/losses from operating activities	-978	-19	-997	956	125	1,081
Total	9,297	-5,066	4,231	2,920	-18,626	-15,706
TURNOVER POLICIES						
Claims paid in the year	75,733	-42,661	33,072	57,536	-25,851	31,685
Change in provision for outstanding claims	2,166	13,287	15,453	10,213	1,434	11,647
Net exchange (gains)/losses from operating activities	-6,393	2,717	-3,676	-2,238	325	-1,913
Total	71,506	-26,657	44,849	65,511	-24,092	41,419
INWARD REINSURANCE						
Claims paid in the year	46,477	-9,991	36,486	42,795	-15,719	27,076
Change in provision for outstanding claims	-28,376	-16,309	-44,685	8,004	3,927	11,931
Net exchange (gains)/losses from operating activities	-1,268	23	-1,245	1,473	-	1,473
Total	16,833	-26,277	-9,444	52,272	-11,792	40,480
TOTAL CLAIMS PAID IN THE YEAR	**221,227**	**-82,381**	**138,846**	**162,633**	**-65,073**	**97,560**
TOTAL CHANGE IN PROVISION FOR OUTSTANDING CLAIMS	**19,174**	**-26,349**	**-7,175**	**179,847**	**-24,226**	**155,621**
TOTAL NET EXCHANGE GAINS/(LOSSES) FROM OPERATING ACTIVITIES	**-86,656**	**13,059**	**-73,597**	**48,784**	**-4,712**	**44,072**
TOTAL CLAIMS EXPENSES	**153,745**	**-95,671**	**58,074**	**391,264**	**-94,011**	**297,253**

In 2017 and 2016 there were no changes in provision due to Liability Adequacy Tests.

The table below details the net insurance claims and loss adjustment expenses per country:

	31/12/2017	31/12/2016[1]
Brazil	36,941	162,265
Equatorial Guinea	25,969	9,275
Norway	10,659	-228
Switzerland	10,566	4,044
Mali	4,669	863
Singapore	4,626	7,100
Colombia	4,445	5,392
Bermuda	4,281	2,374
Russia	3,585	7,426
Poland	3,503	2,316
Congo Brazzaville	3,390	14,395
Australia	2,943	-14,108
Cameroon	-3,188	8,204
Cuba	-4,060	-4,036
Spain	-4,185	-15,363
Egypt	-4,593	530
Iran	-8,154	-80,529
Saudi Arabia	-8,233	19,337
Mongolia	-16,573	23,803
United States	-26,508	94,770
Other countries	17,991	49,423
TOTAL	**58,074**	**297,253**

In Brazil, four major claims had been provisioned in 2016 for a total amount of EUR 125 million. In the United States, the variation between 2016 and 2017 is mainly explained by the downward revision, in 2016, of recovery prospects on claims to be paid while in Iran, the recoveries received in 2016 from many claims were substantially higher than foreseen.

24. EMPLOYEE BENEFIT EXPENSE

	31/12/2017	31/12/2016
Wages, salaries and other benefits	32,054	31,561
Social security charges	8,220	8,305
Pension costs - defined contribution plans	236	256
Pension costs - defined benefit plans	2,959	2,811
Health plan	876	-
TOTAL EMPLOYEE BENEFIT EXPENSES	**44,345**	**42,933**

The number of employees as per 31/12/2017 (in FTE) amounted to 499 (31/12/2016: 496).

25. SERVICES AND OTHER GOODS

	31/12/2017	31/12/2016
Broker fees	22,340	21,377
Commissions to inward reinsurance	11,581	16,245
Administration costs	20,666	19,027
Other operating costs	916	1,225
TOTAL SERVICES AND OTHER GOODS	**55,503**	**57,874**

For 2017, administration costs relate to housing costs of K EUR 3,052 (2016: K EUR 3,054), management services and administration costs of K EUR 302 (2016: K EUR 1,375), consultancy and other fees of K EUR 8,174 (2016: K EUR 7,231), marketing expenses of K EUR 2,769 (2016: K EUR 2,636), representation and travel costs of K EUR 1,681 (2016: K EUR 1,583), IT expenses of K EUR 3,995 (2016: K EUR 2,701) and car expenses of K EUR 693 (2016: K EUR 447).

26. DEPRECIATION AND AMORTISATION

	NOTE	31/12/2017	31/12/2016
Amortisation intangible assets	5	3,293	3,523
Depreciation property, plant and equipment	6	1,424	1,237
TOTAL		**4,717**	**4,760**

27. FINANCE INCOME AND EXPENSE

	NOTE	31/12/2017	31/12/2016
FINANCE INCOME:			
Cash and cash equivalents - interest income		**542**	**428**
Other financial income		**4,434**	**3,952**
Fair value gains/(losses) AFS - Recycled from OCI	8-15.2	990	814
Income from financial investments - AFS		1,976	2,832
Net gains on financial investments - AFS		**2,966**	**3,646**
Fair-value gains/(losses) FVTPL	8	81,598	53,471
Net realised gains on sale of financial investments		196	70
Income from financial investments - FVTPL		-	36
Net gains on financial investments - FVTPL		**81,794**	**53,577**
Interests on rescheduling agreements		**17,514**	**79,273**
Interest on loans and receivables		**731**	**855**
Exchange gains on financial assets (other than AFS and FVTPL)	28	**7,734**	**17,538**
		115,715	**159,269**
FINANCE EXPENSE:			
Exchange losses on financial assets (other than AFS and FVTPL)	28	-31,920	-20,130
Charges on financial investments		-83	-96
Financial charges and interest costs		-3,546	-3,183
Net finance cost		**-35,549**	**-23,409**
NET FINANCIAL RESULT		**80,166**	**135,860**

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

The amount of 'Interests on rescheduling agreements' is significantly lower in 2017 than in 2016 because most of the rescheduling occurred in 2016. This is due to an agreement on the restructuring of the debt which was concluded in May 2016 between Credendo and a third-party debtor in the framework of the restructuring of debts to the members of the Paris Club.

The repayment schedule is respected by the debtor.

28. NET FOREIGN-EXCHANGE GAINS AND LOSSES

	NOTE	31/12/2017	31/12/2016
NET EXCHANGE GAINS/(LOSSES) RECOGNISED IN PROFIT OR LOSS		**56,464**	**-43,785**
Net exchange gains/(losses) from operating activities	21-23	80,650	-41,193
Net exchange gains/(losses) from financing activities	27	-24,186	-2,592
NET EXCHANGE GAINS/(LOSSES) THROUGH OTHER COMPREHENSIVE INCOME		**-1,475**	**1,509**
Net exchange gains/(losses) through other comprehensive income	15.2	-1,351	217
Exchange differences on translating foreign operations	15.2	-124	1,292
TOTAL		**54,989**	**-42,276**

Total net exchange gains recognised in the income statement amount to K EUR 56,464 (31/12/2016: losses of K EUR 43,785). 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 financing activities we refer to note 27.

The increase in exchange differences (gains on financing 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 -124 (31/12/2016: K EUR 1,292).

29. INCOME TAX EXPENSE

	2017	2016
Current taxes on income for the reporting period	-1,427	-1,186
Current taxes referring to previous periods	-48	-393
Total current tax	**-1,475**	**-1,579**
Origination and reversal of temporary differences	-1,256	-4,681
Total deferred tax	**-1,256**	**-4,681**
INCOME TAX (EXPENSE)/CREDIT	**-2,731**	**-6,260**

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	2017	2016
PROFIT BEFORE INCOME TAXES	**188,607**	**26,733**
Domestic tax rate	**0,00%**	**0,00%**
Income tax (expense)/credit calculated at domestic tax rate	**-**	**-**
Effects of:		
Tax rate effect	-2,935	-3,781
Disallowed expenses	-305	-1,023
Other permanent differences	-156	-307
Notional tax deduction	67	313
Income not subject to tax	353	487
Prior year adjustment	382	-1,683
Other	-137	-266
INCOME TAX (EXPENSE)/CREDIT FOR THE YEAR	**-2,731**	**-6,260**

The weighted average applicable 2017 tax rate amounts to 1.4% (31/12/2016: 23%). This results from the fact that the key source of profit is Credendo – Export Credit Agency which is taxed at a 0% rate.

30. CONTINGENCIES

Credendo, like all other insurers, is subject to litigation in the normal course of its business. Credendo does not believe that such type of litigation will have a material effect on its profit or loss and financial condition.

31. COMMITMENTS

Credendo leases offices, vehicles and office equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The lease terms vary depending upon which asset is leased. Credendo does not have any purchase option at the end of the lease terms.

Operating leases relating to the lease of offices, vehicles and office equipment have been recognised as an expense in the period amounting to K EUR 1,774 (31/12/2016: K EUR 2,134) which has been included in the income statement. Those lease expenditures are disclosed in note 6. The entire amount represents minimum lease payments; no contingent rents or sublease payments are included.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	31/12/2017	31/12/2016
No later than 1 year	1,771	1,679
Later than 1 year and no later than 5 years	4,016	3,352
Later than 5 years	934	45
TOTAL	**6,721**	**5,076**

32. RELATED-PARTY TRANSACTIONS

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

The following transactions were carried out with related parties.

32.1. KEY MANAGEMENT COMPENSATION

Key management includes members of the Board of Directors as well as the members of the Executive Committee.

The compensation paid or payable to key management for employee services is shown below:

	31/12/2017	31/12/2016
Salaries and other short-term employee benefits	8,169	8,897
Post-employment benefits	1,047	909
Leasing company car	210	197
TOTAL	**9,426**	**10,003**

32.2. YEAR-END BALANCES FOR RELATED-PARTY TRANSACTIONS

	31/12/2017	31/12/2016
Loans and receivables incl. reinsurance receivables	191	131
Total receivables	**191**	**131**
Payables	5,139	6,013
Total payables	**5,139**	**6,013**

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

	31/12/2017		31/12/2016		COUNTRY OF INCORPORATION
	% OF INTEREST	% OF CONTROL	% OF INTEREST	% OF CONTROL	
Credendo – Short-Term Non-EU Risks	100%	100%	100%	100%	Belgium
Credendo – Excess & Surety	100%	100%	100%	100%	Belgium
Holding CIS	66.67%	66.67%	66.67%	66.67%	Belgium
Immo Montoyer	100%	100%	100%	100%	Belgium
Credendo – Single Risk	95.63%	95.63%	95.63%	95.63%	Austria
Credendo – Ingosstrakh Credit Insurance	66.67%	66.67%	66.67%	66.67%	Russia
Credendo – Short-Term EU Risks	100%	100%	100%	100%	Czech Republic

Total non-controlling interests as per 31/12/2017 amount to K EUR 3,929 and mainly relate to the 33.33% participation held by JSC InWest-Policy, having its registered office at 41 Lesnaya Street, 127994 Moscow, Russian Federation, in Holding CIS and indirectly in Credendo – Ingosstrakh Credit Insurance.

As total non-controlling interests are not material to the consolidated financial statements of Credendo, no further detailed information on the subsidiaries with non-controlling interests are disclosed. There are no statutory, contractual or regulatory restrictions on Credendo's ability to access or use the assets and settle the liabilities of the group.

33.2. NON-CONSOLIDATED COMPANY

Global Trade Security (GTS) (situated at 29 Route de l'Aéroport in Geneva, Switzerland) is not consolidated as per 31/12/2017 and 2016 due to its insignificant impact on the consolidated figures. The company was liquidated in April 2017.

34. EVENTS AFTER THE REPORTING PERIOD

No events occurred after the reporting period that could have resulted in a material impact on the reported figures as of 31/12/2017.

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