FINANCIAL REPORT

Despite the war in Ukraine, SERV closed its 16th financial year with a positive net income of CHF 46.7 million.

NET INCOME
in CHF million
47

PREMIUM INCOME
in CHF million
156

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. 48), 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 war in Ukraine, SERV closed its 16th financial year with a positive net income (NI) of CHF 46.7 million (previous year: CHF 88.1 million) and posted a positive operating profit of CHF 29.3 million.

Premium income rose sharply from CHF 83.5 million in the previous year to CHF 156.1 million, resulting in the second-best income since SERV was established in 2007. The average was CHF 82.6 million. At CHF 121.4 million, SERV achieved the highest result in its history in terms of earned premiums.

Interest income from debt rescheduling agreements amounting to CHF 10.1 million was largely attributable to payments from Argentina amounting to CHF 8.9 million. Pakistan also managed to meet its interest obligations in 2022 (CHF 0.8 million). Furthermore, smaller interest payments were received from various other countries.

Loss expenses of CHF 96.9 million exceed the long-term average and are comprised of the following: the formation of IBNR (incurred but not reported) provisions amounting to CHF 26.4 million – mainly as a result of the war in Ukraine, the formation of provisions for reported losses totalling

CHF 1.3 million, and the change in value adjustments on losses of CHF 55.4 million. In addition, losses amounting to CHF 12.9 million were definitively written off and costs of CHF 0.9 million for recovery measures were incurred.

The debt rescheduling results of CHF 14.7 million resulted from the release of obsolete value adjustments for the agreements with Bangladesh, Cameroon, Egypt, Iraq, Montenegro and Pakistan.

The increase in personnel expenses by CHF 1.7 million to CHF 16.7 million is due to the expansion of the workforce for the implementation of the strategy to transform SERV into a trade facilitator and also for the IT project. Non-personnel expenses of CHF 7.8 million included CHF 2.8 million for the IT project.

Financial income mainly comprises foreign currency differences and was positive in 2022 at CHF 1.2 million. As set out in the SERV Act, SERV may only invest surplus funds with the Federal Treasury at market interest rates. Changes in the key interest rate of the Swiss National Bank (SNB) and the resulting adjustments to medium-term notes allowed SERV to generate interest income of CHF 17.4 million on its financial investments, which currently amount to CHF 3.124 billion.

"Despite the difficult geopolitical environment, SERV was able to report a positive business result and is well positioned for impending loss events."

YVONNE PUSCH
CHIEF FINANCIAL OFFICER

Balance sheet

On the assets side, cash in hand & at bank decreased by CHF 22.4 million compared to 2021 and have returned to a level last seen before the emergence of negative interest rates.

The high premium revenues and major repayments from debt rescheduling agreements (in particular from Argentina and Pakistan) resulted in an increase in cash investments of CHF 173.4 million in the year under review. Credit balances from debt rescheduling agreements decreased by CHF 23.0 million in the year under review. On the liabilities side, the driving factors were the CHF 34.6 million increase in unearned premiums and the CHF 25.8 million increase in loss provisions.

As of 31 December 2022, capital totalled CHF 2.879 billion, CHF 46.7 million higher than the previous year. The total of risk-bearing capital (RBC) plus core capital (CCap) of around CHF 2.071 billion was CHF 445.9 million (27.4 per cent) higher compared with the previous year, driven by the geopolitical environment and the resulting adjustments (downgrades) of country risk categories (CRC). As a result, the compensation reserve (CR) decreased by CHF 357.8 million to CHF 761.0 million (32.0 per cent). 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 that are within the set limits, i.e. the risk appetite.

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 2022 cash flow statement (cf. PDF, Cash flow statement, p. 50) posted a net increase of CHF 151.0 million (2021: CHF 34.1 million). In previous years, SERV generated an average cash flow of CHF 125.9 million per year. SERV continues to have excellent liquidity with CHF 3.187 billion, consisting of cash in hand & at bank and funds deposited with the Federal Treasury.

At CHF 87.2 million, cash flow from operating activities was up CHF 82.2 million year on year. Premiums generated in the 2022 financial year were CHF 37.3 million higher than in the previous year. At the same time, loss payments fell by CHF 54.7 million. Loss repayments decreased by CHF 3.1 million to CHF 13.3 million and payments for personnel and operating costs increased (+ CHF 6.8 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 64.0 million, this figure is increasing again as a result of the renegotiation of the debt rescheduling agreement with Argentina. Small payments were once again received from countries with pandemic-related deferral requests. Cash flow for this area averaged CHF 106.1 million in the past. Since 2020, the project costs for the IT project have been capitalised under intangible assets, with CHF 3.4 million capitalised for 2022. The cash flow relating to this capitalisation amounted to CHF 3.0 million. In addition, SERV received interest income of CHF 17.4 million from cash investments due to changes in the SNB's key interest rate and the resulting adjustments to medium-term notes.

In the financial activities, a partial repayment of CHF 0.3 million for a cash deposit was made due to a changed risk situation in connection with ongoing counter guarantees.

Proof of economic viability

In 2022, 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.

In 2022, all lines of business revealed surplus cover at operational level (economic viability 1) totalling CHF 60.1 million. Due to the interest income from cash investments, SERV posted significant surplus cover of CHF 77.5 million for economic viability 2.

Since SERV was founded, the average surplus cover of economic viability 1 for the primary segment “public debtors” has been CHF 7.4 million, and CHF 10.9 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 by segment, Comments 12–18, p. 58–59). Items are not broken down into segments on the balance sheet where doing so has only limited indicative value.

In the income statement, the segment “private debtors without del credere” 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 success of the two segments “private debtors with del credere” and “public debtors” offset the loss of the other line. 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

01.01.2022–31.12.2022, in KCHF

	Notes *	2022	2021	Change
Premium income	1	156 064	83 489	72 575
Creation of unearned premium reserves		– 123 725	– 64 923	– 58 802
Release of unearned premium reserves		89 102	60 804	28 298
Earned premiums		**121 441**	**79 370**	**42 071**
Interest income from debt rescheduling agreements		10 070	10 945	– 875
Total income from insurance		**131 511**	**90 315**	**41 196**
Loss expenses	2	– 96 911	5 937	– 102 848
Reinsurance commissions		– 332	–	– 332
Debt rescheduling results	3	14 692	11 680	3 012
Total expenses from insurance		**– 82 551**	**17 617**	**– 100 168**
Profit/loss on insurance		**48 960**	**107 932**	**– 58 972**
Personnel expenses		– 16 706	– 15 045	– 1 661
Non-personnel expenses		– 7 825	– 9 295	1 470
Financial income		1 187	535	652
Other income	4	3 656	3 925	– 269
Operating profit/loss		**29 272**	**88 052**	**– 58 780**
Interest income from cash investments		17 393	–	17 393
Net income (NI)		**46 665**	**88 052**	**– 41 387**

* cf. Comments starting from page 57 of the Notes on the Financial Statements

BALANCE SHEET

Balance Sheet

31.12.2022, in KCHF

	Notes *	31.12.2022	31.12.2021	Change
Assets				
Cash in hand & at bank		62 977	85 374	– 22 397
Premiums receivables		6 059	1 648	4 411
Other receivables		428	131	297
Financial investments maturing in 1 year or less	5	3 124 393	2 951 000	173 393
Accruals and deferrals		1 363	342	1 021
Total current assets		**3 195 220**	**3 038 495**	**156 725**
Property, plant and equipment		426	519	– 93
Intangible assets	6	7 744	5 351	2 393
Financial investments and credit balances maturing in more than 1 year		–	–	–
Total property, plant and equipment and long-term financial investments		**8 170**	**5 870**	**2 300**
Claims from losses and restructuring	7	175 817	202 690	– 26 873
Credit balances from debt rescheduling agreements	8	95 141	118 093	– 22 952
Total claims and credit balances from debt rescheduling agreements		**270 958**	**320 783**	**– 49 825**
Total Assets		**3 474 348**	**3 365 148**	**109 200**
Liabilities				
Current liabilities		6 137	4 829	1 308
Short-term financial liabilities		590	387	203
Accruals and deferrals		2 584	1 723	861
Unearned premiums		416 531	381 907	34 624
Loss provisions	9	168 399	142 583	25 816
Other non-current liabilities	10	1 171	1 450	– 279
Subtotal		**595 412**	**532 879**	**62 533**
Risk-bearing capital (RBC)		1 106 383	1 059 486	46 897
Core capital (CCap)		964 869	565 874	398 995
Compensation reserve (CR)		761 019	1 118 857	– 357 838
Net income (NI)		46 665	88 052	– 41 387
Total capital		**2 878 936**	**2 832 269**	**46 667**
Total liabilities		**3 474 348**	**3 365 148**	**109 200**

* cf. Comments starting from page 57 of the Notes on the Financial Statements

CASH FLOW STATEMENT

Cash Flow Statement

01.01.2022–31.12.2022, in KCHF

	Notes *	31.12.2022	31.12.2021
Business operations			
Premium payments	11	154 056	116 727
Loss payments		– 54 738	– 109 448
Loss repayments		13 339	16 430
Payments relating to personnel and operations		– 25 415	– 18 668
Cash flow from business operations		**87 242**	**5 041**
Investing activities			
Capitalisation of intangible assets		– 3 018	– 3 764
Repayments of credit balances from debt rescheduling agreements		39 593	23 028
Payments of interest from debt rescheduling agreements		10 065	9 821
Payments from financial and interest income		17 393	–
Cash flow from investing activities		**64 033**	**29 085**
Financing activities			
Payments from financing activities		– 279	–
Cash flow from financing activities		**– 279**	**–**
Net change in funds		**150 996**	**34 126**
Funds on 31.12.2021 (cash in hand & at bank and time deposits with the Confederation)		–	3 036 374
Funds on 31.12.2022 (cash in hand & at bank and time deposits with the Confederation)		3 187 370	

* cf. Comments starting from page 57 of the Notes on the Financial Statements

PROOF OF ECONOMIC VIABILITY

Proof of Economic Viability

01.01.2022–31.12.2022, in KCHF

	Segments (by debtor)			SERV
	Public	Private without del credere	Private with del credere	
	(1)	(2)	(3)	(4)=(1)+(2)+(3)
Earned premiums	38 744	3 417	79 280	121 441
Average expected annual loss	– 13 310	– 746	– 23 892	– 37 948
Loading	**25 434**	**2 671**	**55 388**	**83 493**
Personnel expenses	– 1 235	– 1 341	– 14 130	– 16 706
Non-personnel expenses	– 578	– 628	– 6 619	– 7 825
Financial income	572	16	599	1 187
Economic viability 1	**24 193**	**718**	**35 238**	**60 149**
Interest income from cash investments	8 386	240	8 767	17 393
Economic viability 2	**32 579**	**958**	**44 005**	**77 542**

SEGMENT ACCOUNTING

Segment Accounting
01.01.2022–31.12.2022, 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	76 166	2 179	77 719	156 064
Creation of unearned premium reserves		– 60 841	– 1 438	– 61 446	– 123 725
Release of unearned premium reserves		23 419	2 676	63 007	89 102
Earned premiums		**38 744**	**3 417**	**79 280**	**121 441**
Interest income from debt rescheduling agreements	13	7 792	2 100	178	10 070
Total income from insurance		**46 536**	**5 517**	**79 458**	**131 511**
Loss expenses	14	– 31 497	– 49 789	– 15 625	– 96 911
Reinsurance commissions		–	–	– 332	– 332
Debt rescheduling results	15	7 418	1 563	5 711	14 692
Total expenses from insurance		**– 24 079**	**– 48 226**	**– 10 246**	**– 82 551**
Profit/loss on insurance		**22 457**	**– 42 709**	**69 212**	**48 960**
Personnel expenses	16	– 1 235	– 1 341	– 14 130	– 16 706
Non-personnel expenses	17	– 578	– 628	– 6 619	– 7 825
Financial income	18	572	16	599	1 187
Other income		270	293	3 093	3 656
Operating profit/loss		**21 486**	**– 44 369**	**52 155**	**29 272**
Interest income from cash investments		8 386	240	8 767	17 393
Net income (NI)		**29 872**	**– 44 129**	**60 922**	**46 665**

* cf. Comments starting from page 57 of the Notes on the Financial Statements

Balance Sheet by Segment

31.12.2022, in KCHF

	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		–	–	–	62 977	62 977
Premiums receivables		118	455	5 486	–	6 059
Other receivables		–	–	–	428	428
Financial investments maturing in 1 year or less		–	–	–	3 124 393	3 124 393
Accruals and deferrals		–	–	–	1 363	1 363
Total current assets		**118**	**455**	**5 486**	**3 189 161**	**3 195 220**
Property, plant and equipment		–	–	–	426	426
Intangible assets		–	–	–	7 744	7 744
Financial investments and credit balances maturing in more than 1 year		–	–	–	–	–
Total property, plant and equipment and long-term financial investments		**–**	**–**	**–**	**8 170**	**8 170**
Claims from losses and restructuring		58 061	27 951	89 805	–	175 817
Credit balances from debt rescheduling agreements		41 764	51 412	1 965	–	95 141
Total claims and credit balances from debt rescheduling agreements		**99 825**	**79 363**	**91 770**	**–**	**270 958**
Total Assets		**99 943**	**79 818**	**97 256**	**3 197 331**	**3 474 348**
Liabilities						
Current liabilities		–	–	4 886	1 251	6 137
Short-term financial liabilities		472	–	118	–	590
Accruals and deferrals		–	–	–	2 584	2 584
Unearned premiums		157 856	9 266	249 409	–	416 531
Loss provisions	19	72 894	46 694	48 811	–	168 399
Other non-current liabilities		–	–	–	1 171	1 171
Subtotal		**231 222**	**55 960**	**303 224**	**5 006**	**595 412**
Risk-bearing capital (RBC)		–	–	–	1 106 383	1 106 383
Core capital (CCap)		–	–	–	964 869	964 869
Compensation reserve (CR)		557 676	115 912	130 448	– 43 017	761 019
Net income (NI)		29 882	– 44 127	60 920	– 10	46 665
Total capital		**587 558**	**71 785**	**191 368**	**2 028 225**	**2 878 936**
Total liabilities		**818 780**	**127 745**	**494 592**	**2 033 231**	**3 474 348**

* cf. Comments starting from page 57 of the Notes on the Financial Statements

ACCOUNTING PRINCIPLES

Introduction

The accounting and valuation principles (AP) define the accounting principles for SERV and are determined by the Board of Directors (BoD). In the year under review, only the treatment of the aggregation of claims and losses for the calculation of the risk-bearing capital (RC) was adjusted to bring it in line with the method used for accounting purposes.

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.

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.

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 156.1 million is comprised of income from insurance premiums in the sum of CHF 114.1 million and premium income from reinsurance totalling CHF 42.0 million.

[2] On “Loss expenses”: Loss expenses of CHF 96.9 million comprise the formation of provisions for incurred but not reported (IBNR) cases amounting to CHF 26.4 million, the formation of provisions for reported losses totalling CHF 1.3 million, and the change in value adjustments on losses of CHF 55.4 million (cf. Loss expenses by segment, p. 63). Losses amounting to CHF 12.9 million were definitively written off in 2022. The losses written off largely related to risks in Argentina, Ecuador, Pakistan, Russia, Slovenia, Switzerland, Türkiye and Ukraine. The CHF 0.9 million under other loss expenses includes costs for recovery measures.

[3] On “Debt rescheduling results”: Debt rescheduling results amounting to CHF 14.7 million is reported net. This item consists of the reversal of value adjustments on debt rescheduling balances amounting to CHF 14.8 million and the writing-off of credit balances against debtor countries totalling CHF –0.1 million (cf. Debt rescheduling results by segment, p. 63).

[4] On “Other income”: The CHF 3.7 million in other income largely originates from the capitalisation of the project costs (personnel and non-personnel expenses) for the IT 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 7.7 million under intangible assets originates from the capitalisation of the project costs (personnel and non-personnel expenses) for the IT 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. 60) were valued in accordance with the AP (cf. Accounting Principles, p. 54) and were then reported as net claims. In the year under review, claims from losses increased by CHF 26.9 million. The claims paid related to Algeria, Argentina, Bangladesh, Cyprus, India, Egypt, Indonesia, Italy, Mexico, Kuwait, Liberia, Paraguay, Poland, Switzerland, Türkiye, United Arab Emirates, United States and Zambia.

[8] On “Credit balances from debt rescheduling agreements”: The credit balances from debt rescheduling agreements (cf. Credit balances from debt rescheduling agreements, p. 62) were reported as net credit balances. The largest movements occurred in Serbia (reduction of CHF 11.2 million).

[9] On “Loss provisions”: SERV recognised IBNR provisions for losses amounting to CHF 75.4 million and provisions for reported losses of CHF 93.0 million (cf. Accounting Principles, p. 54). Loss provisions totalled CHF 168.4 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 154.1 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 63.

[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 63 shows loss expenses incurred per segment.

[15] On “Debt rescheduling results”: Debt rescheduling results were allocated directly to the segments. The table on page 63 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. 58).

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 63.

Reinsurance liabilities

Ceded reinsurances are included in the income statement under the items “Premium income” of CHF –2.0 million, “Creation of unearned premium reserves” of CHF +2.0 million and “Release of unearned premium reserves” of CHF –4.3 million. In the balance sheet item “Unearned premiums”, the share due to reinsurance amounts to CHF –15.5 million.

Development of Property, Plant and Equipment & Intangible Assets

in KCHF

	Property, plant and equipment		Intangible assets	
	2022	2021	2022	2021
Acquisition costs				
Value as at 1 January	2959	2653	7216	3309
Additions	291	416	3354	3907
Disposals	– 804	– 110	–	–
Other changes, transfers	–	–	–	–
Value as at 31 December	**2446**	**2959**	**10570**	**7216**
Cumulative depreciation				
Value as at 1 January	2440	2239	1865	20
Additions	377	307	622	–
Disposals	– 797	– 106	–	–
impairment	–	–	339	1845
Value as at 31 December	**2020**	**2440**	**2826**	**1865**
Book value as at 31 December	**426**	**519**	**7744**	**5351**

Claims from Losses and Restructuring (with value adjustment)

in CHF million

	31.12.2022			31.12.2021			
	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	– 77.0	51.4	128.4	– 64.2	64.2	– 12.8
Switzerland	107.5	– 87.4	20.1	102.8	– 75.7	27.1	– 7.0
Türkiye	54.6	– 27.9	26.7	55.2	– 29.4	25.8	0.9
Cuba	47.6	– 31.4	16.2	47.7	– 32.0	15.7	0.5
Greece	50.7	– 42.7	8.0	50.7	– 44.3	6.4	1.6
India	43.3	– 29.1	14.2	43.0	– 23.0	20.0	– 5.8
Zimbabwe	37.4	– 26.2	11.2	37.4	– 23.4	14.0	– 2.8
Indonesia	13.2	– 9.4	3.8	16.1	– 13.7	2.4	1.4
Zambia	25.4	– 23.2	2.2	15.3	– 11.8	3.5	– 1.3
Brazil	14.1	– 11.0	3.1	14.6	– 9.9	4.7	– 1.6
Other countries	43.5	– 43.4	–	32.3	– 32.3	–	–
	565.7	**– 408.8**	**156.9**	**543.5**	**– 359.7**	**183.8**	**– 26.9**
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			**175.8**			**202.7**	**– 26.9**

Value Adjustment on Claims from Losses and Restructuring

in CHF million

	31.12.2022					31.12.2021					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

	31.12.2022						31.12.2021						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	116.4	–	30.2	86.2	–64.4	21.8	–
Argentina	93.4	–	19.8	73.6	–24.9	48.7	102.7	–	19.9	82.8	–24.8	58.0	–9.3
Pakistan	57.8	3.1	3.2	51.5	–51.5	–	72.2	3.2	3.8	65.2	–63.9	1.3	–1.3
Serbia	27.2	–	7.3	19.9	–4.5	15.4	42.4	–	11.3	31.1	–4.6	26.5	–11.1
Iraq	25.5	–	8.1	17.4	–17.4	–	28.0	–	8.8	19.2	–19.1	0.1	–0.1
Bosnia and Herzegovina	19.8	–	4.9	14.9	–11.2	3.7	21.0	–	5.2	15.8	–11.2	4.6	–0.9
Honduras	1.6	–	0.1	1.5	–1.3	0.2	1.7	–	0.1	1.6	–1.3	0.3	–0.1
Cameroon	1.1	–	0.2	0.9	–0.9	–	1.5	–	0.2	1.3	–1.3	–	–
Montenegro	0.5	–	0.2	0.3	–0.3	–	0.8	–	0.2	0.6	–0.4	0.2	–0.2
Indonesia	0.3	0.3	–	–	–	–	0.9	0.9	–	–	–	–	–
Bangladesh	0.3	0.1	–	0.2	–0.2	–	0.5	0.1	–	0.4	–0.4	–	–
Egypt	–	–	–	–	–	–	–	–	–	–	–	–	–
Total credit balances from debt rescheduling agreements	**488.8**	**95.2**	**74.0**	**319.6**	**–224.5**	**95.1**	**533.0**	**95.9**	**79.7**	**357.4**	**–239.3**	**118.1**	**–23.0**

Premium Income by Segment

01.01.2022–31.12.2022, 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	76 166	2 137	77 596	155 899
Premium income from expense premiums (e.g. review premiums)	–	42	123	165
Total premium income	**76 166**	**2 179**	**77 719**	**156 064**

Loss Expenses by Segment

01.01.2022–31.12.2022, 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	– 4 767	– 46 706	25 032	– 26 441
Provision for reported losses	– 2 219	–	922	– 1 297
Change in value adjustments	– 24 512	– 3 067	– 27 779	– 55 358
Definitive loss write-offs	–	–	– 12 912	– 12 912
Other loss expenses	–	– 15	– 888	– 903
Total loss expenses	**– 31 498**	**– 49 788**	**– 15 625**	**– 96 911**

Debt Rescheduling Results by Segment

01.01.2022–31.12.2022, 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	7 516	1 560	5 711	14 787
Write-offs of credit balances against debtor countries	– 99	4	–	– 95
Total debt rescheduling results	**7 417**	**1 564**	**5 711**	**14 692**

Loss Provisions by Segment

31.12.2022, in KCHF

	Segments (by debtor)			SERV
	Public	Private without del credere	Private with del credere	
	(1)	(2)	(3)	(4)=(1)+(2)+(3)
IBNR	13 067	46 694	15 656	75 417
Reported losses	59 827	–	33 155	92 982
Loss provisions	**72 894**	**46 694**	**48 811**	**168 399**

PROOF OF CAPITAL

As of 31 December 2022, SERV held capital of CHF 2.879 billion, CHF 46.7 million more than the previous year.

Risk-bearing capital (RBC) and core capital (CCap) together totalled CHF 2.071 billion at the end of 2022, CHF 357.8 million higher than the previous year. This change is the result of changes in exposure, OECD country risk categories (CRCs), default probabilities and foreign currency effects. Due to the increase in exposure in CRC 5-7, which resulted from new business and, most importantly, from the downgrades of Ghana and Russia, the financial impact on the calculation of the CCap is higher as the sensitivity is greater in the lower categories.

The compensation reserve (CR) is a net balance sheet item and amounted to CHF 761.0 million at the end of 2022. This represents a decrease of CHF 357.8 million compared to the previous year (including CHF 88.1 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.

Proof of Capital

31.12.2022, in KCHF

	31.12.2021	**Allocation net income previous year**	**Net income in 2022**	**Shifts**	**31.12.2022**
	(1)	(2)	(3)	(4)	(5)= (1)+(2)+(3)+(4)
Risk-bearing capital (RBC)	1 059 486			46 897	1 106 383
Core capital (CCap)	565 874			398 995	964 869
Compensation reserve (CR)	1 118 857	88 052		– 445 892	761 019
Net income (NI)	88 052	– 88 052	46 665		46 665
Capital	**2 832 269**	–	**46 665**	–	**2 878 936**

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 2022 to 22 February 2023, 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 2022, the auditors received a fee (excl. VAT) of KCHF 66.6 (previous year: KCHF 66.6) for auditing the 2022 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 on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Swiss Export Risk Insurance (the Company), which comprise the income statement, balance sheet, cash flow statement, proof of economic viability, segment accounting and notes for the year ended 31 December 2022, depicted on pages 48 to 64.

In our opinion, the accompanying financial statements for the year ended 31 December 2022 comply with the accounting principles set out in the notes.

Basis for Opinion
We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor's Responsibilities for the Audit of the Financial Statements” section of our report. We are independent of the Company in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information
The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors’ Responsibilities for the Financial Statements
The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the accounting principles outlined in the annex, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Swiss Export Risk Insurance, Zurich
Report of the Statutory Auditor to the Federal Council on the Financial Statements 2022

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
– Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
– Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Swiss Export Risk Insurance, Zurich
Report of the Statutory Auditor to the Federal Council on the Financial Statements 2022

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and PS-CH 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 including the proof of economic viability submitted to you be approved.

KPMG AG

Oliver Windhör Licensed Audit Expert	Sabina-Ioana Nitescu Licensed Audit Expert

Zurich, 22. February 2023