

## **“The challenges of the first ten years demanded a great deal of flexibility and a willingness to meet new client needs with an aggressive application of the mandate.”**



Thomas Daum (Chairman of the Board) and Peter Gisler (CEO)

### **The financial statements for 2017 once again show clearly positive net income: How is this result to be assessed?**

[Thomas Daum] Net income of almost CHF 70 million is gratifying. However, in view of the long-term nature of our business, we must track the results over several years. And in that respect we can note that SERV has achieved positive annual results in ten years out of eleven and overall earnings of CHF 670.2 million.

[Peter Gisler] Compared with last year, it is also good to note that we achieved considerably higher premium income in 2017. And the loss expenses were also significantly lower than in the previous year. Consequently, the fact that we recorded considerably less income from debt consolidation balances than in 2016 was easier to accept. It is very gratifying that we surpassed a figure which is very important for SERV, namely economic viability, by CHF 13.1 million.

### **Do you sense any clear recovery in the export industry?**

[G] Not really. As far as the number of transactions is concerned, we had a minor summer slump. Otherwise, we almost reached the already very high level of the previous year. Even so, our employees were under great pressure because we had a few extremely complex, high-volume transactions to process, which demanded some innovative development of our products.

[D] In our experience, a revival of exports is only reflected in SERV's business activity if it also includes the capital goods sector and the companies enter difficult markets with the corresponding insurance needs. Above all the enduring upward trend in the MEM industry should bring us more business in 2018.

**Are the positive results of recent years associated with greater risks and what does the loss situation look like?**

[D] Last autumn we analysed the development of the risk profile of our risk subjects. We discovered that our appetite for risk has certainly not increased. Even so, along with the private buyer risks, the losses also increased, because these risks are more difficult to estimate than public risks. This has to be taken into account when setting premiums.

[G] We are watching the loss trends very carefully. The indemnification risk in the course of insured transactions depends among other things on unforeseeable changes in the global economy or individual sectors. However, the recent disbursements for losses do not show any regional or sectoral focus which should cause us concern.

**Mr Gisler, you have been CEO at SERV since 1 January 2017. Where did you make an initial impact and what is your assessment after one year?**

[G] It has been a very intensive and at the same time satisfactory year. On the one hand, in addition to a constantly high level of demand for the liquidity products, counter guarantees and working capital loans, we also had the major transactions already mentioned, which demanded a great deal of us. On the other hand, SERV has grown strongly over the last ten years and given such developments, it is usually the processes that suffer. Consequently, my focus this year has been on improving internal processes and on organisational measures, such as the reorganisation of the insurance business. One further priority is the replacement of the IT system for the management of the insurance business with a service-oriented architecture. We conducted detailed analyses, which created a stable basis for further work, so the current system is scheduled to be replaced in 2020.

**Let's cast our net a little further: Last year SERV celebrated its tenth anniversary. What has been your experience of the period since 2007, Mr Daum?**

[D] In 2007, we set out on a little adventure when we replaced the ERG with SERV, with its extended mandate. We had to set up an effective client advisory service, a competent analysis facility and a professional loss management system, in order to manage the new private buyer risks. We were confronted with the increasing globalisation of the value chains and we increasingly had to deal with sophisticated insurance solutions. After just two years we extended our product range, with the counter guarantee and the working capital insurance in particular being very

popular among the SMEs. The strong development and modification of the SERV business can also be illustrated with some hard facts. Since the launch of SERV, the number of transactions has increased by more than 160 percent. The proportion of SME clients has risen from 62 to 72 percent. The proportion of public debtors has fallen from 62 to 18 percent. All this has demanded from us a great deal of flexibility and a willingness to meet new client needs with an aggressive application of the mandate. SERV has coped well with the challenges of the first ten years. It has achieved its development objectives and exceeded the financial requirements of the legislator. It has successfully introduced new products, with flexible value added rules it can follow the requirements of global corporations and its premiums are as attractive as the OECD rules will permit. With all this, SERV has built up a good reputation in the market. With net equity of just under CHF 2.8 billion, it is also very well financed.

**Clearly the business of SERV has changed greatly in recent years. Will there now be a consolidation phase?**

[D] It would be dangerous to assume any consolidation. For that reason the Board of Directors and Executive Board have spent the last year addressing the challenges of the next few years and developing strategic responses to them.

[G] Our efforts are aimed in two directions. On the one hand, we have noticed that many exporters are contacting us earlier and earlier in comparison with recent years. We are more and more frequently becoming actively involved in the structuring and development of insurance solutions. For that, we need additional know-how and appropriate training for our employees. In a further move, the task is also to approach buyers proactively and in that way assist our exporters in accessing new business. On the other hand, it is becoming noticeably more difficult to cover the costs of the smaller transactions with favourable premiums. Here we must promote standardisation and automation to ensure we can continue to offer attractive cover to the SMEs in particular.

Viviane Gnuan (Communications Manager) spoke to Thomas Daum and Peter Gisler.