

Message from the Chairman and the Chief Executive Officer

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

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

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

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

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

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

Against this difficult backdrop, we've seen countries begin to default on their debts. Ghana's failure to meet its debt obligations in December 2022 had a significant negative impact. Our volume of claims hit EUR 235.7 million last

year, compared to EUR 11.2 million the previous year after restatement. In terms of provisions, Ghana's foreign debt suspension together with provisions made for Russia, Ukraine and Belarus account for almost two thirds of the claims charge. Our net loss ratio stood at 73.2% this year compared to 11.9% in 2021.

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

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

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

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

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

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

In 2022 we were also relieved to have fully shaken off any lingering impact of Covid-19, with the majority of

provisioning put in place during the pandemic being released.

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

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

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

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

Vincent Reuter,
Chairman of the
Board of Directors

Dirk Terweduwe,
Chief Executive
Officer

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

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

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