SERV Swiss Export Risk Insurance
Annual Report

2021

Schweizerische Exportrisikoversicherung
Assurance suisse contre les risques à l'exportation
Assicurazione svizzera contro i rischi delle esportazioni
Swiss Export Risk Insurance

serv

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FINANCIAL HIGHLIGHTS

NEW COMMITMENT
1 933 CHF M

PROFIT / LOSS ON INSURANCE
90 CHF M

PROPORTION OF SMES IN THE CLIENT BASE
78%

NUMBER OF FULL-TIME EQUIVALENTS
64 (CORE ORGANISATION)

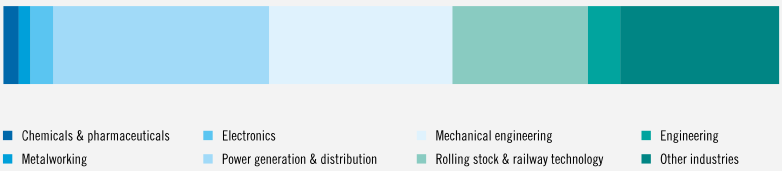
of which 48% women and 52% men.

INDEMNITY PAYMENTS
109 CHF M

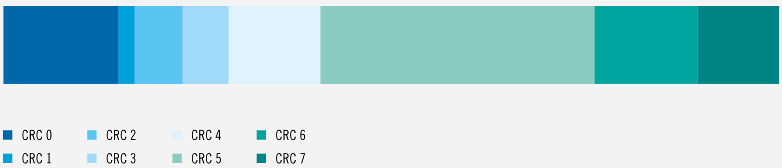
ECONOMIC VIABILITY
18 CHF M

The surplus cover in the economic viability calculation amounted to CHF 18 million.

COMMITMENT BY INDUSTRY
in CHF million, as at 31 December



COMMITMENT BY OECD COUNTRY RISK CATEGORY
in CHF million, as at 31 December



7 089 CHF M

Obligation in CHF million **	31.12.2021	31.12.2020
Framework of obligation	14 000	16 000
Insurance obligations	9 924	11 671

Current exposure in CHF million	31.12.2021	31.12.2020
Commitment: insurance policies (IP)	7 089	7 301
Insurance commitments in principle (ICP)	2 835	1 670
Exposure	**9 924**	**8 971**

New exposure in CHF million	2021	2020
New commitment: insurance policies (IP)	1 933	2 580
Insurance commitments in principle (ICP)	2 714	1 222

Balance sheet in CHF million	31.12.2021	31.12.2020
Cash in hand & at bank and cash investments	3 036	3 002
Claims from losses and restructuring	203	196
Credit balances from debt rescheduling agreements	118	128
Unearned premiums and provisions	524	611
Capital	2 832	2 744

Income statement in CHF million	2021	2020
Earned premiums	79	90
Interest income from debt rescheduling agreements	11	1
Loss expenses	6	– 168
Debt rescheduling results	12	12
Profit/loss on insurance	**108**	**– 65**
Personnel expenses	– 15	– 13
Non-personnel expenses	– 9	– 7
Financial income	–	–
Other income	4	3
Operating profit/loss	**88**	**– 82**
Interest income from cash investments	–	–
Net income (NI)	**88**	**– 82**

Number of employees **		
Number	78	70
Full-time equivalents	71.1	62.9
Average number of full-time equivalents by year	70.7	58.5

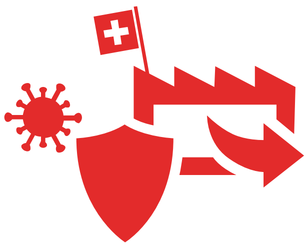
*Recalculation of the insurance obligation: With the Federal Council decision of 31 March 2021, the calculation of the insurance obligation was aligned with that of the exposure calculation from this date; the insurance obligations therefore correspond to the exposure as of this date. In the comparison period, the insurance obligation was calculated on the basis of the total of the maximum loan amount multiplied by the cover ratio for all insurance policies and guarantees granted plus 75 per cent of the cover amount of the insurance commitments in principle (ICPs) (including the insured interest over the total repayment period in both cases) plus a surcharge for insurance policies in foreign currency. If the insurance liability as at 31 December 2020 had been calculated based on the method applicable from 31 March 2021, an insurance obligation of CHF 8.918 billion (decrease of CHF 2.753 billion) would have been reported as at 31 December 2020.
**Including TRS project employees

MILESTONES

April 2021

Federal Council boosts access to foreign infrastructure projects

The Federal Council gives the Swiss economy better access to foreign infrastructure projects. This decision goes hand in hand with SERV's Pathfinding Initiative. As part of the federal government's initiative, individual organisations in the Swiss export landscape, in particular SERV, Switzerland Global Enterprise (S-GE), Swissmem, Swissrail and specialised federal agencies, are enhancing their collaboration and operating as "Team Switzerland" abroad – with the objective of boosting their joint presence internationally and making it easier for Swiss SMEs to supply such projects.



April 2021

SERV continues to support Swiss exporters during the COVID-19 pandemic in 2021

Swiss Export Risk Insurance SERV extends its measures to support the Swiss export industry due to the economic impact of the COVID-19 pandemic. SERV first adopted these measures on 17 April 2020 and has extended some of them several times. As part of these measures, SERV is temporarily lifting the subsidiarity rules, simplifying its internal processes to process transactions more rapidly, relaxing its Swiss content requirements and increasing its cover ratios for some products.

June 2021

SERV launches a climate strategy

SERV's climate strategy will support the Swiss export industry in addressing climate change and incorporating the issue into its business operations. The three cornerstones of the strategy include the handling of SERV's own greenhouse gas emissions, integrating climate risks into business operations and SERV's contribution to decarbonising the economy.

FOREWORD

Unexpected events and significant challenges such as the COVID-19 pandemic, global dependencies, migration and climate change have an emotional impact and adversely affect cohesion in our society. Different perceptions cause polarisation, lead to ideological conflicts and give rise to the question: do we stick together or allow ourselves to become divided?

Barbara Hayoz (Chairwoman of the Board) and Peter Gisler (CEO)

For SERV, the answer can only be to stick together. The COVID-19 pandemic also impacted on the business activities of our clients last year, although the number of transactions has now increased. For example, while SERV recorded a significant increase in new exposure this year in insurance commitments in principle (ICPs) of 122 per cent to CHF 2.714 billion, newly issued insurance policies (IPs) decreased significantly by 25 per cent to CHF 1.933 billion. It is evident that there is some degree of COVID-related backlog in these figures. SERV has observed that the situation with regard to its clients' business operations is neither worrying nor exhilarating. It remains to be seen how the COVID-19 crisis will develop in 2022 and what impact global economic developments will have on SERV's business operations. Compared to the previous year, SERV reported a pleasing net income (NI) of CHF 88.1 million in 2021. Earned premiums of CHF 79.4 million and negative loss expenses (income) of CHF 5.9 million made a significant contribution to that net income.

Foreign trade is of key importance to Switzerland. Exports of goods account for more than 40 per cent of the country's gross domestic product, yet it is not only multinational corporations but also SMEs that operate in an increasingly dynamic and challenging global environment. Political uncertainties, China's economic ascent, the transformation to a climate-neutral economy, the rapid growth in the use of digital technologies and disrupted supply chains due to crises such as the COVID-19 pandemic threaten Switzerland's successful model. Financing and risk cover are important competitive factors in foreign trade, and public export credit agencies (ECAs) such as SERV play a significant role in managing global challenges.

SERV's 2025 Strategy

In the 2021 financial year, the Board of Directors (BoD) and the Executive Board adopted the "2025 Strategy" to make SERV fit for a world of change. How are we aligning ourselves for the future? What do we need to do to further improve our support for Swiss companies? How do we achieve sustainable results? SERV's 2025 Strategy provides clear answers to these questions. Swiss export companies must not suffer any systematic disadvantage compared to their foreign competitors, who benefit from the greatly expanded support measures provided by other countries.

We want to look ahead and promote the international competitiveness and growth of Swiss companies and Swiss employment. Working closely with our clients, we develop the best possible solutions to support them in operating their businesses sustainably, with the aim of achieving even better client focus and operational excellence. SERV is becoming a trade facilitator and, to achieve this, has adapted its business model and aligned it more closely to its clients. As a supporting measure, it made some important organisational changes on 1 January 2022: Heribert Knittlmayer will head the newly created Business Operations Division as Chief Operating Officer and Lars Ponterlitschek will lead the Insurance Business Division as Chief Insurance Officer. We are delighted to have been able to fill the position of Chief Financial Officer with an external candidate.

At the end of the year, SERV's committees had to take an important, far-reaching decision – to abandon the ongoing IT renewal project based on software-as-a-service and, instead, modernise SERV's existing IT solution. It will be technically updated and adapted specifically to SERV's requirements, enabling it to continue to respond in the best possible way to the individual requirements of both the company and its clients. This will not result in any changes for our clients in the short term and will allow SERV to respond even better to clients' needs in the medium to long term.

"The world is addressing climate change. SERV's new climate strategy provides it with an instrument to mitigate climate risks and thus make a contribution to the battle against climate change."

BARBARA HAYOZ
CHAIRWOMAN OF THE BOARD OF DIRECTORS

Climate Strategy

The world is addressing climate change and many countries, including Switzerland, are pledging that they will take measures to significantly reduce greenhouse gas emissions. Switzerland aims to achieve the target of net zero by 2050. The political decisions resulting from that aim, as well as climate change itself, also have an impact on SERV's business activities.

SERV has therefore developed a climate strategy. The aim of this strategy is to identify and reduce the risks to SERV's business activities arising from climate change, while recognising and exploiting the opportunities that arise. SERV's climate strategy supplements its existing climate activities with further areas of activity and integrates them into its corporate strategy. When assessing the sustainability of its insured projects, SERV always evaluates their impact on the climate. This is done by applying international standards and the specifications of the Organisation for Economic Cooperation and Development (OECD), the World Bank and the International Finance Corporation (IFC). SERV also offsets all its own greenhouse gas emissions and is a carbon-neutral company.

Outlook

SERV receives good to very good marks when compared with its international equivalents. We are nonetheless committed to constantly developing further, to adapting to changing framework conditions and to taking appropriate account of the most important trends.

During the COVID-19 crisis, SERV demonstrated that it supports the export industry effectively, even in challenging times. Within the framework of their collaboration, SERV and the supervisory authorities are discussing how to proceed following the pandemic in terms of Swiss content requirements. In order to provide the export industry with the best possible support, the Federal Council has decided that it wants to further improve the Swiss economy's access to foreign infrastructure projects, with a focus on also expanding the coordination between the various associations and promotion institutions. As part of a Team Switzerland approach, this will concentrate on the increased use of synergies, a more effective international presence and the development of a no-wrong-door principle. Even better networking, consolidating strengths in Switzerland

and the targeted expansion of promotional activities in the markets generate added value. This is particularly the case for SMEs.

“We want to look ahead and act as a visionary in promoting the international competitiveness of Swiss companies, growth and Swiss employment.”

PETER GISLER
CEO

At the end of the year, Caroline Gueissaz, who had been a member of the Board of Directors since SERV was established, Anne-Sophie Spérisen and Vice Chair Urs Ziswiler retired from the Board, the latter two having also been members for many years. Their extensive expertise and professional experience shaped the establishment and development of SERV. The Federal Council has appointed Claudine Amstein and Claire-Anne Dysli Wermeille as new members of the BoD. We would like to extend our thanks to the departing members and look forward to working with our new colleagues.

At the same time, I would like to thank our clients for the trust that they have placed in SERV and its employees and for our many constructive conversations, which have continually provided valuable impetus for SERV’s development.

Barbara Hayoz
Chairwoman of the Board of Directors

Peter Gisler
CEO

FINANCIAL YEAR 2021

Following the previous year's loss of CHF 81.5 million, SERV recorded a profit of CHF 88.1 million in the 2021 financial year. In addition to earned premiums of CHF 79.4 million, the unusually negative loss expenses (income) of CHF 5.9 million also contributed to the pleasing annual result.

PREMIUM INCOME
in CHF million
84

NEW COMMITMENT
–25%

Although new commitment amounted to only CHF 1.933 billion, 25 per cent less than in the previous year, SERV posted premium income of CHF 83.5 million. Premiums were driven primarily by just one large transaction, in which SERV provided the Swedish export credit agency (ECA) EKN with reinsurance for the Swiss share of the project. The insurance income of CHF 90.0 million also includes interest income from debt rescheduling of CHF 10.9 million. After posting exceptionally high loss expenses in the previous year, SERV was able to release some provisions for imminent losses in 2021 and recorded successes in recovery. This resulted in negative loss expenses (income) of CHF 5.9 million. The principle of prudence in the accounting of business transactions was apparent in this regard. Some of the imminent losses reported in the previous year led to high loss expenses in 2020 and could be averted in 2021. At CHF 11.7 million, the debt rescheduling income was in line with the figure for the previous year. Personnel and non-personnel expenses rose by CHF 4.6 million compared to 2020, while financial income was positive at CHF 0.5 million compared to the previous year. In total, this resulted in an operating profit of CHF 88.1 million. As SERV is only permitted by law to invest its capital with the Swiss Confederation, it was again unable to generate income from cash investments in 2021. As a result, its net profit matched the operating profit.

SERV's Measures to Support its Clients

The impact of the COVID-19 pandemic and its sometimes unexpected effects, such as supply bottlenecks for primary products and problems with international logistics, was a continuing theme in 2021. To take account of this challenging business environment, SERV maintained the simplifications it had created in the previous year for its clients and created new ones. The measures to support exporters during the COVID-19 pandemic that were approved by the Federal Council in 2020 remain in place. In addition, SERV introduced a fast-track risk analysis process to speed up the processing of smaller transactions.

“I’m pleased that our Pathfinding Initiative is beginning to bear fruit and I’m confident that the initiative will result in us insuring more large-scale projects in the future. Swiss SMEs benefit by participating in such projects.”

LARS PONTERLITSCHEK
CHIEF INSURANCE OFFICER

Marketing & Acquisition

Despite the COVID-19 pandemic, SERV continued to pursue its Pathfinding Initiative vigorously. By actively marketing in buyers’ markets, it gives Swiss exporters access to major international projects at an early stage, particularly those in the infrastructure sector. The Pathfinding Initiative is the perfect accompaniment to the initiative launched by the Federal Council at the end of 2019 to give Swiss companies better access to major foreign projects. In 2021, the collaboration in Team Switzerland, which consists of SECO, Switzerland Global Enterprise (S-GE), Swissmem, Swissrail and SERV, was further expanded and also confirmed by a memorandum of understanding and advertised through a variety of measures.

SERV has already concluded an insurance transaction as a result of the Pathfinding Initiative. This involves the renewal and extension of a railway line in Ghana (cf. In the Field, 100 kilometres of railway in Ghana with Swiss participation). Several other projects are also in the pipeline. Seven foreign general contractors have opened an office in Switzerland and are in contact with over 60 Swiss companies. SERV will expand its acquisition team by two positions in 2022 and step up this initiative.

New exposure
in CHF million

	Insurance policies (IP) (new commitment)				Total		Insurance commitments in principle (ICP)		Total new exposure	
	short term		medium/long-term							
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Countries										
Turkey	6.5	4.2	49.2	121.6	55.7	125.8	592.1	8.1	647.8	133.9
Russia	320.4	41.8	2.8	132.6	323.2	174.4	111.9	20.7	435.1	195.1
Ghana	0.3	0.8	264.3	–	264.6	0.8	156.2	–	420.8	0.8
Kazakhstan	0.5	0.1	–	–	0.5	0.1	343.5	–	344.0	0.1
Luxembourg	–	–	–	–	–	–	306.1	1.1	306.1	1.1
Uzbekistan	–	–	88.5	59.1	88.5	59.1	207.7	43.6	296.2	102.7
Egypt	28.0	10.0	0.8	0.6	28.8	10.6	250.8	161.1	279.6	171.7
United Arab Emirates	184.3	18.2	8.6	17.2	192.9	35.4	85.6	19.1	278.5	54.5
Other countries	565.8	1 419.0	412.7	754.3	978.5	2 173.3	660.1	968.6	1 638.6	3 141.9
Total	**1 105.8**	**1 494.1**	**826.9**	**1 085.4**	**1 932.7**	**2 579.5**	**2 714.0**	**1 222.3**	**4 646.7**	**3 801.8**
Industries										
Mechanical engineering	290.6	194.5	337.5	294.8	628.1	489.3	777.0	464.5	1 405.1	953.8
Rolling stock & railway technology	27.7	970.9	139.2	228.8	166.9	1 199.7	493.3	4.8	660.2	1 204.5
Engineering	96.5	5.0	3.3	20.2	99.8	25.2	84.0	85.0	183.8	110.2
Chemicals & pharmaceuticals	176.8	188.8	1.4	–	178.2	188.8	–	–	178.2	188.8
Power generation & distribution	6.1	9.3	48.0	226.7	54.1	236.0	67.8	398.8	121.9	634.8
Electronics	11.4	45.5	3.1	139.0	14.5	184.5	18.2	31.8	32.7	216.3
Metalworking	20.8	14.6	9.0	7.3	29.8	21.9	0.5	6.3	30.3	28.2
Other industries	475.9	65.5	285.4	168.6	761.3	234.1	1 273.2	231.1	2 034.5	465.2
Total	**1 105.8**	**1 494.1**	**826.9**	**1 085.4**	**1 932.7**	**2 579.5**	**2 714.0**	**1 222.3**	**4 646.7**	**3 801.8**

Development of New Exposure and New Commitment

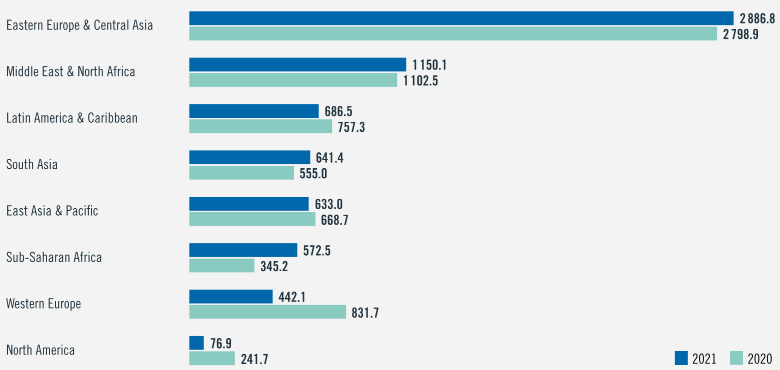
SERV approved 721 new applications in 2021, of which 568 were insurance policies (IPs) and 153 insurance commitments in principle (ICPs). New commitments fell by 25 per cent to CHF 1.933 billion. The volumes of insured transactions ranged widely, from CHF 19 000 to CHF 264.3 million. The majority of newly acquired insurance policies were small in volume (median of CHF 0.6 million). Almost 78 per cent of clients in 2021 were SMEs. The five largest individual commitments account for almost 40 per cent of the total new commitment. As in previous years, new commitments were predominately short-term in 2021.

Since 2017, the demand for working capital insurance (WCI) and counter guarantees (CGs) has declined continuously in terms of both numbers and exposure. The number of WCIs issued decreased further from 56 to 39 in 2021, with a fall in volume from CHF 436.3 to CHF 347.8 million.

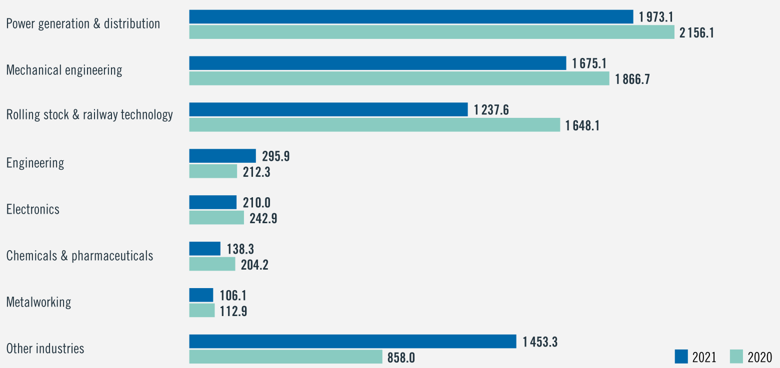
There was also a decline in the number of CGs issued, with these falling from 168 to 143. Their volume amounted to only CHF 120.8 million, some CHF 177.3 million less than in the previous year. The assumption had been that SMEs in particular would be dependent on liquidity in connection with the pandemic and would therefore make greater use of CGs and WCIs, which has turned out not to be the case since 2020.

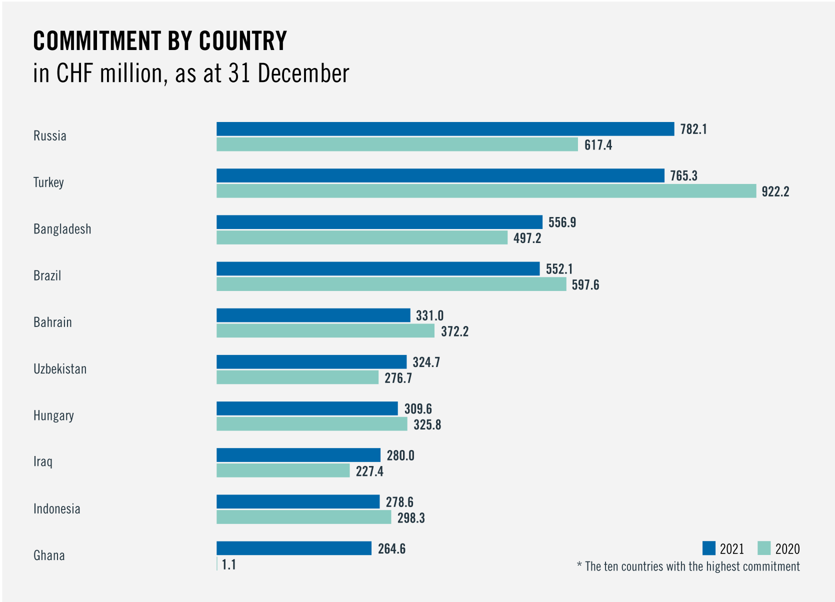
Demand for ICPs followed a completely different trajectory: a year-on-year increase of 122 per cent to CHF 2.714 billion, with the transactions examined and accepted in principle including some large projects in the infrastructure sector with long credit periods, some of which resulted from SERV's Pathfinding Initiative. SERV issued six ICPs, each worth hundreds of millions. This development allows us to conclude that SERV's clients are again seeing a greater number of incoming orders following the temporary collapse in Swiss exports in connection with the COVID-19 pandemic, particularly in the machinery, electrical and metal industry (MEM industry). SERV's business pipeline is well filled for the coming year, with the rail vehicles and railway infrastructure, power generation and textile machinery industry sectors featuring in particular. Multi-buyer insurance for the pharmaceutical industry declined further to CHF 178.2 million.

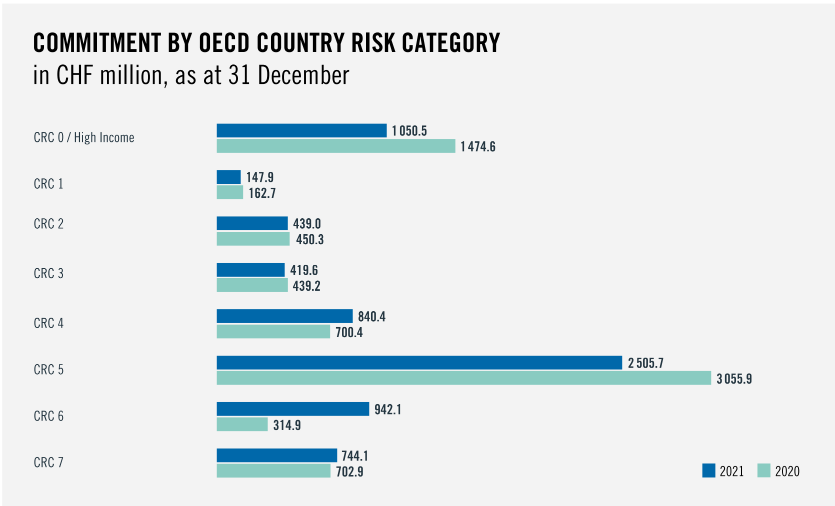
COMMITMENT BY REGION
in CHF million, as at 31 December



COMMITMENT BY INDUSTRY
in CHF million, as at 31 December







Exposure & Commitment

SERV's exposure amounted to CHF 9.924 billion as at 31 December 2021, almost CHF 1 billion higher than on the previous year's balance sheet date. The commitment on the balance sheet date was CHF 7.089 billion, which was some CHF 200 million less than on the same date the previous year. The increase in exposure resulted from the new ICPs.

The change in the current exposure portfolio is not solely due to the volume of new business. It is typically influenced by the writing-off of expired IPs, the repayment of insured export credits, and the liability period and exchange rate changes of the insured transactions.

As in previous years, SERV's highest exposure by country was to Turkey, at CHF 1.327 billion. Ghana has moved up to sixth place in the country list as SERV has reinsured the Swiss share for a major infrastructure project for the Swedish ECA, EKN. Uzbekistan has climbed to fifth place in the country list because SERV has insured some new projects there, primarily in the textile sector.

International Relations

SERV has never insured coal-fired power plants in the past and already implicitly abides by the rule now laid down in the Arrangement.

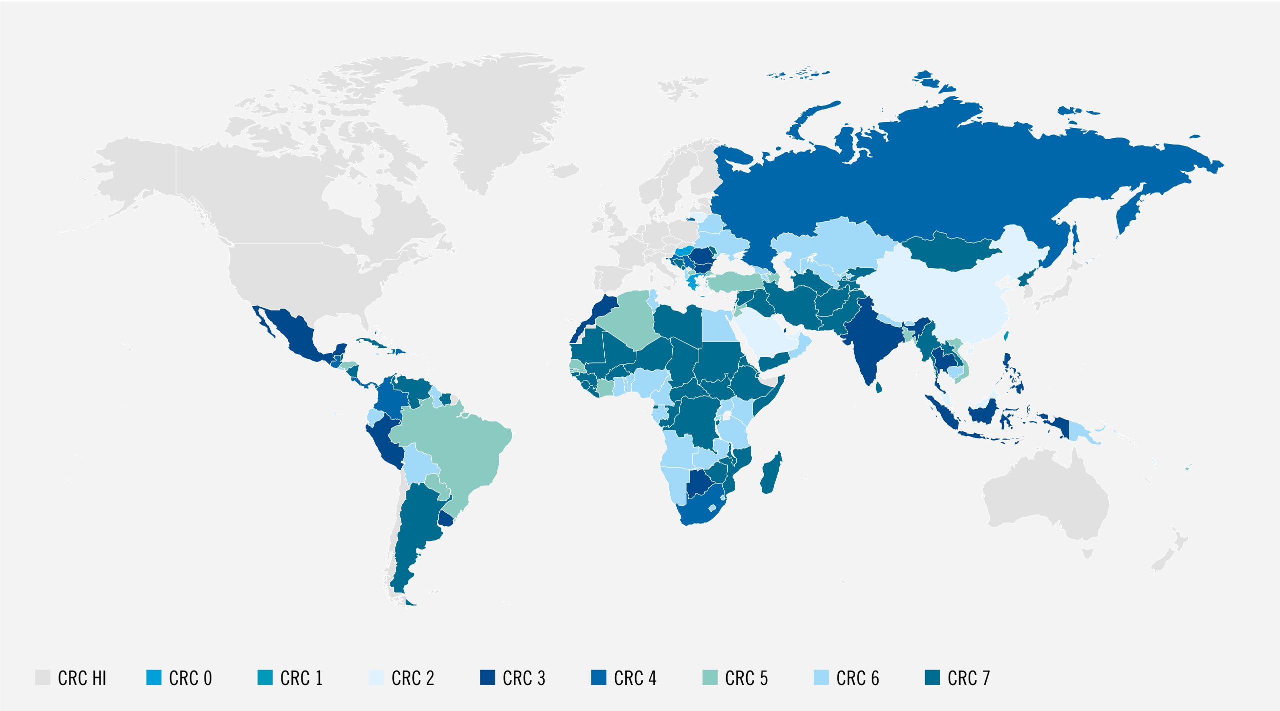
International negotiations on government support for export credits were dominated by the COVID-19 pandemic and climate issues in 2021, the latter of which acquired added momentum as a result of the UN Climate Change Conference (COP26) in November 2021. For example, it was agreed that, as a matter of principle, no new coal-fired power plants may be supported under the "Arrangement on Officially Supported Export Credits" (the "Arrangement"). SERV has never insured coal-fired power plants in the past and already implicitly abides by the rule now laid down in the Arrangement.

In addition to efforts to take greater account of climate targets in the Arrangement, a working group of experts has started to elaborate proposals to reform the Arrangement. The aim is to simplify the rules and increase their flexibility in order to reduce the competitive disadvantages resulting from the relatively rigid rules vis-à-vis non-OECD countries. Nonetheless, the rules must remain in line with the principles of the World Trade Organisation (WTO), which strives to prevent official subsidising of exports. SERV is actively involved in ensuring that the Arrangement is adapted to current circumstances and continues to guarantee a level playing field without generating an excessive administrative burden.

SERV has chaired the committee for the ECAs of the Berne Union for the past two years. The priorities set have covered the changing role of ECAs, the impact of the COVID-19 pandemic, the climate policy and strategy of ECAs, and discussions with major export-financing international banks.

In addition to multilateral cooperation, SERV attaches great importance to maintaining and expanding its bilateral relationships. SERV maintains regular exchanges with other ECAs, including an annual trilateral meeting with Germany and Austria, which was able to be held on a face-to-face basis again in Germany in 2021.

OECD country risk categories
As at 31 December 2021



Losses and Claims

CLAIMS
+28

SERV reported several small and some medium-sized losses in the year under review, as well as a more significant loss in Turkey, which had, however, been on the horizon for some time. It was again able to avert some losses through prompt, active pre-loss management using measures such as restructuring due dates and extending cover. The situation has stabilised when compared to the start of the pandemic, which meant that SERV received payments made according to the normal repayment schedule in some restructured cases. SERV made indemnity payments totalling CHF 109.4 million in the year under review, including CHF 72.6 million for 28 new claims.

INDEMNITY PAYMENTS
in CHF million
109

In recovery, SERV processed 214 claims in a total of 39 countries. Depending on the country and the debtor's willingness or ability to pay, recovery is often a challenging, protracted process. Initiation of legal action in the debtor country concerned does, however, give rise to some successes. Support from political actors such as embassies can also have a very positive effect on recovery in individual cases. The largest recoveries in the year under review came from Switzerland at CHF 4.3 million, from the United Arab Emirates at CHF 3.9 million and from Brazil at CHF 2.3 million.

Restructuring & Debt Rescheduling

The international agreement on a Debt Service Suspension Initiative (DSSI) for the poorest countries, reached in 2020 as a result of the

COVID-19 crisis, also impacted on the 2021 financial year: of the countries that have active debt rescheduling agreements with Switzerland, Pakistan and Cameroon have submitted requests under the DSSI to defer the 2020 maturities until the end of 2021. Some of the bilateral agreements have already been concluded, while some deferrals under the DSSI are still pending.

Argentina and Cuba, which do not qualify for DSSI but have nonetheless also been severely affected by the impact of the COVID-19 pandemic, were also unable to meet their payment obligations in 2021, although Argentina did make a partial interest payment in mid-2021. Cuba agreed a new repayment schedule with its creditors in 2021.

The G20, the countries belonging to the Paris Club and other creditor countries agreed on a “Common Framework for debt treatment beyond the DSSI” (the “Common Framework”) in November 2020 to assist countries that require support beyond that of the DSSI to bridge their liquidity problems or whose sovereign debt is unsustainable. In the case of Ethiopia and Zambia, which have submitted an application under the Common Framework, both SERV and Switzerland are affected by their existing exposure there.

SERV is also affected by the replacement of LIBOR at the end of 2021: six countries’ debt rescheduling agreements are based on LIBOR and will need to be adjusted to a new interest rate basis. These adjustments are under way. The other countries listed in the table “Credit Balances from Debt Rescheduling Agreements (with value adjustment)” (cf. PDF Notes on the Financial Statements, p. 59) with which debt rescheduling agreements were concluded in the Paris Club were able to meet their payment obligations.

RISK POLICY, RISK MANAGEMENT & COVER POLICY

The Board of Directors (BoD) is responsible for SERV's risk management and its monitoring. It defines the risk policy and periodically evaluates the risk profile.

Risk Policy and Management

SERV's Board of Directors (BoD) issued updated regulations on risk policy that entered into force on 1 January 2022. The main changes concern the treatment of ratings from rating agencies, the handling of concentration risks in the portfolio, regulations on permissible foreign currencies in the insurance business and the definition of risk tolerances for foreign banks as risk subjects and for private reinsurers.

In 2021, the BoD again examined in detail the risks faced by SERV. It determined that risk management was appropriate, both for the actuarial, financial, operational and strategic risks as well as reputation risks. The compliance management system, which was first developed in 2020, will be continuously refined to take account of the increasing requirements in this area. SERV conducts an annual audit of the risks handled by the internal control system (ICS) and adapts the key controls to reflect changes in workflows as necessary.

On 31 March 2021, the Federal Council approved a revision of the insurance obligation metric based on the recommendations of an independent review of risk management. Since then, commitment (i.e. the utilisation of the framework of obligation) has corresponded to SERV's exposure. This reduced SERV's commitments in arithmetic terms by around CHF 2.7 billion. As a result, the Federal Council reduced SERV's framework of obligation from CHF 16 billion to CHF 14 billion but boosted SERV's scope for supporting Swiss exports by some CHF 700 million net. Since 2021, exchange rate risks have been taken into account in the risk capital model via a defined factor in the core capital (CCap).

By informing SECO at an early stage, the BoD is obliged to ensure that the Federal Council is able to issue instructions in the case of transactions of particular significance. In consultation with SECO, SERV implemented a new process in 2021 to identify politically sensitive transactions that may be of particular significance. In 2021, four transactions underwent this process, none of which were found to be of particular significance.

To increase future flexibility in managing the insurance portfolio, two insurance brokers were procured through a public tender process. The brokers will be responsible for placing exposures from the portfolio on the market wherever necessary. Such sales of exposures are aimed at reducing concentration risks or employed where country or counterpart limits have been heavily utilised. The insurance portfolio is analysed quarterly for concentration risks and overburdened limits in order to determine reinsurance requirements.

Cover Policy

SERV determines the risk rating of countries, banks and private buyers in its cover practice. It is the most important flexible tool for risk management in the insurance business. Compliance with the various limits in accordance with the risk policy, cover policy and the adequacy of the capital, taking risk concentrations into consideration, was also reviewed in 2021 on an ongoing basis. The cover policy for Senegal was adjusted in March 2021. Taking into account the current economic and political situation of the country and its membership of the West African Economic and Monetary Union, the insurance of banking risks was permitted in principle, as was insuring short-term transactions with private debtors. A rule was also introduced in March 2021 for Argentina that, in principle, requires letters of credit for all transactions with private Argentine buyers.

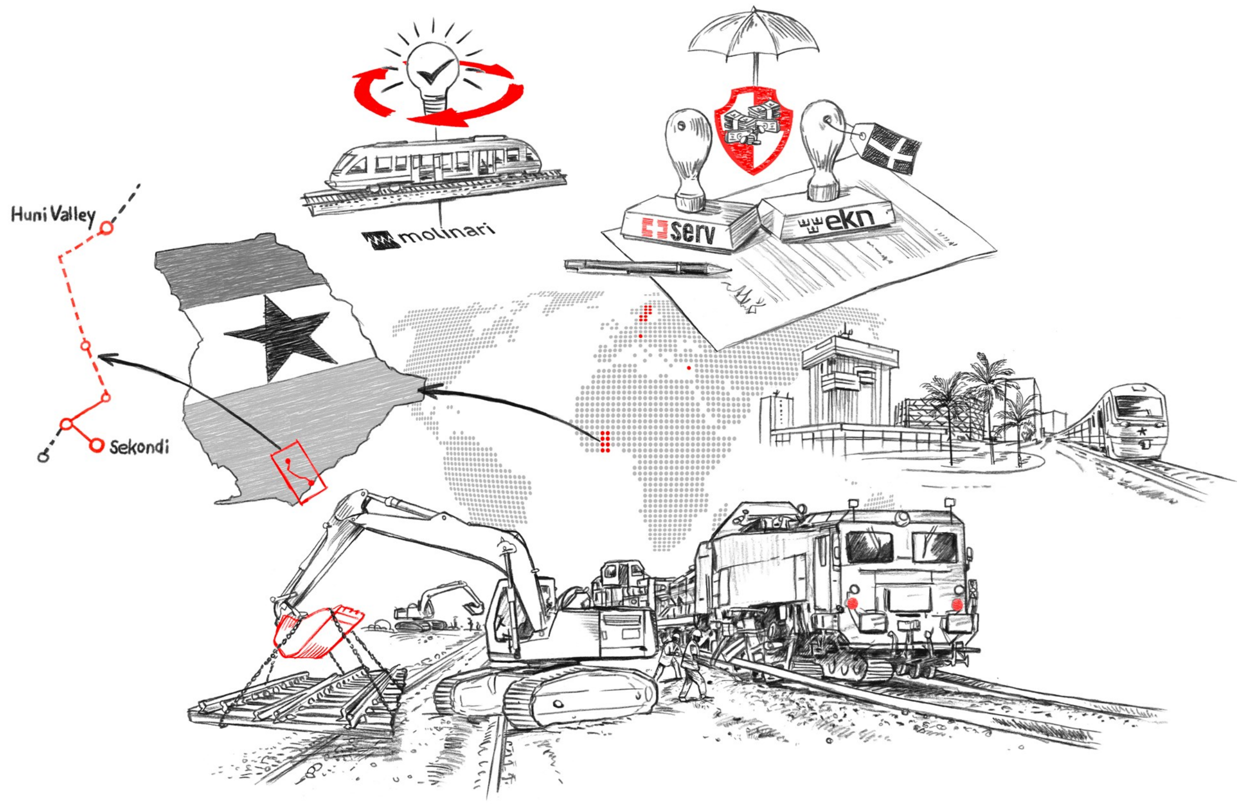
On the basis of current market developments and, in particular, the business forecasts of its major clients, SERV regularly reviews its free capacities in terms of risk-bearing capital (RBC) and utilisation of the framework of obligation. Of the current CHF 14 billion of the framework of obligation, 71 per cent had been utilised at the end of 2021.

IN THE FIELD

Swiss Export Risk Insurance SERV supports and assists Swiss enterprises with everything from strategic direction through to the last payment for your export transaction. These success stories tell you how.

100 KILOMETRES OF RAILWAY IN GHANA WITH SWISS PARTICIPATION

The Swedish export credit agency EKN is collaborating with SERV, which is providing a reinsurance agreement to upgrade a railway line in Ghana. This is possible thanks to the significant involvement of several Swiss companies and benefits all parties involved in the project.



The upgrading of a 100-kilometre railway line will further boost Ghana's economy.

Ghana is one of the fastest growing economies in Africa. In 2021, the country invested a EUR 600 million loan in the upgrading and expansion of a 100-kilometre railway line in the west of the country. This line is key to transporting goods from the inland town of Huni Valley to the port of Takoradi in the south and will further boost the country's economy. The new rail line will initially be used mainly for freight transport, with passenger transport being gradually expanded thereafter. Known as the Ghana Western Railway Line Project, it is part of Ghana's initiative to upgrade the infrastructure of the country's rail network and make the line safer and faster, while simultaneously creating an environmentally friendly alternative to forms of transport that depend on fossil fuels.

A buyer credit worth EUR 523 million over a period of 18 years – including four years of construction work – is being granted for the implementation of this major international project. This is complemented by an additional EUR 75 million commercial loan for the 15 per cent down payment. Suppliers from various countries are participating in the project, including the Swiss company Molinari Rail AG (Molinari) alongside other Swiss subcontractors. Molinari offers customized solutions for the rail industry around the world. In addition, Molinari supports its clients with the design and development of vehicles as well as with project management, construction works, Q&A, commissioning, maintenance and modernization. Thanks to the considerable share of the project accounted for by Swiss suppliers, Swiss Export Risk Insurance SERV was able to provide EUR 272 million in the form of reinsurance cover.

"SERV's reinsurance is a good way for us to participate in projects where the Swedish share is below the national content requirements by our statutes."

MALIN TEGNÉR LARSEN
SENIOR UNDERWRITER, EKN

A set-up that benefits everyone

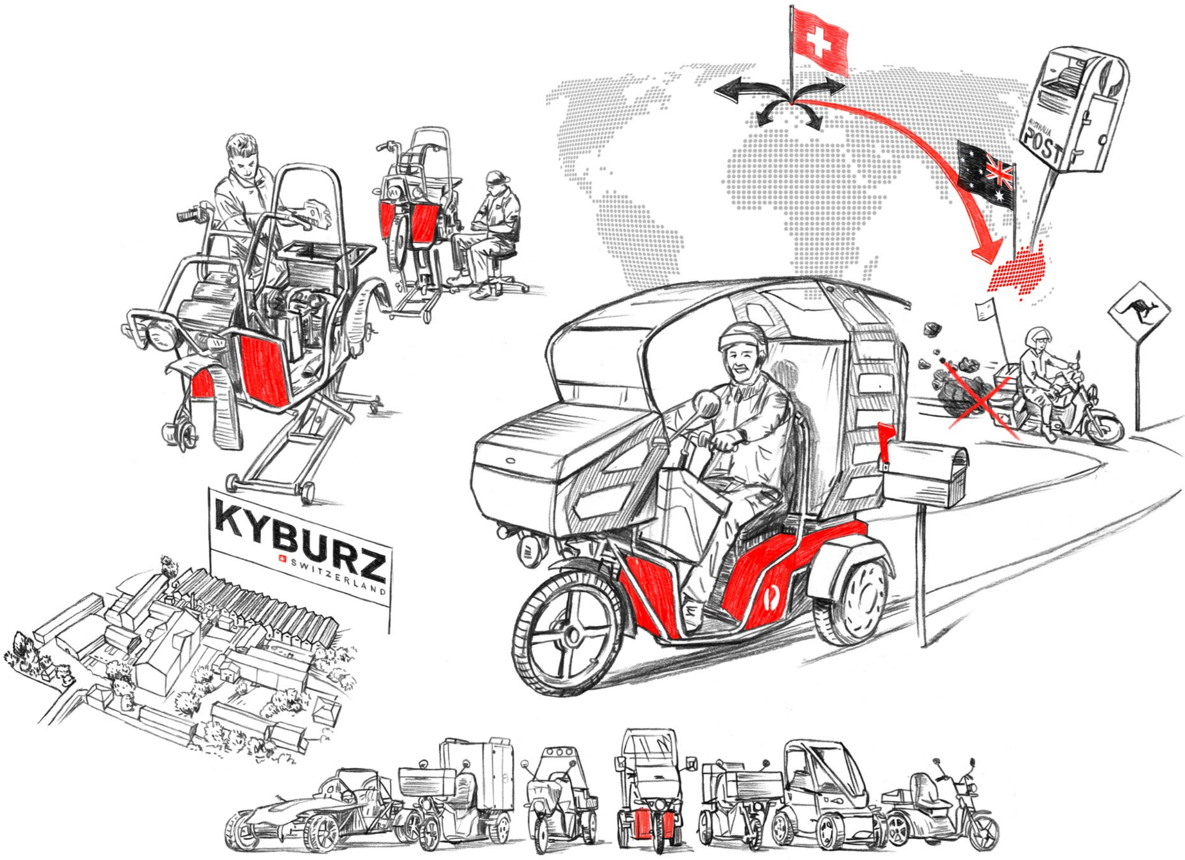
Amandi Investment Ltd. (Amandi), based in Cyprus, is acting as the general engineering procurement and construction (EPC) contractor, and concluded an EPC contract worth EUR 500 million with the Ghanaian buyer in mid-2020. The comparable projects that Molinari has successfully carried out in collaboration with SERV in the past enabled the company to establish a good track record. This was the factor that persuaded the general contractor to bring Molinari on board. In the words of CEO Michele Molinari, "This project allows us to demonstrate that our structure and the bundling of various subcontractors has advantages for the general contractor and is sustainable also for the ECA. For us, Ghana Railway represents a blueprint project for future contracts."

As the largest proportion is coming from Swedish subcontractors, the Swedish export credit agency (ECA) EKN is insuring the project, but EKN's value creation requirements do not permit it to assume the risk alone. EKN has therefore reinsured around half of the total volume with SERV. "This is a good way to participate in projects where the Swedish share is below the national content requirements by our statutes," Malin Tegnér Larsen, senior underwriter at EKN, explains.

Although the coverage is primarily through EKN, Amandi has established a Swiss subsidiary based in Geneva called Arad Engineering SA. This is exactly in line with SERV's Pathfinding Initiative. In the long term, this allows SERV to give SMEs the opportunity to participate in large-scale projects to which they would otherwise have no access or would struggle to access.

SWISS ELECTRIC VEHICLES FOR AUSTRALIA POST

KYBURZ Switzerland AG (Kyburz) has received a large order worth tens of millions from Australia Post and needs a loan to finance its production costs. An insurance policy from SERV is helping it to obtain lower interest rates, among other things, benefiting both Kyburz and its Australian customer.



Kyburz has received a large order worth tens of millions from Australia Post.

The company's vehicles have been a familiar sight on Swiss streets for years. No one hears Swiss Post's unmistakable three-wheeled electric delivery vehicles, but everyone knows them. They are manufactured by KYBURZ Switzerland AG (Kyburz), which is based in Freienstein in the Canton of Zurich. Kyburz develops and manufactures high-quality electric vehicles for delivery companies and private individuals. According to Martin Kyburz, founder and CEO of the company, "It all started in the 1980s," when he took part in the Tour de Sol solar-powered vehicle race and discovered his passion for what were then alternative forms of propulsion. He later grew enthusiastic about developing a vehicle that was energy-efficient and fun to use, which led to the founding of Kyburz in 1991.

At Kyburz, the focus is on people and the drive to develop efficient products takes centre stage. The SME has already received several innovation awards for its developments. The company tailors its products to each individual customer's needs, which has enabled Kyburz to attract not only Swiss Post but also a multitude of other customers all around the world. Over 25 000 Kyburz vehicles are in use worldwide. Deliveries abroad account for a large share of the company's business.

A large order worth tens of millions

One of Kyburz's customers is Australia Post, whose petrol-powered vehicles had seen better days. It wanted to switch to electric vehicles and chose Kyburz's three-wheeled DXP. Following on from two large orders of 1 000 vehicles each, the company supplied another 1 000 in 2021. The Australian customer made a down payment of 30 per cent in each case against a guarantee for each of these three large deliveries, which have a combined value of approximately EUR 33 million. Kyburz receives the remaining amount only when the goods have been delivered to the customer. For an SME with more than 150 employees, that is a long time to wait for such a large sum.

The benefits of insurance

Kyburz has applied for a working capital loan from its bank to pre-finance production and ensure the necessary liquidity for other orders. SERV is insuring the loan and covering the advance payment guarantees by means of a counter guarantee. This will allow Kyburz to take advantage of lower bank interest rates and to offer the customer in Australia generous financing conditions. "The customer has high demands and attractive financing plays a significant role in being competitive," founder and CEO Martin Kyburz explains. SERV's support renders many financing-related questions unnecessary, allowing Kyburz to concentrate on its business and its collaboration with Australia Post.

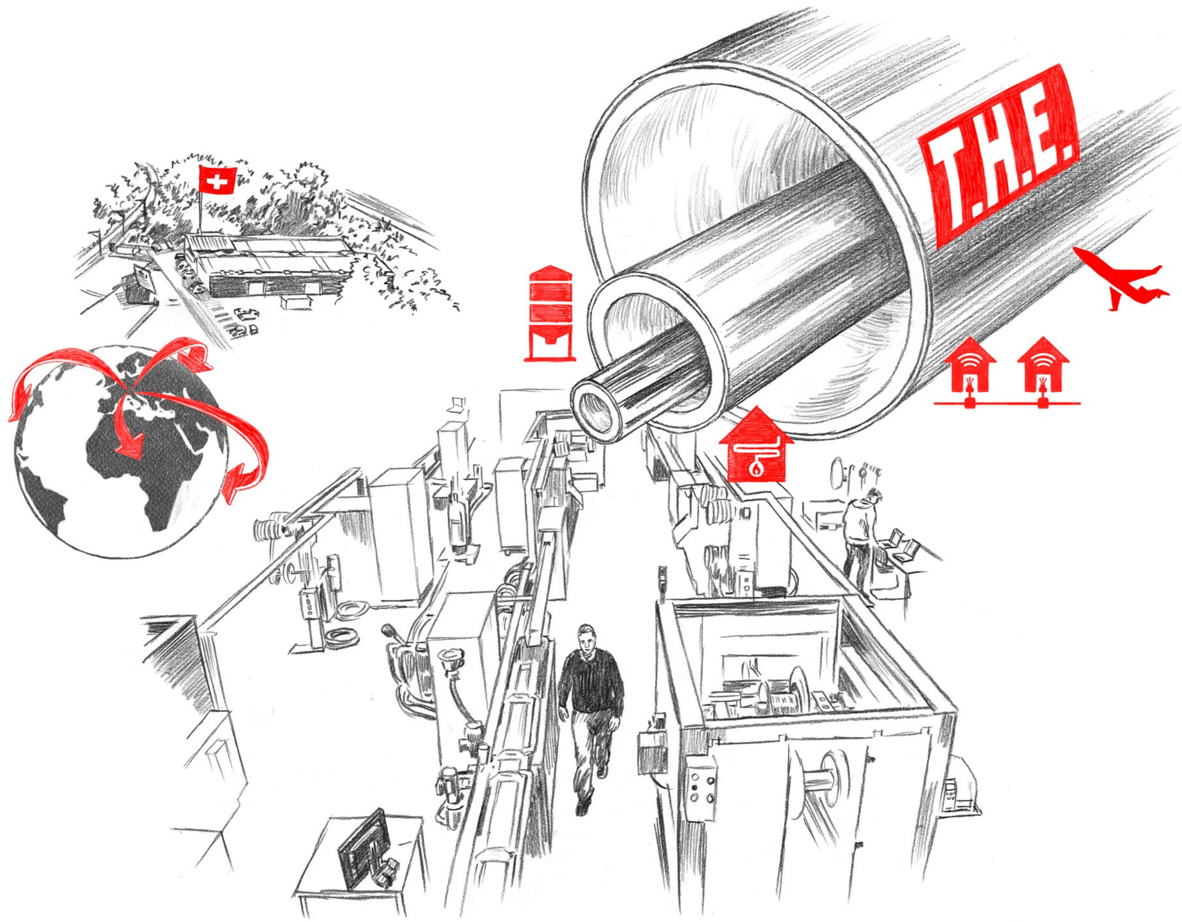
"The customer has high demands and attractive financing plays a significant role in being competitive."

MARTIN KYBURZ
FOUNDER AND CEO, KYBURZ SWITZERLAND AG

Martin Kyburz describes the collaboration as being based on a very high level of trust, while at the same time being demanding and intensive. The challenges are manifold, ranging from the lack of in-person contact on site due to travel restrictions, to technical problems, compliance with local legislation and cultural differences. "It puts enormous pressure on us, but also helps us to move forward," Martin Kyburz comments. After all, we need to be ready for the next order, which will again entail fresh demands and challenges.

HOW AN SME IN FRENCH-SPEAKING SWITZERLAND MANAGES TO HOLD ITS OWN ON THE MARKET

THE Machines Yvonand SA (THE Machines), which is based in French-speaking Switzerland, is doing good business. The SME is, however, confronted by the challenges of supply bottlenecks and high commodity prices and needs attractive payment terms if it is to survive in the market. SERV offers solutions to these challenges.



At THE Machines, everything revolves around pipes.

"It's one of our best years ever," says Jehona Gaçaferi, Export & Financing specialist at SME THE Machines Yvonand SA (THE Machines). Turnover has grown strongly over the last two years, yet, for some time now, the company has experienced new challenges, largely due to the pandemic: the SME is experiencing delays in the delivery of electronic components, and rising commodity prices are putting margins under pressure. As a Swiss company, it is also in the upper price segment. THE Machines makes up for this with its high-quality products and attractive payment terms, and it is SERV's support that makes these payment terms possible.

Attractive payment terms thanks to export risk insurance

But what exactly is THE Machines? Everything revolves around pipes and cables at the SME. As mundane as that sounds, the solutions offered by the company, which is located near the industrial region of Yverdon-les-Bains in the French-speaking Canton of Vaud, are ingenious. It is dedicated to the development of complete, sometimes customised, production lines for the manufacture of irrigation pipes with drippers and multilayer pipes for a range of applications. THE Machines is also a pioneer in the welding of tubes in the micromillimetre range and alloys that are difficult to machine.

“We are extremely grateful for SERV’s support because we would probably have to turn down some orders if we didn’t have it.”

JEHONA GAÇAFERI
EXPORT & FINANCING SPECIALIST, THE MACHINES YVONAND SA

It has customers all over the world. They generally make only minimal down-payments and sometimes demand bank guarantees amounting to millions for the purchase of a production line. The SME, which has 60 employees, cannot handle such large orders on its own as its credit limit with the bank simply does not allow it. THE Machines has therefore relied on SERV’s insurance policies and guarantees on a regular basis for many years. “We are extremely grateful for SERV’s support because we would probably have to turn down some orders if we didn’t have it,” Jehona Gaçaferi says. SERV’s support also allows the company to enter risky markets and offer its buyers multi-year payment periods at low interest rates. It means that bank guarantees are not a problem and THE Machines’ liquidity remains intact. This collaboration has been in place since the days of the Export Risk Guarantee (ERG), SERV’s predecessor. Jehona Gaçaferi comments: “I really appreciate the relationship of trust that has developed over the years. SERV’s advisers always respond quickly and flexibly, which is indispensable for processing our transactions.”

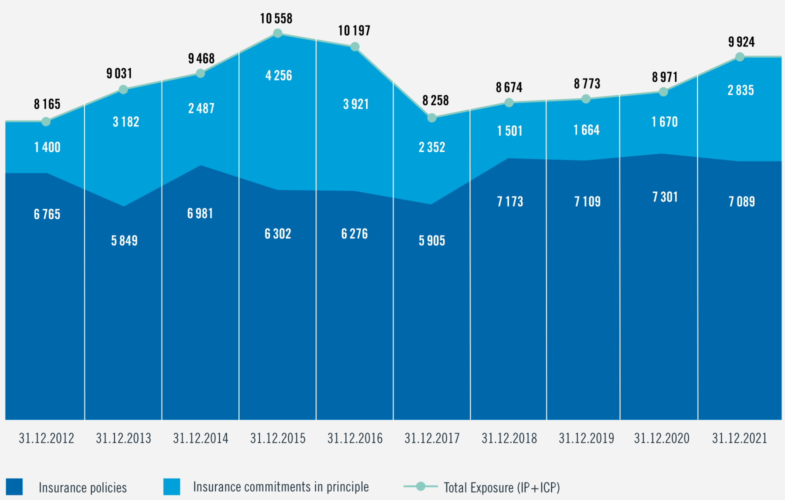
A new strategy

Until only a few years ago, the majority of the company’s deliveries were to the agricultural sector, but there has been an increase in demand for applications for sanitary installations, heating, aviation and telecommunications in the intervening period. A high level of investment is required for the machinery for these new applications and the orders are increasingly large in volume. While this is, of course, a good thing, it necessitates adaptation to the conditions of these new markets. THE Machines has therefore introduced a new strategy. Where previously the company put stability and security first, it will in future also focus on diversification and growth. This will necessarily entail a greater need for liquidity. Jehona Gaçaferi says: “We are therefore counting on SERV’s support in this growth phase.”

MULTI-YEAR COMPARISON

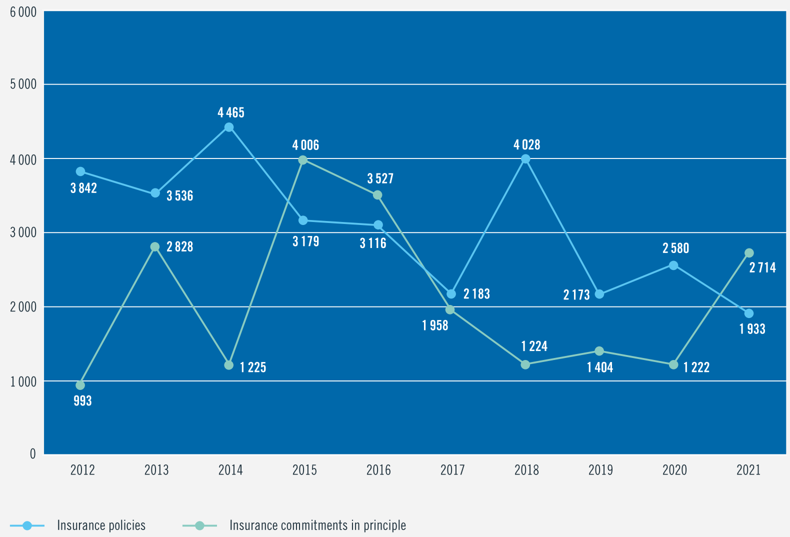
As a public export credit agency (ECA) that supplements private insurance products by insuring non-marketable risks, SERV's business volume and cash flow from operations are subject to strong fluctuations. Demand for SERV insurance depends on the economic situation of the Swiss export industry, as well as on the countries in which these export transactions take place and what payment and credit terms the contracting parties agree on.

DEVELOPMENT OF EXPOSURE PORTFOLIO
in CHF million



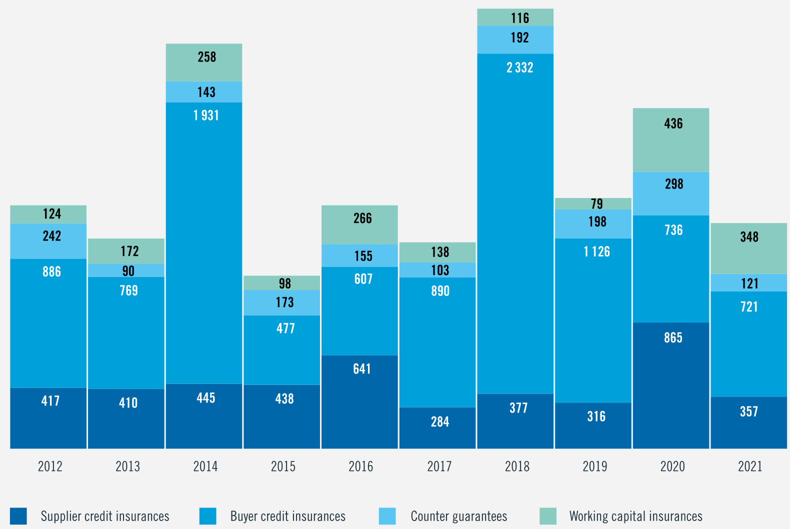
The exposure portfolio shows the total of all risks insured by SERV from insurance policies (IPs) and insurance commitments in principle (ICPs) at the end of a given financial year.

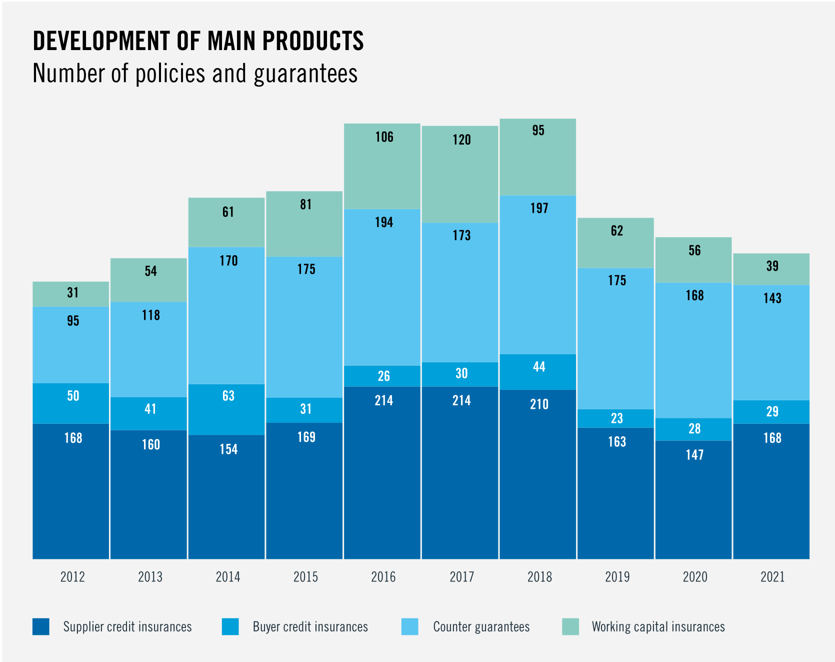
DEVELOPMENT OF NEW BUSINESS
in CHF million



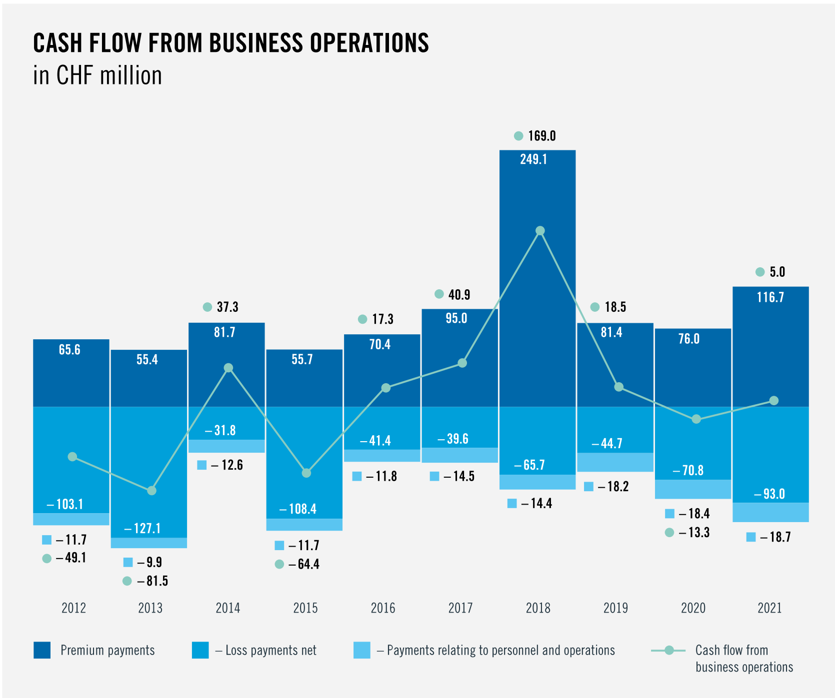
The development of new business is a calculation of the sum of all newly insured risks within one year, divided up into IPs and ICPs. Both figures are highly volatile. Years with a high volume of new business for ICPs typically alternate with years in which the volume of new business for IPs (new commitment) is high.

DEVELOPMENT OF MAIN PRODUCTS – NEW COMMITMENT
in CHF million



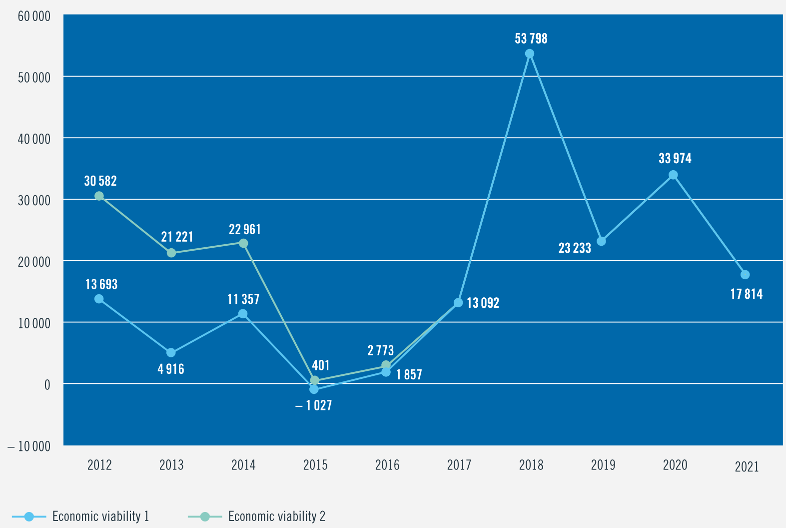


If new commitments are differentiated by main products, we see that the number and volume of new commitments per product tend to be inversely proportional. For example, a high volume of the insurances that SERV provides within a year are accounted for by only a few buyer credit insurances, whereas the volume of working capital insurance and counter guarantees is spread over many different export transactions.



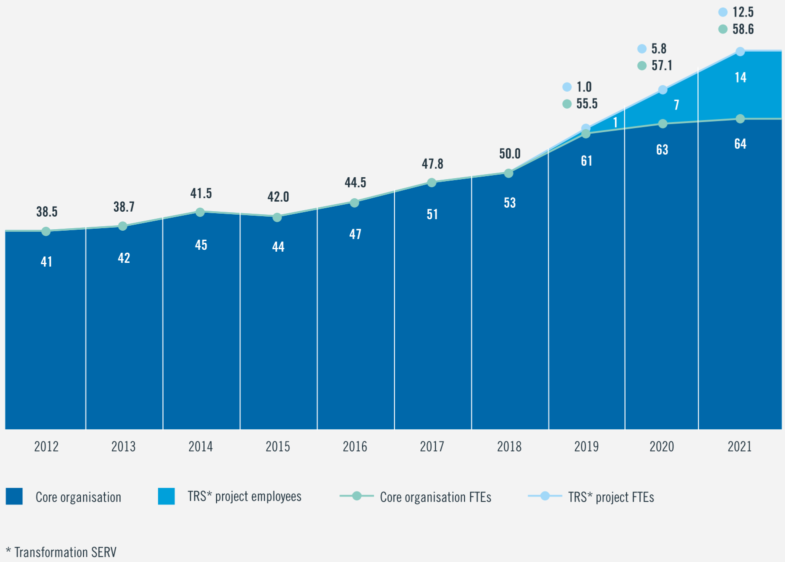
The cash flow from business operations shows whether premium payments are sufficient to finance indemnity payments and personnel and operating costs. The highly volatile nature of SERV's business is reflected in the fact that years in which premium payments are high and indemnity payments low alternate with other years in which premium payments are low but indemnity payments are high. In total, the cash flow has been clearly positive over the last ten years, i.e. payment receipts from premiums are adequate to finance payments for losses and operations.

ECONOMIC VIABILITY
in KCHF



SERV has a legal requirement to operate in an economically viable manner, i.e. to offer its insurance services without subsidy. Economic viability represents the amount by which premium income exceeds the expected average annual loss and operating expenses per year (economic viability 1). The addition of investment income, which amounted to zero in previous years, results in economic viability 2. Economic viability 2 has been positive at all times over the last 10 years.

EMPLOYEES
Number



EMPLOYEES – GENDER DISTRIBUTION
In %

The reasons for the steady increase in staff numbers can be explained as follows: the number of insurance applications and claims reports has risen in recent years, but the legal requirements that SERV is subject to have also increased (particularly those relating to procurement and data protection). SERV has had to increase its workforce in the last two years to cope with the renewal and expansion of its IT systems.

SUSTAINABILITY

SERV attaches great importance to its environmental, social and human rights assessment policy.

Framework conditions

When assessing insurance applications, SERV takes into account the international guidelines of the Organisation for Economic Co-operation and Development (OECD) and the principles of Swiss foreign policy according to Art. 6 para. 2 SERV Act (SERVG). These relate in particular to the peaceful co-existence of peoples, respect for human rights and promotion of democracy, conservation of natural resources, alleviation of poverty and destitution in the world, but also to preserving Switzerland's independence and protecting its national welfare. Further requirements may arise as a result of Switzerland's obligations under international law. The extensive sustainability checks conducted include environmental, social and human rights reviews, anti-corruption audits and, in certain cases, audits of the debt sustainability of public-sector buyers when financing supported projects.

Where necessary, on-site visits are also carried out to assess larger projects. Due to travel restrictions resulting from the COVID-19 pandemic, these site visits and meetings with project participants were conducted virtually.

Climate Strategy

SERV's climate strategy will support the Swiss export industry in addressing climate change and incorporating the issue into its business operations.

The SERV Board of Directors (BoD) agreed SERV's climate strategy in June 2021. SERV's climate strategy will support the Swiss export industry in addressing climate change and incorporating the issue into its business operations. The three cornerstones of the strategy include the handling of SERV's own greenhouse gas emissions, integrating climate risks into business operations and SERV's contribution to decarbonising the economy.

SERV has set up a cross-departmental project organisation and drawn up a project plan to implement its climate strategy. The focus of its work in the coming financial year will be on evaluating the climate relevance of SERV's insurance portfolio and integrating climate risks in the risk analysis. A legal amendment to launch climate-friendly insurance products is also being examined.

SERV has joined the federal administration's environmental and resource management system (RUMBA) and, as a result, reports its own greenhouse gas emissions to the federal government. SERV implements the requirements of the federal government's climate package and offsets all its greenhouse gas emissions. It is therefore a certified carbon-neutral company.

SERV is not free to design its climate strategy as it is obliged to adhere to the specifications of the federal government in addition to those set out in the SERVG and the SERV Ordinance (SERV-V). Its statutory mission does not allow SERV to exclude certain sectors, such as fossil fuels, a priori. Instead, it is obliged to examine each insurance application on a case-by-case basis. SERV does, however, have the ability to take a cautious approach to projects that involve high greenhouse gas emissions and specifically promote climate-positive projects.

Transparency

SERV publishes all projects with a contract value of CHF 10.0 million or more on its website, subject to the policyholder’s approval.

SERV also maintains a regular dialogue with interested non-governmental organisations (NGOs). Within the framework of an annual NGO dialogue, it provides information about its business results, specific current projects, such as its climate strategy, as well as developments at SERV and in the OECD export credit group. The invitees to the NGO event were alliance sud, Amnesty International, Pro Natura, Public Eye, Transparency International and WWF. This exchange of views is very much appreciated by all participants, and the NGOs expressed their satisfaction with SERV’s high level of transparency.

ORGANISATION AND PERSONNEL

BOARD OF DIRECTORS (BOD)

Barbara Hayoz*, business economist, EMBA,
(Chairwoman)

is a self-employed management consultant as well as a chair and board member of various institutions. She served as full-time finance director and deputy mayor of the city of Berne.

Urs Ziswiler, lic. iur., INDEL ETH,**
(Vice Chair until 31.12.2021)

was the ambassador to Spain and to the United States, Head of the Directorate of Political Affairs of the FDFA, the diplomatic advisor of Federal Councillor Calmy-Rey and the Director of the Political Affairs Division IV (Human Rights and Humanitarian Policy) of the FDFA.

Christian Etter*, economist, Dr. rer. pol.,
was the Delegate of the Federal Council for Trade Agreements, Ambassador and member of SECO's Executive Board. He was responsible for international trade and investment issues and led FTA negotiations (with China and others) as well as the Swiss delegation to the Joint Committee of the Switzerland-EU FTA.

Caroline Gueissaz, Dipl. Ing. ETH,**
(Board member until 31.12.2021)

is an associate partner at A. Vaccani & Partners, managing director of Business Angels Switzerland and a board member of various SMEs.

Burkhard Huber*, business economist KSZ,
has worked in the banking business for four decades, including 30 years spent with UBS. He held various management positions in corporate banking for Swiss and foreign companies, including in the area of trade finance.

Peter Jenelten, Dipl. El. Ing. ETH,**
was a member of the Group Executive Board of Stadler Rail AG from 2000 to 2019, and was responsible for sales and marketing. He previously held various managerial positions at ABB and Adtranz. As part of his work for PCS Holding AG, he now holds several board mandates for SMEs in Switzerland and abroad.

Christoph Meier-Meier*, business economist HWV,
is CEO and partner at NEWTAG Communication AG. Prior to this, he worked in various positions at Bühler AG in Uzwil (SG), including ten years as Head of Financial Services.

Anne-Sophie Spérisen, lic. oec.,**
(Board member until 31.12.2021)

is President and CEO of SOLO Swiss SA. She is a member of the extra-parliamentary commission SME Forum and board member of the Chamber of Commerce of the Canton of Jura.

Reto Wyss, MSc Economics,**
is Central Secretary of the Swiss Federation of Trade Unions (SGB) and also represents it in the EFTA Consultative Committee, the Reka BoD and in the committee of Solidar Suisse.

* Insurance Committee
** Finance and Organisation Committee

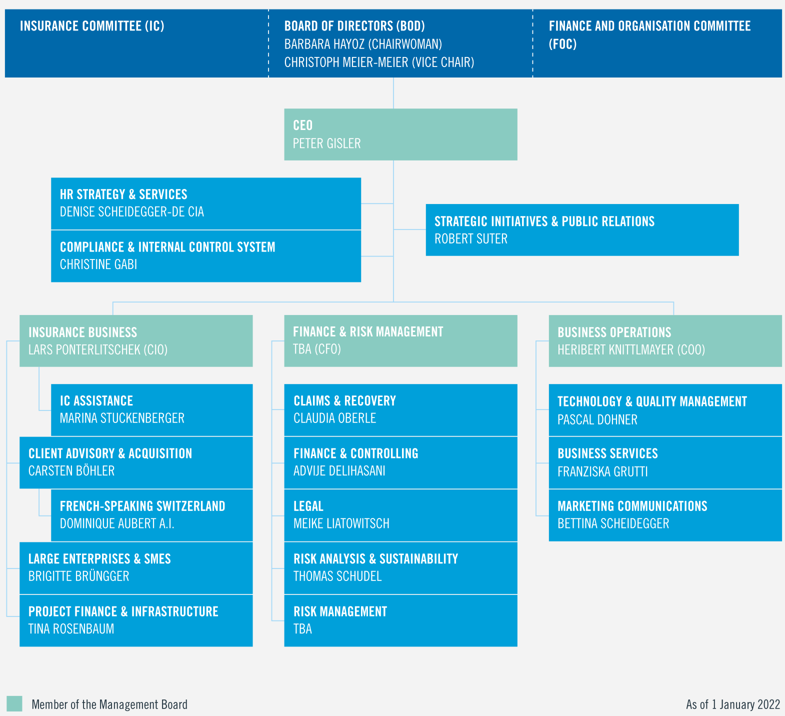
CEO

Peter Gisler, Swiss-certified banking expert,
has been CEO at SERV since 1 January 2017. Prior to that, he held a senior position at Aargauische Kantonalbank, at ABB Switzerland and at ABB Group Holding.

AUDITORS

KPMG AG
Badenerstrasse 172
8036 Zurich

ORGANISATION



Legal Basis

The Federal Council appoints the SERV Board of Directors (BoD) for a term of four years; a new term of office commenced in 2020. The BoD is composed of seven to nine members, taking appropriate consideration of social partners (Art. 24 SERVG). It is the supreme management and control body of SERV. Its tasks are outlined in Art. 24 SERVG and explained in more detail in the SERV internal rules of procedure (RP).

The CEO is elected by the BoD. He manages and organises SERV and represents it externally. His tasks are defined in Art. 25 SERVG and further outlined in the SERV RP.

Board of Directors

The BoD appoints from among its members an Insurance Committee (IC; chaired by Barbara Hayoz) and a Finance and Organisation Committee (FOC; chaired by Christoph Meier-Meier from 1 January 2022). The tasks of the committees are outlined in the RP and specified in the RP's competence diagram. The BoD met seven times in 2021 and also came together for an in camera session and a training day that included self-evaluation exercises. The IC met 18 times and the FOC six times, with the BoD and the IC each meeting for one extraordinary session.

Vice Chair Urs Ziswiler and BoD members Caroline Gueissaz and Anne-Sophie Spérisen stepped down as of 31 December 2021. Claudine Amstein and Claire-Anne Dysli Wermeille joined the BoD as of 1 January 2022. The BoD appointed Christoph Meier-Meier as its new Vice Chairman.

Human Resources

SERV is operating in an increasingly complex environment. This has a major impact on its activities, which are becoming increasingly demanding.

Since the move to Genferstrasse, the staff have been working successfully in an open-plan working environment, although the COVID-19 pandemic has meant that not everyone could be on site at the same time.

SERV is operating in an increasingly complex environment. This has a major impact on its activities, which are becoming increasingly demanding. SERV has been successful in filling the vacancies that have arisen as a result with qualified specialists.

One of the most important innovations was the introduction of four weeks' paternity leave. All of these factors, as well as its successful continuation of management training, play their part in advancing the development of the SERV culture, which will be incorporated next year as part of a revision of the SERV employer brand.

"Organisational flexibility is today's standard and for that we need IT solutions tailored to SERV's needs."

HERIBERT KNITTLMAYER
CHIEF OPERATING OFFICER

IT

The Swiss Federal Audit Office (SFAO) published its final report on the review of the project to replace the core IT system in February 2021. The SFAO recommended various measures in the report, which were largely implemented by SERV in the further course of the year. These comprise:

- expanding the project organisation and project management instruments
- safeguarding various key concepts
- raising staff awareness of the procurement process and provision of a manual.

In the course of the project, SERV determined that the provider's standard software could not satisfactorily replicate SERV's individual requirements. Furthermore, the date on which the basic version required for data migration was to be launched was repeatedly postponed. SERV took this as an opportunity to review its IT strategy and came to the conclusion that it could better respond to the individual requirements of the company and its clients by updating its existing solution.

The BoD therefore decided in December 2021 to discontinue the ongoing project and its collaboration with the software's supplier. SERV will now update the technology of its existing core IT system and put out a tender to identify a supplier to further develop its current system.

Vested Interests and Conflicts of Interest

SERV's internal rules of procedure, code of conduct and the rules on the general conditions of employment govern how vested interests and conflicts of interest of members of the BoD and employees are handled.

In particular, members of the BoD are obliged to report their vested interests when they are elected and on an annual basis thereafter, and to report any relevant changes without delay. The Finance and Organisation Committee receives these notifications and reports them to the BoD at least annually. Where appropriate, the BoD takes the necessary measures to protect SERV's interests. The members of the BoD and employees are obliged to observe the regulations on recusal pursuant to Art. 10 of the Federal Act on Administrative Procedure (APA). In addition, the vested interests of individual members of the BoD are published on the Swiss government’s website.

Auditors

The auditors of SERV are appointed by the Federal Council at the request of the BoD. The auditors review the income statement, balance sheet, cash flow statement, income statement by segment, the balance sheet by segment, the notes on the financial statements, the proof of economic viability and the existence of an internal control system (ICS). The auditors report their audit findings to the BoD and the Federal Council. Following a tender procedure pursuant to the Ordinance on Public Procurement (OPP), the Federal Council awarded the audit mandate for 2019 to 2021 to KPMG AG, Zurich. This mandate was extended until 2024 based on an award option.

REMUNERATION

Board of Directors

In 2021, remuneration paid to the entire Board of Directors (BoD), excluding the Chairwoman, totalled KCHF 373.3. BoD Chairwoman Barbara Hayoz received remuneration amounting to KCHF 147.1. Remuneration was up slightly in 2021 as a result of the increased workload resulting from the ongoing COVID-19 pandemic and the Transformation SERV (TRS) project. In each case, the remuneration includes meeting attendance fees and compensation for special tasks.

CEO and members of the Executive Board

The remuneration of the CEO and the members of the Executive Board consists of a basic salary and a variable salary component, which is determined annually on the basis of the achievement of individual and company targets. The variable component reported pertains to the prior-year period. This amount plus the fixed salary represents the total remuneration for the year of the CEO and the other members of the Executive Board. Total remuneration amounted to KCHF 873.1 in 2021 (previous year KCHF 875.3) for three members of the Executive Board. The highest total compensation of KCHF 344.2 was paid to the CEO.

Executive Salary Reporting – Senior Management (Board of Directors)

in CHF (previous year in grey)

	Chairwoman	Board (8 members, excluding chairwoman)	
		Total	Average
Level of activity			
(percentage of time spent on function)	55%		BoD 15%
			IC 20%
			FOC 10%
Remuneration			
Meeting attendance fee	84 000	319 500	39 938
	84 000	328 000	41 000
Cash payments for compensation of special tasks	63 100	53 800	6 725
	53 800	21 550	2 694
Other contractual terms			
Post-employment benefits	–	10 775	1 347
Severance compensation	–	–	–

Executive Salary Reporting – Executive Board (CEO and Department Heads)

in CHF (previous year in grey)

	CEO	Members of the Executive Board (2 members without CEO)	
		Total	Average
Remuneration			
Fixed part (salary)	298 758	471 400	235 700
	298 758	465 400	232 700
Cash payments for compensation of special tasks	–	–	–
	–	–	–
Cash payments (justified by function or labour market)	–	–	–
	–	–	–
Bonuses (variable salary part)	44 808	56 376	28 188
	48 814	60 509	30 255
Other expenses	600	1 200	600
	600	1 200	600
Other contractual terms			
Post-employment benefits	Management plan	Management plan	–
Severance compensation	–	–	–

FINANCIAL REPORT

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

NET INCOME
in CHF million
88

PREMIUM INCOME
in CHF million
84

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.

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	2653	1874	3309	20
Additions	416	877	3907	3289
Disposals	– 110	– 98	–	–
Other changes, transfers	–	–	–	–
Value as at 31 December	**2959**	**2653**	**7216**	**3309**
Cumulative depreciation				
Value as at 1 January	2239	1743	20	20
Additions	307	592	–	
Disposals	– 106	– 96	–	–
impairment	–	–	1845	–
Value as at 31 December	**2440**	**2239**	**1865**	**20**
Book value as at 31 December	**519**	**414**	**5351**	**3289**

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	3 016	2 883	32 654	38 553
Premium income from expense premiums (e.g. review premiums)	–	19	19	38
Premiums from reinsurance	44 875	1	2	44 878
Premiums for reinsurance	–	–	20	20
Total premium income	**47 891**	**2 903**	**32 695**	**83 489**

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	– 2 324	1 219	23 581	22 476
Provision for reported losses	17 440	–	52 087	69 527
Change in value adjustments	– 7 949	10 601	– 43 631	– 40 979
Definitive loss write-offs	–	– 11 681	– 33 056	– 44 737
Other loss expenses	–	–	– 350	– 350
Total loss expenses	**7 167**	**139**	**– 1 369**	**5 937**

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	8 960	1 999	869	11 828
Write-offs of credit balances against debtor countries	– 150	2	–	– 148
Total debt rescheduling results	**8 810**	**2 001**	**869**	**11 680**

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	8 265	39	41 506	49 810
Reported losses	57 241	–	35 532	92 773
Loss provisions	**65 506**	**39**	**77 038**	**142 583**

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.

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

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The 2021 SERV Annual Report is available in English, German and French and can be downloaded at report.serv-ch.com.
The German PDF version is authoritative.

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