FINANCIAL REPORT

SERV closed its 15th financial year with a positive net income (NI) of CHF 88.1 million, despite the COVID-19 pandemic.

Legal Basis

The essential accounting requirements for SERV are formulated in the SERV Act (SERVG) and in the SERV Ordinance (SERV-V). SERV must keep its own accounts, be economically viable as an insurance company and manage risks for public and private debtors separately. To meet these requirements, SERV prepares financial statements on the closing date (cf. PDF Financial Statements, p. 45), consisting of the income statement, balance sheet, cash flow statement, proof of economic viability, segment accounting and notes.

Individual items of the income statement, the balance sheet and segment accounting are explained in more detail in the Notes. Items shown net in the financial statements are broken down in the Notes, which renders the calculation of net results transparent. This is significant particularly in the case of claims from losses, claims from restructuring, credit balances from debt rescheduling agreements and loss provisions, as these are valued in accordance with the accounting principles (AP) and reported on a net basis.

NET INCOME
in CHF million
88

PREMIUM INCOME
in CHF million
84

Income Statement

Despite the COVID-19 pandemic, SERV closed its 15th financial year with a positive net income (NI) of CHF 88.1 million (previous year: CHF –81.5 million) and posted an operating profit of the same amount.

Premium income rose year-on-year from CHF 71.6 million to CHF 83.5 million. In comparison to previous years, this was a slightly above-average financial year in terms of premiums. The average income from premiums amounted to CHF 77.6 million. At CHF 79.4 million, SERV achieved the third-highest result in its history in terms of earned premiums.

Interest income from debt rescheduling agreements amounting to CHF 10.9 million was largely attributable to a payment from Argentina of CHF 9.5 million. As in 2020, Cuba, Pakistan and Cameroon were unable to meet their payment obligations in 2021, due in part to the COVID-19 pandemic. Argentina made only one interest payment. The countries that did meet their payment obligations were those with lower interest-bearing debts, as a result of which they accounted for only CHF 1.4 million of the interest income from debt rescheduling.

SERV's 2020 income statement was dominated by loss expenses of CHF 167.9 million. While the formation of loss provisions led to a negative net income in the 2020 financial year, it resulted in a settlement of indemnity payments of CHF 109.5 million in 2021 with little impact on profit and loss, with SERV reporting negative loss expenses (income) of CHF 5.9 million for the first time in its history. SERV was able to release the provisions formed in the previous year for incurred but not reported (IBNR) and reported losses because of changes in the claim status of the claims concerned. It put in place value adjustments and released provisions for those cases where disbursements were made and also released provisions for cases that no longer met the criteria for provisions.

The debt rescheduling income of CHF 11.7 million resulted from the release of obsolete value adjustments for the agreements with Egypt, Bangladesh, Indonesia and Iraq.

The increase in personnel expenses from CHF 13.0 million in the previous year to CHF 15.0 million is attributable to the expansion of the workforce for the Transformation SERV (TRS) project. Non-personnel expenses amounting to CHF 9.3 million included CHF 4.0 million for the TRS project and a partial write-off of CHF 1.8 million for the costs capitalised in 2020 for the TRS project. This partial write-off was made as a consequence of the realignment of this IT project (cf. Corporate Governance, IT). As a further consequence, it was decided not to capitalise CHF 0.8 million in 2021.

Financial income mainly comprises foreign currency differences and was positive in 2021 at CHF 0.5 million. As in the previous year, the result was only marginally affected by negative interest rates on bank account balances. The fact that SERV is only permitted to invest with the Federal Treasury means that it has generated no return on its capital since 2017, which currently stands at CHF 2.951 billion. The loss of interest income from cash investments is a significant factor, having amounted to CHF 29.0 million in 2007, the year in which SERV was founded, and an average of CHF 18.3 million until 2016. This interest income fully financed SERV's operating expenses in its first few financial years.

Balance Sheet

On the assets side, cash in hand & at bank increased by CHF 53.1 million compared to 2020 due to large premium payments made at the end of December. In principle, SERV aims to keep the balance on the current account low in order to minimise the amount of negative interest payable.

The high indemnity payments and the absence of major repayments from debt rescheduling agreements (in particular from Argentina and Pakistan) resulted in a decrease in cash investments of CHF 19.0 million in the year under review. Credit balances from debt rescheduling agreements were down by only CHF 10.2 million in the year under review (previous year: CHF 18.2). The liabilities side was dominated by the release of loss provisions totalling CHF 91.0 million.

The inclusion of investment-grade reinsurance in the exposure calculation and a surcharge for exchange rate risks in the core capital (CCap) impacts on the capital calculation.

As of 31 December 2021, capital totalled CHF 2.832 billion, CHF 88.1 million higher than the previous year. It should be noted that since 31 March 2021, the capital calculation is affected by the applicable rules for the calculation of the exposure with regard to the consideration of investment-grade reinsurance and the management of exchange rate risks (surcharge for foreign currencies in the core capital [CCap]). If the capital as of 31 December 2020 had been calculated on the basis of the method employed since 31 March 2021, the figures reported as of 31 December 2020 would have been as follows: risk-bearing capital (RBC) of CHF 1.038 billion (up by CHF 39.5 million) and CCap of CHF 1.637 billion (up by CHF 129.0 million).

The total of RBC plus CCap, CHF 1.625 billion, rose by CHF 106.6 million (7%) year on year. The compensation reserve (CR) decreased by CHF 188.1 million to CHF 1.119 billion (16%). The CR allows SERV to manage the major volatility it is exposed to through country and debtor downgrades and elevated losses as a result of political and economic crises. This reserve also allows SERV to continue covering risks for export transactions.

All in all, SERV has a solid capital base for fulfilling its legal mission of promoting the Swiss export industry by providing effective insurance solutions, even in periods with an uncertain economic outlook. At the same time, SERV is able to soften the impact of any deterioration in risk ratings for countries and enterprises and has the buffer necessary to deal with any type of crisis.

Cash Flow Statement

SERV's 2021 cash flow statement (cf. PDF Cash Flow Statement, p. 47) posted a net increase of CHF 34.1 million (2020: CHF 13.5 million). In previous years, SERV generated an average cash flow of CHF 124.3 per year. SERV continues to have excellent liquidity with CHF 3.036 billion consisting of cash in hand & at bank and time deposits.

At CHF 5.0 million, cash flow from operating activities was up CHF 18.3 million year on year. Compared to the previous year, CHF 26.7 million more was paid out in claims and CHF 0.3 million more for personnel and operating costs in the 2021 financial year. At the same time, premium payments increased by CHF 40.8 million to CHF 116.7 million and repayments from claims by CHF 4.5 million to CHF 16.4 million.

Cash flow from investment activities includes both regular and unscheduled early repayments from credit balances from debt rescheduling agreements plus the corresponding interest. At CHF 29.1 million, this figure remained at a similarly low level as in the previous year. This was due to missed payments resulting from pandemic-related deferral requests (Cameroon and Pakistan) and requests to renegotiate existing debt rescheduling agreements (Argentina and Cuba). Cash flow for this area averaged CHF 108.9 million in the past. It was striking to note that interest payments from debt rescheduling agreements have halved compared to 2007, the year in which SERV was founded. Since 2020, the project costs for the TRS project have been capitalised under intangible assets, with CHF 3.9 million capitalised for 2021. The cash flow relating to this capitalisation amounted to CHF 3.8 million.

Proof of Economic Viability

In 20201 SERV showed positive loading in all segments. This means that earned premiums exceeded the actuarial risk, i.e. the average expected annual loss, which is the theoretical probability-weighted average potential loss calculated for an annual reporting period. The calculation is based on the loss probabilities and assumed recovery ratios.

For 2021, all segments with the exception of the “private debtors without del credere” segment had surplus cover on an operational level (economic viability 1). As a result of the general interest rate situation, there has been no interest income at all from cash investments since 2017, for which reason the figures for economic viability 1 and 2 are identical. No substantial contributions from cash investments are expected for the foreseeable future. Despite the deficient cover in the “private debtors without del credere” segment for economic viability 1 and 2, SERV overall was able to post significant surplus cover of CHF 17.8 million across all grades.

Since SERV was founded, the average surplus cover of economic viability 1 for the primary segment “public debtors” has been CHF 6.2 million, and CHF 9.2 million for the primary segment “private debtors”. This means that economic viability 1 has so far been significantly exceeded for the primary segments. If economic viability on an operational level (economic viability 1) is positive, so is economic viability 2, unless SERV’s capital is burdened with negative interest rates.

Segment Accounting

In the income statement by segment, items that are not directly related to an insurance transaction in a segment are distributed across the three segments using an allocation formula (cf. PDF Notes regarding the Income Statement, Comments 12–18, p. 55–56). Items are not broken down into segments on the balance sheet where doing so has only limited indicative value.

In the income statement, the two segments “private debtors with del credere” and “public debtors” closed the year with a negative result. This was largely down to the loss expenses resulting from the formation of provisions and value adjustments. The successful performance of the “private debtors without del credere” division was not able to compensate for the losses of the other two segments. Experience shows that the annual results for segment accounting are influenced to a large extent by the loss expenses incurred and are thus very volatile.

INCOME STATEMENT

Income Statement

01.01.2021–31.12.2021, in KCHF

	Notes *	2021	2020	Change
Premium income	1	83 489	71 579	11 910
Creation of unearned premium reserves		– 64 923	– 55 314	– 9 609
Release of unearned premium reserves		60 804	73 541	– 12 737
Earned premiums		**79 370**	**89 806**	**– 10 436**
Interest income from debt rescheduling agreements		10 945	1 309	9 636
Total income from insurance		**90 315**	**91 115**	**– 800**
Loss expenses	2	5 937	– 167 905	173 842
Debt rescheduling results	3	11 680	11 935	– 255
Total expenses from insurance		**17 617**	**– 155 970**	**173 587**
Profit/loss on insurance		**107 932**	**– 64 855**	**172 787**
Personnel expenses		– 15 045	– 12 981	– 2 064
Non-personnel expenses		– 9 295	– 6 716	– 2 579
Financial income		535	– 294	829
Other income	4	3 925	3 318	607
Operating profit/loss		**88 052**	**– 81 528**	**169 580**
Interest income from cash investments		–	–	–
Net income (NI)		**88 052**	**– 81 528**	**169 580**

* cf. Comments starting from page 54 of the Notes on the Financial Statements

BALANCE SHEET

Balance Sheet

31.12.2021, in KCHF

	Notes *	31.12.2021	31.12.2020	Change
Assets				
Cash in hand & at bank		85 374	32 248	53 126
Premiums receivables		1 648	29 892	– 28 244
Other receivables		131	–	131
Financial investments maturing in 1 year or less	5	2 951 000	2 970 000	– 19 000
Accruals and deferrals		342	690	– 348
Total current assets		**3 038 495**	**3 032 830**	**5 665**
Property, plant and equipment		519	414	105
Intangible assets	6	5 351	3 289	2 062
Financial investments and credit balances maturing in more than 1 year		–	–	–
Total property, plant and equipment and long-term financial investments		**5 870**	**3 703**	**2 167**
Claims from losses and restructuring	7	202 690	196 275	6 415
Credit balances from debt rescheduling agreements	8	118 093	128 317	– 10 224
Total claims and credit balances from debt rescheduling agreements		**320 783**	**324 592**	**– 3 809**
Total Assets		**3 365 148**	**3 361 125**	**4 023**
Liabilities				
Current liabilities		4 829	2 280	2 549
Short-term financial liabilities		387	107	280
Accruals and deferrals		1 723	1 662	61
Unearned premiums		399 684	398 640	1 044
Share of unearned premiums due to reinsurance		– 17 777	– 20 851	3 074
Loss provisions	9	142 583	233 620	– 91 037
Other non-current liabilities	10	1 450	1 450	–
Subtotal		**532 879**	**616 908**	**– 84 029**
Risk-bearing capital (RBC)		1 059 486	999 023	60 463
Core capital (CCap)		565 874	519 782	46 092
Compensation reserve (CR)		1 118 857	1 306 940	– 188 083
Net income (NI)		88 052	– 81 528	169 580
Total capital		**2 832 269**	**2 744 217**	**88 052**
Total liabilities		**3 365 148**	**3 361 125**	**4 023**

* cf. Comments starting from page 54 of the Notes on the Financial Statements

CASH FLOW STATEMENT

Cash Flow Statement

01.01.2021–31.12.2021, in KCHF

	Notes *	31.12.2021	31.12.2020
Business operations			
Premium payments	11	116 727	75 955
Loss payments		– 109 448	– 82 734
Loss repayments		16 430	11 884
Payments relating to personnel and operations		– 18 668	– 18 357
Cash flow from business operations		**5 041**	**– 13 252**
Investing activities			
Capitalisation of intangible assets		– 3 764	– 3 248
Repayments of credit balances from debt rescheduling agreements		23 028	30 856
Payments of interest from debt rescheduling agreements		9 821	605
Payments from financial and interest income		–	–
Cash flow from investing activities		**29 085**	**28 213**
Financing activities			
Payments from financing activities		–	– 1 425
Cash flow from financing activities		**–**	**– 1 425**
Net change in funds		**34 126**	**13 536**
Funds on 31.12.2020 (cash in hand & at bank and time deposits with the Confederation)		–	3 002 248
Funds on 31.12.2021 (cash in hand & at bank and time deposits with the Confederation)		3 036 374	

* cf. Comments starting from page 54 of the Notes on the Financial Statements

PROOF OF ECONOMIC VIABILITY

Proof of Economic Viability

01.01.2021–31.12.2021, in KCHF

	Segments (by debtor)			SERV
	Public	Private without del credere	Private with del credere	
	(1)	(2)	(3)	(4)=(1)+(2)+(3)
Earned premiums	24 255	1 311	53 804	79 370
Average expected annual loss	– 12 999	– 387	– 24 365	– 37 751
Loading	**11 256**	**924**	**29 439**	**41 619**
Personnel expenses	– 792	– 1 165	– 13 088	– 15 045
Non-personnel expenses	– 489	– 720	– 8 086	– 9 295
Financial income	307	19	209	535
Economic viability 1	**10 282**	**– 942**	**8 474**	**17 814**
Interest income from cash investments	–	–	–	–
Economic viability 2	**10 282**	**– 942**	**8 474**	**17 814**

SEGMENT ACCOUNTING

Segment Accounting
01.01.2021–31.12.2021, in KCHF

	Notes *			Segments (by debtor)	SERV
		Public	Private without del credere	Private with del credere	
		(1)	(2)	(3)	(4)=(1)+(2)+(3)
Premium income	12	47 891	2 903	32 695	83 489
Creation of unearned premium reserves		– 37 816	– 1 988	– 25 119	– 64 923
Release of unearned premium reserves		14 180	396	46 228	60 804
Earned premiums		**24 255**	**1 311**	**53 804**	**79 370**
Interest income from debt rescheduling agreements	13	8 173	2 656	116	10 945
Total income from insurance		**32 428**	**3 967**	**53 920**	**90 315**
Loss expenses	14	7 167	139	– 1 369	5 937
Debt rescheduling results	15	8 810	2 001	869	11 680
Total expenses from insurance		**15 977**	**2 140**	**– 500**	**17 617**
Profit/loss on insurance		**48 405**	**6 107**	**53 420**	**107 932**
Personnel expenses	16	– 792	– 1 165	– 13 088	– 15 045
Non-personnel expenses	17	– 489	– 720	– 8 086	– 9 295
Financial income	18	307	19	209	535
Other income		207	304	3 414	3 925
Operating profit/loss		**47 638**	**4 545**	**35 869**	**88 052**
Interest income from cash investments		–	–	–	–
Net income (NI)		**47 638**	**4 545**	**35 869**	**88 052**

* cf. Comments starting from page 54 of the Notes on the Financial Statements

Balance Sheet by Segment

31.12.2021, in CHF

	Notes *	Segments (by debtor)				SERV
		Public	Private without del credere	Private with del credere	Not assignable	
		(1)	(2)	(3)	(4)	(5)= (1)+(2)+(3)+(4)
Assets						
Cash in hand & at bank		–	–	–	85 374	85 374
Premiums receivables		761	34	853	–	1 648
Other receivables		–	–	–	131	131
Financial investments maturing in 1 year or less		–	–	–	2 951 000	2 951 000
Accruals and deferrals		–	–	–	342	342
Total current assets		**761**	**34**	**853**	**3 036 847**	**3 038 495**
Property, plant and equipment		–	–	–	519	519
Intangible assets		–	–	–	5 351	5 351
Financial investments and credit balances maturing in more than 1 year		–	–	–	–	–
Total property, plant and equipment and long-term financial investments		**–**	**–**	**–**	**5 870**	**5 870**
Claims from losses and restructuring		72 015	33 159	97 516	–	202 690
Credit balances from debt rescheduling agreements		49 998	65 645	2 450	–	118 093
Total claims and credit balances from debt rescheduling agreements		**122 013**	**98 804**	**99 966**	**–**	**320 783**
Total Assets		**122 774**	**98 838**	**100 819**	**3 042 717**	**3 365 148**
Liabilities						
Current liabilities		–	–	3 829	1 000	4 829
Short-term financial liabilities		184	–	203	–	387
Accruals and deferrals		–	–	–	1 723	1 723
Unearned premiums		121 265	10 504	267 915	–	399 684
Share of unearned premiums due to reinsurance		– 4 977	–	– 12 800	–	– 17 777
Loss provisions	19	65 506	39	77 038	–	142 583
Other non-current liabilities		–	–	–	1 450	1 450
Subtotal		**181 978**	**10 543**	**336 185**	**4 173**	**532 879**
Risk-bearing capital (RBC)		–	–	–	1 059 486	1 059 486
Core capital (CCap)		–	–	–	565 874	565 874
Compensation reserve (CR)		510 036	111 368	94 580	402 873	1 118 857
Net income (NI)		47 638	4 545	35 869	–	88 052
Total capital		**557 674**	**115 913**	**130 449**	**2 028 233**	**2 832 269**
Total liabilities		**739 652**	**126 456**	**466 634**	**2 032 406**	**3 365 148**

* cf. Comments starting from page 54 of the Notes on the Financial Statements

ACCOUNTING PRINCIPLES

The AP discussed in this section are outlined in abbreviated form. The full text of the AP and their annexes may be viewed at SERV upon request.

Introduction

The accounting and valuation principles (AP) define the accounting principles for SERV and are determined by the Board of Directors (BoD). In addition to editorial changes in the AP, the rules applicable since 31 March 2021 regarding the consideration of reinsurance and the management of exchange rate risks (surcharge for foreign currencies in the core capital [CCap]) were incorporated in the year under review.

The AP follow national and international standards for rendering accounts and are based on the practices of the Swiss private insurance industry. The balance sheet of SERV reflects the actual financial and asset situation as accurately as possible. The principle of individual valuation applies: over- and under-valuations are not set off against each other. All items have been reviewed to verify their accounting suitability and accuracy. The economic perspective takes priority over other possible points of view.

Balance sheet items are measured at face value with the exception of the items listed below:

Claims from Losses and Restructuring

Accounting: Claims from the insurance business are recorded if a policyholder is indemnified for a loss by SERV and its claim against third parties passes to SERV.

Valuation of claims against public debtors: Value adjustments are calculated on the basis of the official OECD provision rates for expected and actual losses. These rates take into account:

- the country risk at the time of valuation,
- a country’s income levels (World Bank classification),
- the classification of a country as a “heavily indebted poor country”.

In addition, a collateral surcharge is applied to the value adjustments.

Valuation of claims against private debtors: Individual valuations are carried out on a case-by-case basis for claims against private debtors. Depending on the transaction, arrangements of the export agreement and court rulings, even transactions with identical features (same country, same industry) can lead to different expectations of recoveries. The following criteria are taken into consideration in the valuation as decisive factors that reduce or increase the recoveries in the case of claims against private debtors:

- type of collateral,
- World Bank Rule of Law Index,

- type of security,
- OECD country risk category (CRC),
- number of missed payments,
- probability of restructuring,
- trend in local currency valuation,
- debtor rating prior to incurrence of loss,
- payment transferability and convertibility,
- societal stability in the respective location.

Based on these valuation criteria, the value adjustment percentages for claims against private debtors are determined by means of a decision tree.

Credit Balances from Debt Rescheduling Agreements

Accounting: Credit balances from debt rescheduling are bundled, meaning several claims of SERV against particular individual countries are consolidated. These credit balances arise after a debtor country has readjusted open items in the Paris Club with a debt rescheduling agreement. Claims from debt rescheduling agreements are denominated in CHF.

Valuation and value adjustments: Value adjustments are calculated on the basis of the official OECD provision rates for expected and actual losses.

Unearned Premiums

Accounting: Unearned premiums are accruals and deferrals; they are premiums that were received in the year under review and in previous years, but which are only earned during the risk period.

Valuation: 20 per cent of premiums are recorded immediately as earned premiums for the administrative share in the current financial year. The remaining 80 per cent of premiums are recorded as income according to the amount of commitment in accordance with risk distribution over the contract term of the individual transactions. In the event of a loss, the portion of the premium that has not yet been charged is realised immediately. Consequently, the unearned premium is reversed.

Loss Provisions according to IBNR

Accounting: IBNR provisions (IBNR = incurred but not reported) are provisions for losses that have already occurred but have not yet been reported.

Valuation of flat-rate IBNR provisions: A premium-based model is used for the calculation of the flat-rate IBNR provisions. The flat-rate IBNR provisions are recognised as a proportion of the released unearned premiums. Valuation of case-by-case IBNR provisions: Formation on a case-by-case basis. This is done in cases where a loss has not yet been reported but payment is in arrears past the waiting period. Similar but simplified rules are applied for the valuation of reported losses.

Provisions for Reported Losses

Accounting: On receipt of the loss form, SERV immediately recognises a provision in the amount of the probable loss.

Valuation for public debtors: Provisions are calculated on the basis of the official OECD provision rates for expected and actual losses. Because precise assessment of the occurrence probability is hardly possible, a probability of 50 per cent is calculated. As in the case of claims from losses and restructuring, an additional collateral surcharge is also applied here.

Valuation for private debtors: The same method is used as for valuing claims against private debtors.

Capital

Accounting: In terms of SERV's rendering of accounts, the capital is the residual factor after the accounting and valuation of the other items. It is subdivided into:

- Risk-bearing capital (RBC): The RBC is held back for insurance losses that may be payable by SERV. In accordance with the SERV Ordinance (SERV-V), provisions for losses not yet incurred must be shown as net equity items.
- Core capital (CCap): An extended risk buffer calculated on the basis of the assumption that the elements to be valued of all concluded and new insurance contracts expected as per growth projections, as well as the balance sheet items "claims from losses and restructuring" and "credit balances from debt rescheduling agreements", will deteriorate by one grade on the internal rating scale.
- Compensation reserve (CR): Balance sheet item that, together with the RBC, CCap and net income (NI), yields SERV capital.
- Net income.

Valuation: The RBC is determined using an actuarial model, taking into account all assets at risk of loss, as the so-called 99.9 per cent quantile of the annual loss distribution. The particular value at risk is calculated with a confidence factor of 99.9 per cent. The CCap is calculated on the basis of the assumption that the elements to be valued of all concluded and new insurance contracts expected as per growth projections, as well as other relevant balance sheet items, will deteriorate by one grade on the internal rating scale. The calculations are made using the same actuarial model as for the calculation of the RBC. The CR is determined arithmetically and is not subject to any valuation.

Economic Viability

Calculation: The average expected annual loss is the theoretical average potential loss, weighted for one year with the probabilities of default. This calculation is based on ratings, default probabilities and assumed recovery rates. The other items in the proof of economic viability are obtained from the income statement.

NOTES ON THE FINANCIAL STATEMENTS

Individual items of the income statement, the balance sheet and segment accounting are explained in more detail in this chapter. Firstly, items shown net in the financial statements are broken down to rend the calculation of net results transparently. This is significant particularly in the case of claims from losses, claims from restructuring, credit balances from debt rescheduling agreements and loss provisions, as these are valued in accordance with the accounting principles (AP) and reported on a net basis. Additionally, the allocation formula used in the segment accounting for those items that are not directly assignable to one of the three segments is made transparent. In the balance sheet by segment, there is no breakdown by the three segments of cash in hand & at bank, cash investments, current liabilities, short-term liabilities and capital. Doing so would not yield meaningful information. The comments are numbered according to the numbers in the Financial Statements.

Regarding the Income Statement

[1] On “Premium income”: The item “Premium income” amounting to CHF 83.5 million is comprised of income from insurance premiums in the sum of CHF 38.6 million and premium income from reinsurance totalling CHF 44.9 million.

[2] On “Loss expenses”: The negative loss expenses (income) of CHF 5.9 million comprise the reversal of provisions for incurred but not reported (IBNR) cases amounting to CHF –22.5 million, the reversal of provisions for reported losses totalling CHF –69.5 million, and the change in value adjustments on claims of CHF 41.0 million (cf. Loss Expenses by Segment, p. 60). Losses amounting to CHF 44.7 million were definitively written off in 2021. The losses written off related to risks in Azerbaijan, Brazil, Georgia, India, Russia, Spain and Switzerland. The CHF 0.4 million under other loss expenses includes costs for recovery measures.

[3] On “Debt rescheduling income”: Debt rescheduling income amounting to CHF 11.7 million is reported net. This item consists of the reversal of value adjustments on debt rescheduling balances amounting to CHF 11.8 million and the writing-off of credit balances against debtor countries totalling CHF –0.1 million (cf. Debt Rescheduling Results by Segment, p. 60).

[4] On “Other income”: The CHF 3.9 million in other income originates from the capitalisation of the project costs (personnel and non-personnel expenses) for the Transformation SERV (TRS) project.

Regarding the Balance Sheet

[5] On "Short-term cash investments": All cash investments are held with the Swiss Confederation in the form of an investment account.

[6] On "Intangible assets": The CHF 5.4 million under intangible assets originates from the capitalisation of the project costs (personnel and non-personnel expenses) of the Transformation SERV (TRS) project.

[7] On "Claims from losses and restructuring": SERV's claims from losses and the claims from restructuring with public debtors (cf. Claims from restructuring with public debtors (with value adjustment) p. 57) were valued in accordance with the AP (cf. Accounting Principles, p. 51) and were then reported as net claims. In the year under review, claims from losses increased by CHF 6.4 million. The claims paid related to Argentina, Azerbaijan, Bangladesh, Brazil, China, Cuba, the Dominican Republic, Egypt, India, Indonesia, Italy, Mexico, Nigeria, Pakistan, Panama, Russia, Switzerland, Turkey, the United Arab Emirates and Zambia.

[8] On "Credit balances from debt rescheduling agreements": The credit balances from debt rescheduling agreements (cf. Credit balances from debt rescheduling agreements (with value adjustment), p. 59) were reported as net credit balances. The largest movements occurred in Serbia (reduction of CHF 9.9 million) and Bosnia and Herzegovina (reduction of CHF 0.8 million).

[9] On "Loss provisions": SERV recognised IBNR provisions for losses amounting to CHF 49.8 million and provisions for reported losses of CHF 92.8 million (cf. Accounting Principles, p. 51). Loss provisions totalled CHF 142.6 million.

[10] On "Other long-term liabilities": This involves a cash deposit made by an exporter that was paid due to a changed risk situation in connection with ongoing counter guarantees. This cash deposit is reduced by the same ratio as SERV's risk decreased by means of a reduction of the counter guarantee.

Regarding the Cash Flow Statement

[11] On "Premium payments": Premium payments totalling CHF 116.7 million were made. In addition to the premiums invoiced in the 2021 financial year, this also settled the outstanding receivables from previous financial years.

Regarding Income Statement by Segment

[12] On "Premium income": Premium income was directly allocated to segments. Premium income per segment is shown in the table on page 60.

[13] On "Interest income from debt rescheduling agreements" – allocation formula: Interest income from debt rescheduling agreements was distributed to the individual segments in proportion to debt servicing (agreed principal and interest repayments) for each country.

[14] On “Loss expenses”: Loss expenses were allocated directly to the segments. The table on page 60 shows loss expenses incurred per segment.

[15] On “Debt rescheduling results”: Debt rescheduling results were allocated directly to the segments. The table on page 60 shows debt rescheduling results incurred per segment.

[16] On “Personnel expenses” – allocation formula: Personnel expenses were allocated to individual segments according to the number of new contracts per debtor category, less contracts with a duration of less than one year but including cover for secondary risks and the adjusted number of new contracts in multi-buyer insurance on the basis of the actual expenses incurred.

[17] On “Non-personnel expenses” – allocation formula: Non-personnel expenses were allocated to individual segments analogously to the allocation of personnel expenses.

[18] On “Financial income” – allocation formula: Financial income was allocated to individual segments as a proportion of the income generated per segment from insurance and expense premiums in the year under review (cf. comment 12, p. 55).

Regarding the Balance Sheet by Segment

[19] On “Loss provisions”: The loss provisions per segment are shown in the table “Loss Provisions by Segment” on page 60.

Development of Property, Plant and Equipment & Intangible Assets

in KCHF

	Property, plant and equipment		Intangible assets	
	2021	2020	2021	2020
Acquisition costs				
Value as at 1 January	2 653	1 874	3 309	20
Additions	416	877	3 907	3 289
Disposals	– 110	– 98	–	–
Other changes, transfers	–	–	–	–
Value as at 31 December	**2 959**	**2 653**	**7 216**	**3 309**
Cumulative depreciation				
Value as at 1 January	2 239	1 743	20	20
Additions	307	592	–	
Disposals	– 106	– 96	–	–
impairment	–	–	1 845	–
Value as at 31 December	**2 440**	**2 239**	**1 865**	**20**
Book value as at 31 December	**519**	**414**	**5 351**	**3 289**

Claims from Losses and Restructuring (with value adjustment)

in CHF million

	31.12.2021			31.12.2020			
	SERV claims	Value adjustment	Net claims	SERV claims	Value adjustment	Net claims	Change
	(1)	(2)	(3)=(1)+(2)	(4)	(5)	(6)=(4)+(5)	(7)=(3)–(6)
Value adjustment on claims from losses							
Saudi Arabia	128.4	– 64.2	64.2	128.4	– 64.2	64.2	–
Switzerland	102.8	– 75.7	27.1	89.8	– 54.6	35.2	– 8.1
Turkey	55.2	– 29.4	25.8	10.6	– 6.4	4.2	21.6
Cuba	47.7	– 32.0	15.7	44.4	– 29.4	15.0	0.7
Greece	50.7	– 44.3	6.4	50.7	– 40.1	10.6	– 4.2
India	43.0	– 23.0	20.0	43.1	– 21.9	21.2	– 1.2
Zimbabwe	37.4	– 23.4	14.0	37.4	– 23.4	14.0	–
Russia	16.1	– 13.7	2.4	15.9	– 13.9	2.0	0.4
Zambia	15.3	– 11.8	3.5	5.5	– 4.1	1.4	2.1
Brazil	14.6	– 9.9	4.7	20.6	– 12.3	8.3	– 3.6
Other countries	32.3	– 32.3	–	54.9	– 53.6	1.3	– 1.3
	543.5	**– 359.7**	**183.8**	**501.3**	**– 323.9**	**177.4**	**6.4**
Claims from restructuring with public debtors (with value adjustment)							
North Korea	188.9	– 170.0	18.9	188.9	– 170.0	18.9	–
	188.9	**– 170.0**	**18.9**	**188.9**	**– 170.0**	**18.9**	**–**
Total claim from losses and restructuring			**202.7**			**196.3**	**6.4**

Value Adjustment on Claims from Losses and Restructuring

in CHF million

	31.12.2021					31.12.2020					Change
			SERV					SERV			
	Total claims	Share 3rd parties*	Share	Value adjustment	Net claims	Total claims	Share 3rd parties*	Share	Value adjustment	Net claims	Net claims
	(1)	(2)	(3)=(1)–(2)	(4)	(5)=(3)+(4)	(6)	(7)	(8)=(6)–(7)	(9)	(10)=(8)+(9)	(11)=(5)–(10)
North Korea	216.3	27.4	188.9	– 170.0	18.9	216.3	27.4	188.9	– 170.0	18.9	–
Total	**216.3**	**27.4**	**188.9**	**– 170.0**	**18.9**	**216.3**	**27.4**	**188.9**	**– 170.0**	**18.9**	**–**

* policyholders or assignees

Credit Balances from Debt Rescheduling Agreements (with value adjustment)

in CHF million

	31.12.2021						31.12.2020						Change
				SERV						SERV			
	Total credit balance	Share Confederation	Share 3rd parties	Share	Value adjustment	Net credit balance	Total credit balance	Share Confederation	Share 3rd parties	Share	Value adjustment	Net credit balance	Net credit balance
	(1)	(2)	(3)	(4)= (1)–(2)–(3)	(5)	(6)=(4)+(5)	(7)	(8)	(9)	(10)= (7)–(8)–(9)	(11)	(12)= (10)+(11)	(13)=(6)–(12)
Sudan	144.9	91.7	–	53.2	– 47.9	5.3	144.9	91.7	–	53.2	– 47.9	5.3	–
Cuba	116.4	–	30.2	86.2	– 64.4	21.8	115.8	–	30.1	85.7	– 64.4	21.3	0.5
Argentina	102.7	–	19.9	82.8	– 24.8	58.0	102.7	–	19.9	82.8	– 24.8	58.0	–
Pakistan	72.2	3.2	3.8	65.2	– 63.9	1.3	71.5	3.2	3.7	64.6	– 63.9	0.7	0.6
Serbia	42.4	–	11.3	31.1	– 4.6	26.5	55.7	–	14.8	40.9	– 4.5	36.4	– 9.9
Iraq	28.0	–	8.8	19.2	– 19.1	0.1	32.7	–	11.1	21.6	– 21.5	0.1	–
Bosnia and Herzegovina	21.0	–	5.2	15.8	– 11.2	4.6	22.1	–	5.5	16.6	– 11.2	5.4	– 0.8
Honduras	1.7	–	0.1	1.6	– 1.3	0.3	1.8	–	0.1	1.7	– 1.3	0.4	– 0.1
Cameroon	1.5	–	0.2	1.3	– 1.3	–	1.5	–	0.2	1.3	– 1.3	–	–
Indonesia	0.9	0.9	–	–	–	–	10.4	1.4	0.9	8.1	– 8.1	–	–
Montenegro	0.8	–	0.2	0.6	– 0.4	0.2	1.0	–	0.2	0.8	– 0.4	0.4	– 0.2
Bangladesh	0.5	0.1	–	0.4	– 0.4	–	0.7	0.1	–	0.6	– 0.6	–	–
Egypt	–	–	–	–	–	–	1.9	–	0.3	1.6	– 1.2	0.4	– 0.4
Total credit balances from debt rescheduling agreements	**533.0**	**95.9**	**79.7**	**357.4**	**– 239.3**	**118.1**	**562.7**	**96.4**	**86.8**	**379.5**	**– 251.1**	**128.4**	**– 10.3**

Premium Income by Segment

01.01.2021–31.12.2021, in KCHF

	Segments (by debtor)			SERV
	Public	Private without del credere	Private with del credere	
	(1)	(2)	(3)	(4)=(1)+(2)+(3)
Premium income from insurance premiums	3016	2883	32654	38553
Premium income from expense premiums (e.g. review premiums)	–	19	19	38
Premiums from reinsurance	44875	1	2	44878
Premiums for reinsurance	–	–	20	20
Total premium income	**47891**	**2903**	**32695**	**83489**

Loss Expenses by Segment

01.01.2021–31.12.2021, in KCHF

	Segments (by debtor)			SERV
	Public	Private without del credere	Private with del credere	
	(1)	(2)	(3)	(4)=(1)+(2)+(3)
Provision for losses IBNR	– 2324	1219	23581	22476
Provision for reported losses	17440	–	52087	69527
Change in value adjustments	– 7949	10601	– 43631	– 40979
Definitive loss write-offs	–	– 11681	– 33056	– 44737
Other loss expenses	–	–	– 350	– 350
Total loss expenses	**7167**	**139**	**– 1369**	**5937**

Debt Rescheduling Results by Segment

01.01.2021–31.12.2021, in KCHF

	Segments (by debtor)			SERV
	Public	Private without del credere	Private with del credere	
	(1)	(2)	(3)	(4)=(1)+(2)+(3)
Transfers of capital or interest to new or different agreements	–	–	–	–
Change in value adjustments	8960	1999	869	11828
Write-offs of credit balances against debtor countries	– 150	2	–	– 148
Total debt rescheduling results	**8810**	**2001**	**869**	**11680**

Loss Provisions by Segment

31.12.2021, in CHF

	Segments (by debtor)			SERV
	Public	Private without del credere	Private with del credere	
	(1)	(2)	(3)	(4)=(1)+(2)+(3)
IBNR	8265	39	41506	49810
Reported losses	57241	–	35532	92773
Loss provisions	**65506**	**39**	**77038**	**142583**

PROOF OF CAPITAL

As of 31 December 2021, SERV held capital of CHF 2.832 billion, CHF 88.1 million more than the previous year.

Risk-bearing capital (RBC) and core capital (CCap) together totalled CHF 1.625 billion at the end of 2021, CHF 106.5 million higher than the previous year. This change lies within the usual range of fluctuations arising from changes in exposure, OECD country risk categories (CRCs) and default probabilities and foreign currency effects. The compensation reserve (CR) is a net balance sheet item and amounted to CHF 1.119 billion at the end of 2021. This represents a decrease of CHF 188.1 million compared to the previous year (including CHF −81.5 million in allocated net income (NI) from the 2020 financial year). The CR provides SERV with leeway for additional cover and allows it to manage the major volatility it is exposed to through country downgrades due to political and economic crises (increased demand for RBC, CCap or value adjustments on debt rescheduling balances) and through elevated losses. This allows SERV to provide the Swiss export industry with effective support even in difficult times.

If the capital as at 31 December 2020 had been calculated on the basis of the method employed since 31 March 2021 (cf. Financial Report, Balance Sheet, pp. 42), the figures reported as at 31 December 2020 would have been as follows: RBC of CHF 999.1 million (up by CHF 0.1 million) and CCap of CHF 568.9 million (up by CHF 49.1 million).

Proof of Capital
31.12.2021, in KCHF

	31.12.2020	Allocation net income previous year	Net income in 2021	Shifts	31.12.2021
	(1)	(2)	(3)	(4)	(5)= (1)+(2)+(3)+(4)
Risk-bearing capital (RBC)	999 023			60 463	1 059 486
Core capital (CCap)	519 782			46 092	565 874
Compensation reserve (CR)	1 306 940	– 81 528		– 106 555	1 118 857
Net income (NI)	– 81 528	81 528	88 052		88 052
Capital	**2 744 217**	**–**	**88 052**	**–**	**2 832 269**

OTHER NOTES

Legal Form and Registered Office

SERV is an institution under public law with the status of an independent legal entity under the Swiss Confederation. Its tasks and services as well as the basic features of its organisation are laid down in the Swiss Export Risk Insurance Act of 16 December 2005 (SERVG) SR 946.10 (as of 1 January 2016). SERV is independent in its organisation and management and conducts its own accounts (Art. 3 SERVG).

SERV's registered office is at Genferstrasse 6 in Zurich. It has an office at Avenue d'Ouchy 47 in Lausanne. An employee based at that location provides support for customers in French-speaking Switzerland.

Significant Events after the Balance Sheet Date

From 31 December 2021 to 23 February 2022, no events occurred that would have resulted in an adjustment of the book values of assets and liabilities or that would have to be disclosed here.

Auditors

In 2021, the auditors received a fee (excl. VAT) of KCHF 66.6 (previous year: KCHF 66.6) for auditing the 2021 financial statements. Apart from this, the auditors received no other remuneration.

Reporting to the Confederation

SERV is subject to the supervision of the Federal Council and, ultimately, of Parliament (cf. Art. 32 SERVG). The Federal Council defines SERV's strategic goals for four years at a time and reviews them periodically. SERV regularly updates the Federal Council on the achievement of its objectives and on its business results. In addition, it provides information on its business results to the sub-committees of the Finance Committees each year and to the sub-committees of the Control Committees of the National Council and Council of States every four years.

The electronic version of the current annual report
can be found at report.serv-ch.com.

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Report of the Statutory Auditor to the Federal Council

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the financial statements on pages 45 to 62 of Swiss Export Risk Insurance, which comprise the income statement, balance sheet, cash flow statement, proof of economic viability, segment accounting and notes for the year ended 31 December 2021.

Board of Directors' Responsibility
The board of directors is responsible for the preparation of the financial statements and the proof of economic viability in accordance with the requirements of Swiss law and the accounting principles set out in the notes. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements and the proof of economic viability based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the proof of economic viability. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements and the proof of economic viability. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements and the proof of economic viability for the year ended 31 December 2021 comply with the accounting principles set out in the notes.

KPMG

Swiss Export Risk Insurance, Zurich
Report of the Statutory Auditor on the Financial Statements
to the Federal Council

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the board of directors.

We recommend that the financial statements and the proof of economic viability submitted to you be approved.

KPMG AG

Oliver Windhör
Licensed Audit Expert
Auditor in Charge

Patrick Scholz
Licensed Audit Expert

Zurich, 23 February 2022