FINANCIAL YEAR 2022

SERV issued new insurance policies worth CHF 3.296 billion for Swiss exporters in the 2022 financial year. Premium income amounted to CHF 156.1 million and new insurance commitments in principle totalled CHF 1.434 billion.

PREMIUM INCOME
in CHF million
156

NEW COMMITMENT
+71%

At CHF 3.296 billion, new commitment was markedly higher than in the previous year (CHF 1.933 billion). As a result, premium income was significantly higher at CHF 156.1 million, which is the second-highest income in SERV's history. Buyer credit insurance for large infrastructure projects and projects in the textile sector in Ghana, Egypt, Türkiye, the United Kingdom and Uzbekistan were the chief contributors to these high premium revenues. Significantly more long-term loan maturities were insured than in previous years via some 56 buyer credit insurances. The highest single premium was generated from a large railway infrastructure project in Türkiye, for which SERV reinsured the UK export credit agency (ECA) UKEF for the Swiss share of the project.

The insurance income of CHF 131.5 million also includes interest income from debt rescheduling in the amount of CHF 10.1 million. Following the exceptional posting of negative loss expenses (income) of CHF 5.9 million in the previous year, loss expenses were higher than average at CHF 96.9 million in 2022. Not surprisingly, SERV had to set aside higher provisions for imminent losses in Russia. Although the repayments for some insured projects in Russia and Belarus were received without delay, the maturities of other insured transactions had to be restructured. Where payments remained overdue beyond the waiting period, SERV had to set aside provisions in accordance with its accounting principles (AP). Insured transactions to Russia are also expected to have a significant impact in the coming years.

At CHF 14.7 million, the debt rescheduling results exceeded the figure for the previous year (CHF 11.7 million). Personnel and non-personnel expenses were roughly in line with the previous year's figure, while the financial result remained positive at CHF 1.2 million. All in all, this resulted in an operating profit of CHF 29.3 million. For the first time since 2016, SERV was able to generate interest income from funds deposited with the Federal Treasury. As a result, corporate income exceeded operating income by CHF 17.4 million.

“The Switzerland Infrastructure team offers us a good instrument to market the expertise of Swiss industry in buyers’ markets and the attractive financing options that SERV cover can open up.”

LARS PONTERLITSCHEK
CHIEF INSURANCE OFFICER

Marketing & acquisition

SERV expanded its acquisition team by two positions in 2022, thus further advancing its Pathfinding Initiative. By actively marketing in buyers’ markets, it gives Swiss exporters access to major international projects, particularly those in the infrastructure sector. In collaboration with SECO, Switzerland Global Enterprise (S-GE), Swissmem and Swissrail, SERV forms part of the international “Team Switzerland Infrastructure”, which jointly markets the Swiss industry’s expertise in infrastructure projects in buyers’ markets and the attractive financing opportunities opened up by SERV cover. The team’s activities during the year included accompanying Federal Councillor Parmelin on a visit to India in October 2022.

SERV insured three projects via the Pathfinding Initiative in 2022. To date, 30 exporters have benefited from subcontracts totalling CHF 175.0 million. Several new projects are already in the pipeline for 2023. In addition, S-GE has brought in infrastructure experts as part of the federal government’s “Access to major infrastructure projects for Swiss SMEs” initiative. These experts identify interesting infrastructure projects for Swiss suppliers in the six focus countries of Brazil, India, Indonesia, South Africa, the United Arab Emirates and the USA. SERV therefore expects demand to increase in the coming years.

An important building block for Swiss suppliers’ access to infrastructure projects is attracting general contractors (EPC) to Switzerland. SERV is currently in regular contact with 14 EPCs for the purposes of implementing infrastructure projects. All in all, SERV considers itself to be well on the way to achieving its desired transformation into a trade facilitator.

Development of new exposure and new commitment

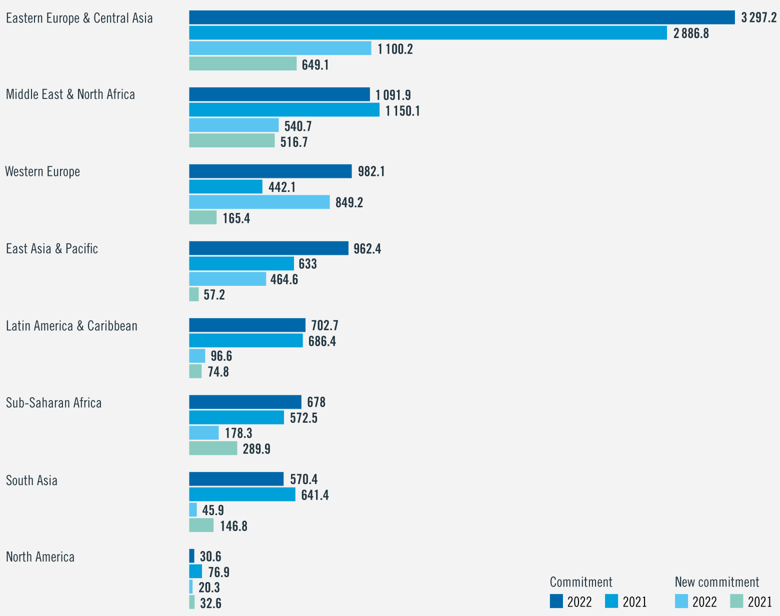
SERV approved 701 new applications in 2022, of which 582 were insurance policies (IPs) and 119 insurance commitments in principle (ICPs). The value of those 701 applications is significantly below the figures achieved in the past, although it should be noted that there is a tendency to bundle subcontracts. This means that SERV theoretically has a single policyholder, for example an EPC or a packager, as a customer. In reality, however, this single customer combines a large number of smaller subcontractors into one single transaction under its contract. New commitments rose by 71 per cent to CHF 3.296 billion. As ever, the volumes of insured transactions ranged widely, between CHF 16,547 and

CHF 390.0 million. As is customary, the majority of transactions insured by SERV were for SMEs, which received around three-quarters of the IPs. However, the five largest individual commitments alone account for almost 40 per cent of the total new commitment. The most important destination countries for insured exports were Türkiye, Uzbekistan and the United Kingdom (major project with guarantors from Luxembourg). In contrast to previous years, two-thirds of the new exposure was accounted for by credit transactions with terms of more than two years due to the comparatively large number of buyer credit insurance policies issued.

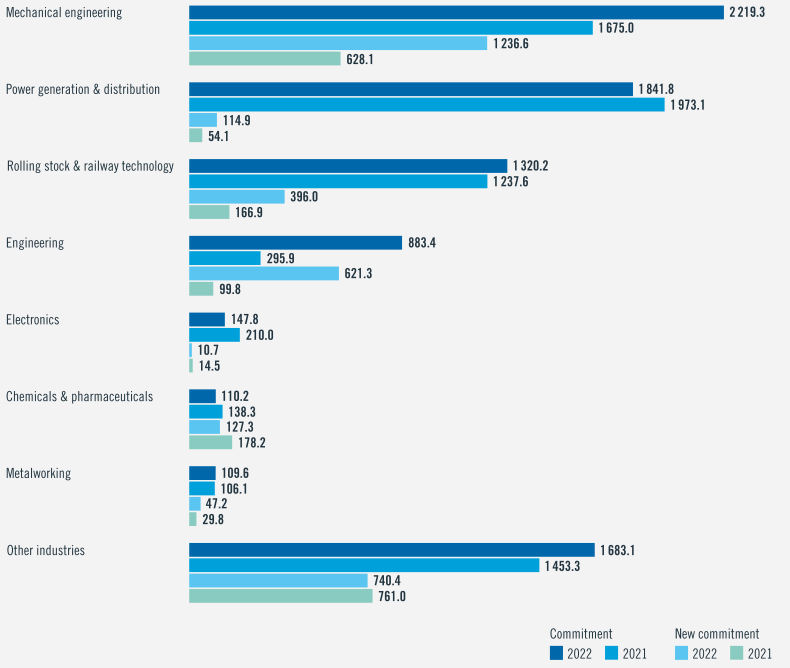
From 2017 to 2021, the demand for working capital insurance and counter guarantees declined continuously in terms of both numbers and exposure. In 2022, demand for these products by exporters increased again, with the number of working capital insurance policies issued rising from 39 to 47. There was also an increase in the number of counter guarantees issued, with these rising from 143 to 159. All in all, new commitment from these products increased by CHF 123.1 million to CHF 591.7 million.

The volume of newly issued ICPs fell to CHF 1.434 billion in 2022. A notable feature was that many ICPs were issued for business on the African continent, for example for Algeria, Cameroon, Egypt, Nigeria, Senegal, Tanzania and Togo.

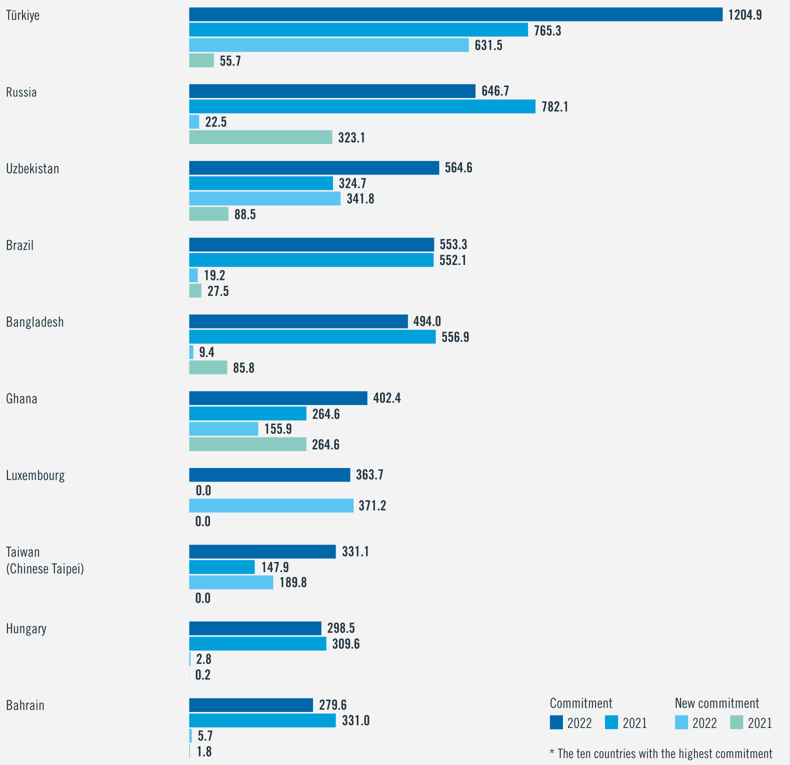
COMMITMENT & NEW COMMITMENT BY REGION
in CHF million, as at 31 December



COMMITMENT & NEW COMMITMENT BY INDUSTRY
in CHF million, as at 31 December



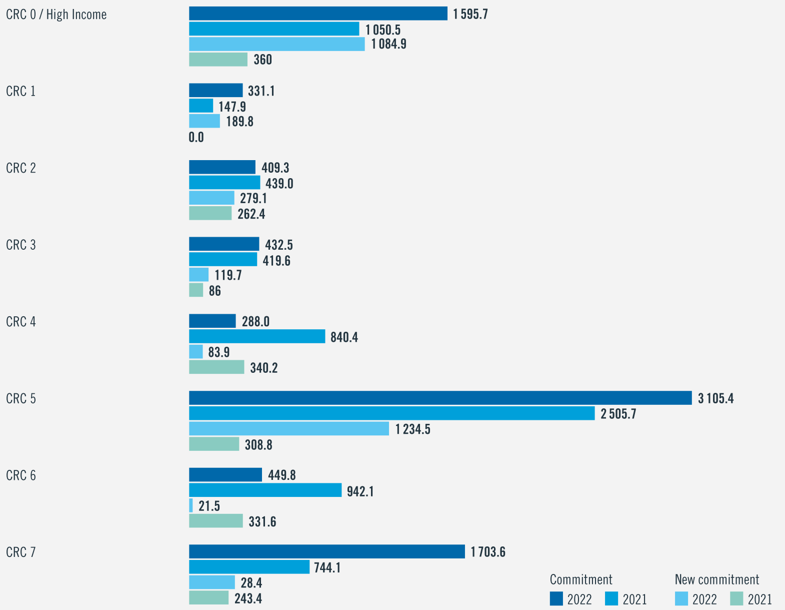
COMMITMENT & NEW COMMITMENT BY COUNTRY*
in CHF million, as at 31 December



* The ten countries with the highest commitment

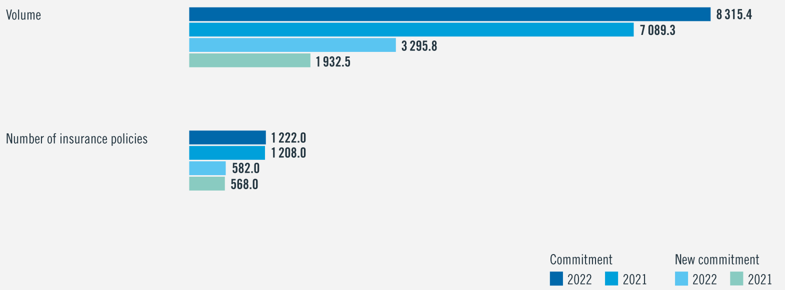
COMMITMENT & NEW COMMITMENT BY OECD COUNTRY RISK CATEGORY

in CHF million, as at 31 December



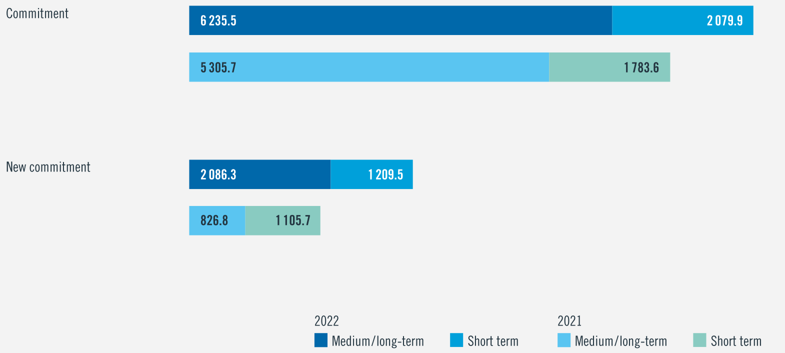
COMMITMENT & NEW COMMITMENT BY SIZE

in CHF million, as at 31 December



COMMITMENT & NEW COMMITMENT BY DURATION OF CREDIT PERIOD

in CHF million, as at 31 December



Exposure & commitment

SERV's exposure amounted to CHF 10.174 billion as at 31 December 2022, CHF 250.5 million higher than on the previous year's balance sheet date. The commitment on the balance sheet date was CHF 8.315 billion, which was CHF 1.226 billion higher than on the same date the previous year. The increase in exposure resulted from the new IPs.

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 Türkiye, at CHF 1.285 billion. Uzbekistan has moved up to third place in the country list by commitment, as a number of projects in the textile sector have been insured here in recent years. A further addition in 2022 was the Pathfinding project in the tourism sector, which is presented on page 25 (cf. In the field, New sales market for Swiss SMEs in Uzbekistan). Exposure to Russia has been declining for years and since the introduction of the sanctions adopted in 2022, SERV is no longer allowed to insure any new projects in the country, with very few exceptions.

National and international environment

SERV can insure transactions with a Swiss content of at least 20 per cent of the order value without additional proof.

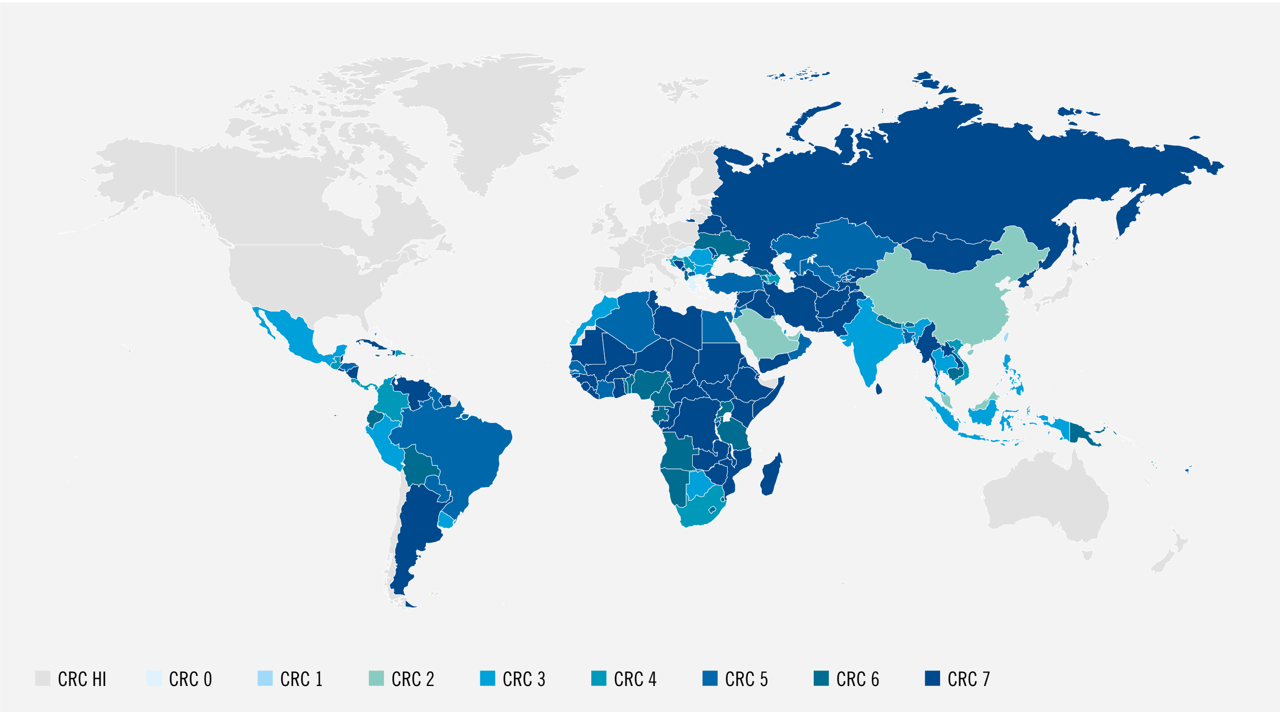
In September 2022, the Federal Council decided to indefinitely extend the temporary simplification of the content rules adopted in connection with the COVID-19 pandemic. This means that SERV can insure transactions with a Swiss content of at least 20 per cent of the order value without additional proof. The cover ratios, which were also increased as part of the COVID-19 pandemic measures, were scaled back to their previous levels from 31 December 2022 (80 per cent for working capital insurance and 90 per cent for the counter guarantee).

International negotiations on officially supported export credits were dominated in 2022 by discussions about modernising the Arrangement on Officially Supported Export Credits ("Arrangement") in order to simplify the rules and increase their flexibility. The aim of such a modernisation is to reduce the competitive disadvantages resulting from the relatively rigid rules vis-à-vis non-OECD countries. The rules must nonetheless remain in line with the principles of the World Trade Organization (WTO), which aims to prevent the official subsidising of exports. The intention is also to incorporate the promotion of climate-friendly projects into the Arrangement. The participants hope to reach a consensus by March 2023. SERV is actively involved in ensuring that these objectives are achieved and that the Arrangement is adapted to current needs while maintaining a level playing field.

SERV again played an active part in the meetings of the Berne Union during the year. The priorities included the impact of the war in Ukraine and the COVID-19 pandemic on business activity, the opportunities and risks of the increasingly important African market, and climate policy.

In addition to multilateral cooperation, SERV attaches great importance to maintaining and strengthening its bilateral relationships. It therefore maintains regular exchanges with other ECAs.

OECD country risk categories
As at 31 December 2022



CLAIMS
23

INDEMNITY PAYMENTS
in CHF million
55

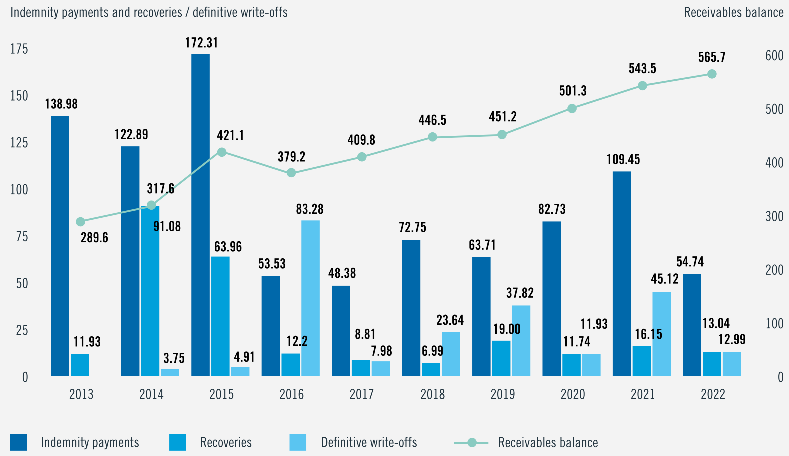
Losses and claims

SERV reported 23 new losses in the year under review, for which it made indemnity payments totalling CHF 33.4 million. Most of these losses were small in size. In addition, there were several medium-sized losses and two larger losses in Poland and the United Arab Emirates.

Some losses were again able to be averted through prompt, active pre-loss management using measures such as restructuring due dates and extending cover. Following the COVID-19 pandemic, the next crisis has erupted in the form of the war in Ukraine, and it is anticipated that individual – and possibly larger – losses are likely in the near future. SERV has set aside financial reserves for this purpose. To date, however, no wave of losses from the new crisis region in Eastern Europe has materialised.

In recovery, 217 claims in a total of 38 countries were processed. Recovery is often a challenging, protracted process that depends to a great extent on the country and on the debtor's willingness or ability to pay. 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 the United Arab Emirates at CHF 6.4 million, from Congo-Brazzaville at CHF 2.1 million and from Switzerland at CHF 0.7 million.

OVERVIEW OF LOSSES AND CLAIMS
in CHF 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 impacts on the 2022 financial year: of the countries that have active debt rescheduling agreements with Switzerland, agreements under the DSSI were agreed with Cameroon and Pakistan to defer the 2020 maturities until the end of 2021. Repayments have been taking place since mid-2022.

Negotiations also took place with and Argentina and Cuba in 2022. No significant progress was made with Cuba; negotiations will continue in 2023. At the end of October 2022, the Paris Club creditors, including Switzerland, managed to reach a new arrangement with Argentina on the current debt rescheduling, comprising semi-annual instalments with a repayment period of six years until September 2028. The bilateral agreement with Argentina is expected to be signed in Q1 2023. The first repayment was made in December 2022.

The G20, the countries belonging to the Paris Club and other creditor countries agreed on a Common Framework for Debt Treatments beyond the DSSI ("Common Framework") in November 2020. The aim of this framework is to find solutions for countries that require support beyond that of the DSSI to bridge their liquidity problems or whose sovereign debt is unsustainable. Ethiopia and Zambia have submitted applications under the Common Framework, which has implications for both SERV and Switzerland. No concrete solutions have yet been agreed with regard to the applications.

SERV is also impacted 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. SERV managed to reach new agreements with four debtor countries in the year under review, while Switzerland is currently negotiating with two debtor countries.

The other countries listed in the table "Credit Balances from Debt Rescheduling Agreements" (cf. PDF p. 62) with which debt rescheduling agreements were concluded in the Paris Club were able to meet their payment obligations in the year under review.

RISK POLICY, RISK MANAGEMENT & COVER POLICY

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

In 2022, SERV stepped up its efforts to introduce holistic enterprise risk management.

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 2022, 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.

In 2022, SERV stepped up its efforts to introduce holistic enterprise risk management. A risk manager was appointed in November to help the BoD and the Executive Board to organise risk management. In addition, the topic of cyber resilience has been addressed in depth at all levels, various risk assessments have been carried out, and scenario and sensitivity analyses have been performed more frequently. SERV's capacity to act remains assured in all of the tested scenarios.

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.

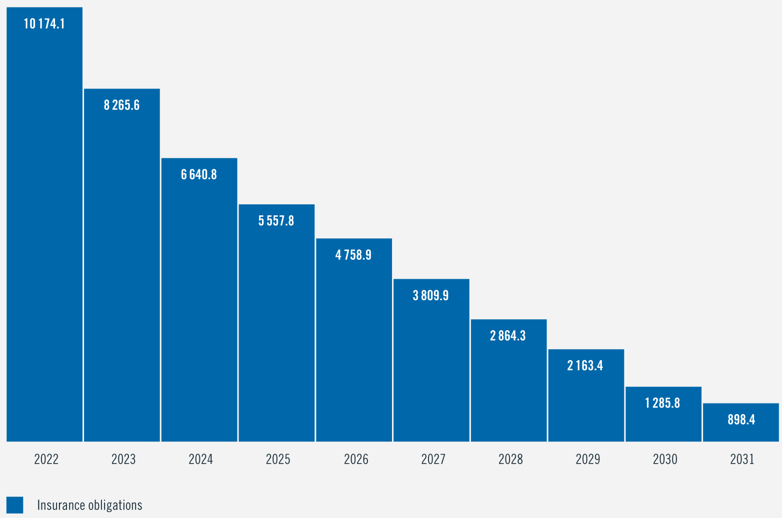
Insurance obligation

The Federal Council sets out a framework of obligation that defines the maximum scope of SERV's insurance obligations. This currently amounts to CHF 14 billion, of which 72.7 per cent had been utilised at the end of 2022.

The BoD is also obliged to ensure that the Federal Council is able to issue instructions in the case of transactions of particular significance by informing SECO at an early stage. In 2022, four transactions underwent the process of identifying politically sensitive transactions that may be of particular significance. In the event, none were found to be of particular significance.

To increase future flexibility in managing the insurance portfolio, two insurance brokers were procured in 2021 through a public tender process to place 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 to determine reinsurance requirements. In 2022, cover was concluded with private reinsurers for the first time. These took place under the auspices of public procurement law.

EXPIRY OF INSURANCE OBLIGATIONS
in CHF million



Cover policy

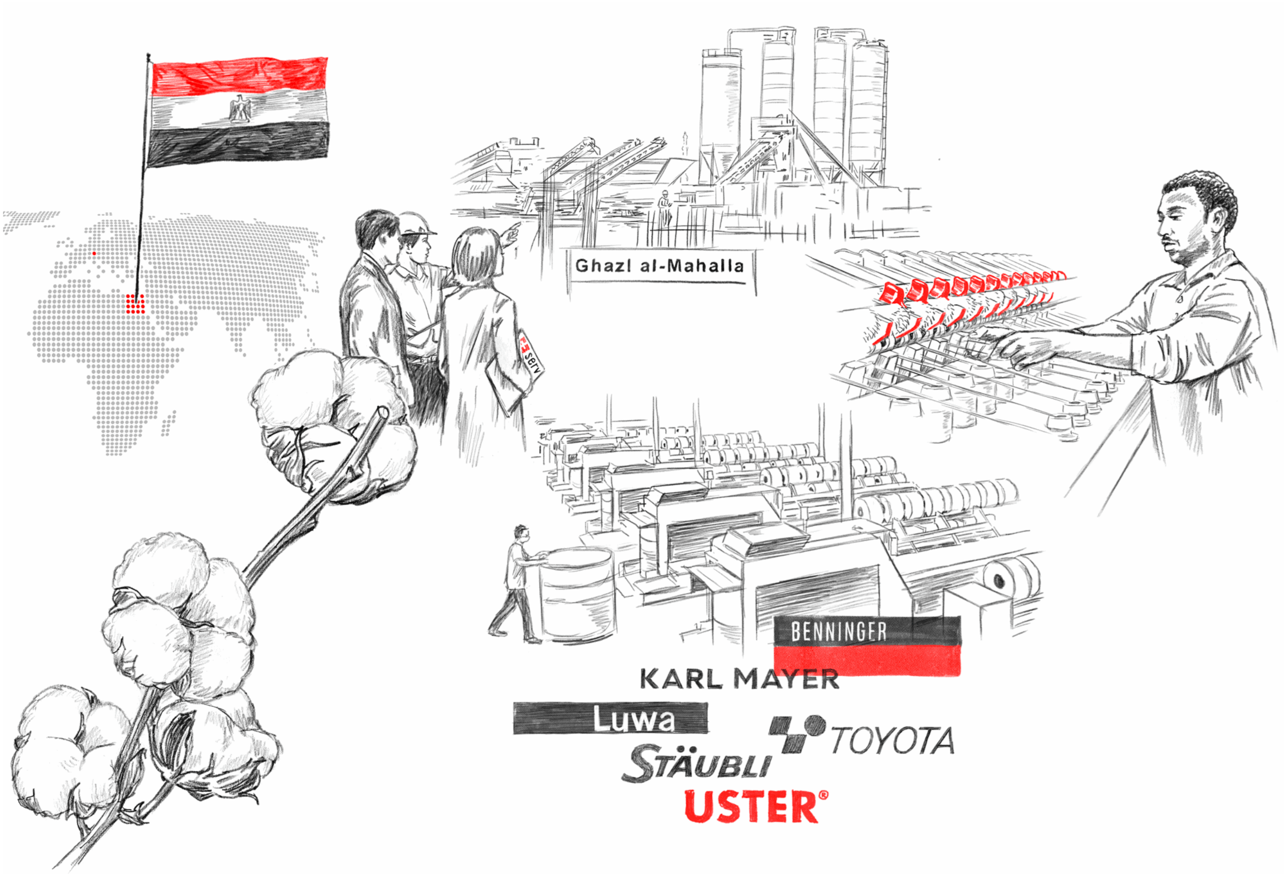
SERV defines the risk rating of countries, banks and private buyers in its cover practice. It is the most important tool for risk management in the insurance business. Current political and economic developments in the respective countries and sectors are analysed and evaluated to determine cover practice. In addition to its own analyses, SERV also takes external sources, such as recognised rating agencies' assessments, into account. One of the most important indicators for cover practice is the OECD's country risk categorisation. The CRC classifications are reviewed and reassessed several times a year by the OECD Country Risk Experts Group. SERV is part of this group.

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.

SWISS PARTICIPATION IN A PIONEERING PROJECT TO REFURBISH EGYPT'S TEXTILE INDUSTRY

The Egyptian government is totally refurbishing its textile factories, a process in which the Swiss textile machinery industry is also playing a part. SERV is supporting the project with complex ECA cover, its expertise and its presence in negotiations with local partners.



Almost the entire Swiss textile machinery industry is involved in the refurbishment of the Egyptian textile sector.

Egyptian cotton enjoys a reputation as a luxury product of the very highest quality. However, sales are declining due to high prices, and the state textile factories have become rather antiquated. The Egyptian government has therefore committed itself to refurbishing its entire cotton and textile sector. This includes the modernisation of the Ghazl al-Mahalla spinning mill, which will be the largest in the world. To achieve its objective, the government has selected prestigious Swiss cotton processing and textile machinery manufacturers to equip its mills with state-of-the-art technologies. The machines are designed to reduce energy consumption while also increasing production. Processing the cotton locally adds value and creates skilled jobs in the country.

"SERV's advisors have been extremely supportive. They visited several times, drove the discussions with the customer forward, explained processes and requirements, and supported us on environmental matters. This good communication was very helpful to us in the negotiations and in the project and financing activities."

HANSPETER WEILENMANN
CFO, BENNINGER AG

Supporting and advising exporters from the start of negotiations

An insurance policy from SERV made the transaction in its current form possible and allowed the Swiss suppliers to offer the Egyptian buyer attractive financing conditions. As Hanspeter Weilenmann, CFO at one of the suppliers, Benninger AG ("Benninger"), explains, "Benninger and its customers are dependent on economically viable medium-term financing for the projects." Karl Mayer Textilmaschinen AG, Luwa Air Engineering AG, Maschinenfabrik Rieter AG, Stäubli AG, Toyota Textile Machinery Europe AG and Uster Technologies AG are also participating in the project.

In addition to providing the insurance, SERV also supported the project in an advisory capacity. Its representatives, together with the financing bank, were present on site from the very outset of the contract negotiations to establish contact with the Egyptian partners. This personal exchange proved very useful, as Hanspeter Weilenmann explains: "SERV's advisors have been extremely supportive. They visited several times, drove the discussions with the customer forward, explained processes and requirements, and supported us on environmental matters. This good communication was very helpful to us in the negotiations and in the project and financing activities."

Flexibility for the insurance of a ground-breaking project

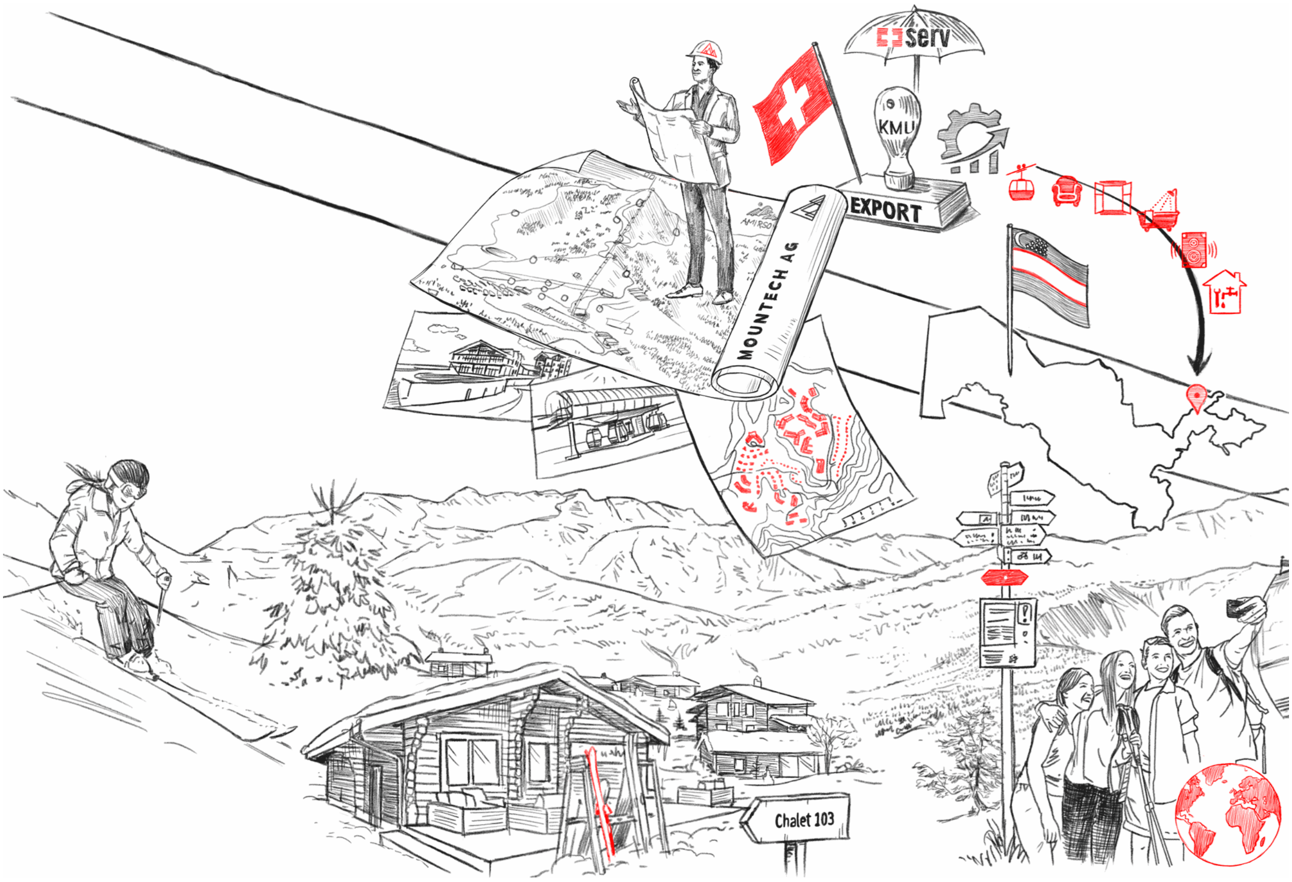
SERV faced the challenge of developing a creative and flexible solution for the insurance of this transaction as it involves 87 supply contracts in three different currencies with deliveries to seven locations, each of which must meet different environmental requirements. Close collaboration between all of the parties, the elaboration of a credit agreement and a single payment guarantee provided by the Egyptian Ministry of Finance made it possible.

With a total order value of CHF 402 million, it is a one-of-a-kind project for Swiss textile machinery manufacturers. While they have used SERV-covered financing for a long time, this is the first time that it has been used on this scale for a single project. Andreas Oel, Senior Vice President, Large Enterprises, SMEs & Acquisition at SERV, explains the significance of this project: “Participating in this mammoth project is hugely important for the Swiss textile machinery industry, and may lead to follow-up orders and long-term service mandates in an emerging market.”

The Egyptian state has a relationship with textile machinery manufacturers from Switzerland that spans many decades. The high quality of the machines that were delivered to the country over 40 years ago means that some of them are still in operation. The current deliveries will now breathe new life into these machines.

NEW SALES MARKET FOR SWISS SMES IN UZBEKISTAN

Several SMEs spanning a variety of sectors are involved in the expansion of a holiday resort in Uzbekistan. Some of these SMEs are exporting for the first time, and this has been made possible by an insurance policy from SERV.



A number of Swiss SMEs are supplying the Amirsoy resort in Uzbekistan. Some of them are exporting for the first time.

Not far from the Uzbek capital Tashkent, chalets – like those in the Swiss Alps – adorn the picturesque landscape of the foothills of the Chatkal Mountains. This is the Amirsoy holiday resort, which has been in operation since 2019. As business is good, the operator is planning to expand the resort. This includes building a new hotel and a gondola cableway lift leading from the valley station to the middle station. The resort is being supplied by several Swiss SMEs, whose products are of the very highest quality – from the builder of the cableway, the interior fitter and the furniture manufacturer to the producer of custom-made awnings and the developer of wellness facilities.

SERV's backing creates trust

Some of these companies are family businesses that are exporting their goods for the very first time. These export deliveries are a necessary precondition if the transactions are to be insured by SERV. Only in this way can the general contractor Mountech AG ("Mountech") help the buyer obtain financing on favourable terms. A down payment of only 15 per cent is planned on a total order value of CHF 35 million. The remaining 85 per cent will be financed by the bank in the form of a buyer's loan over a term of six years at favourable conditions. This is possible thanks to SERV's insurance, which is indirectly linked to the Swiss Confederation's AAA credit rating and is thus considered to be low risk. Having SERV backing also comes with other advantages.

"Whenever the exporters had questions, such as about content requirements, I was simply able to refer them to SERV's advisors. That was a great weight off my shoulders."

MARIKA PECHR
PROJECT MANAGER, MOUNTECH AG

Approaching Swiss suppliers was not always easy, Marika Pechr, Project Manager at Mountech, explains: "Many viewed the project with scepticism as the destination country of Uzbekistan was an unknown quantity to them. It was very helpful to be able to say that SERV, the federal export credit agency under public law, was insuring our project. That created a considerable amount of trust and confidence." Another important factor was giving advice to exporters who were inexperienced in foreign trade matters. "This was another area where SERV was able to help. I could simply refer to SERV's advisors when questions about things such as content requirements came up. That was a great weight off my shoulders," Marika Pechr says.

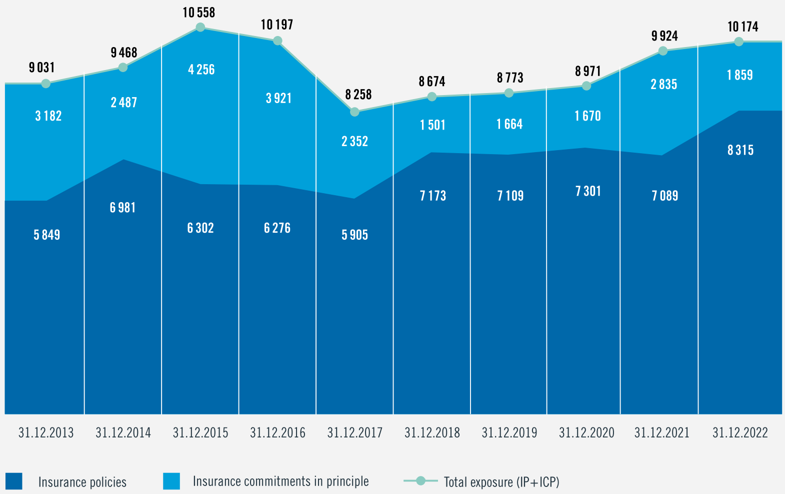
A local recreation area for everyone

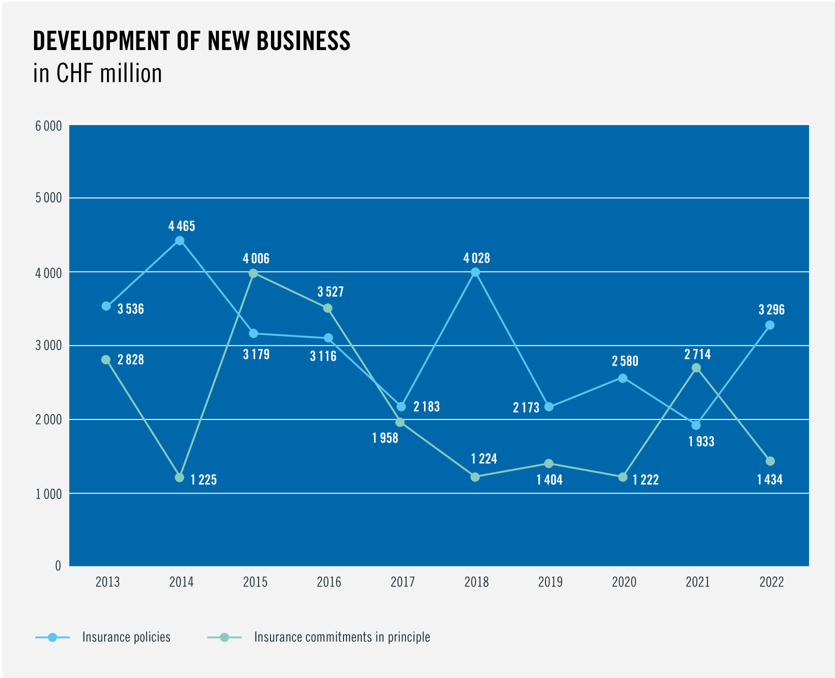
However, it is not only the Swiss SMEs who will profit from this project – the main beneficiaries will be the people of Uzbekistan: the resort, which is designed with year-round tourism in mind, employs 500 people. In addition to the accommodation on offer, which attracts visitors from all over the world, the resort, with its many new leisure activities, is also a recreation area for the local population and is situated only an hour's drive from Tashkent. A cooling visit to the mountains is a welcome diversion, particularly in the summer months when temperatures in the lowlands quickly reach the 40-degree mark.

MULTI-YEAR COMPARISON

As a public export credit agency 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.

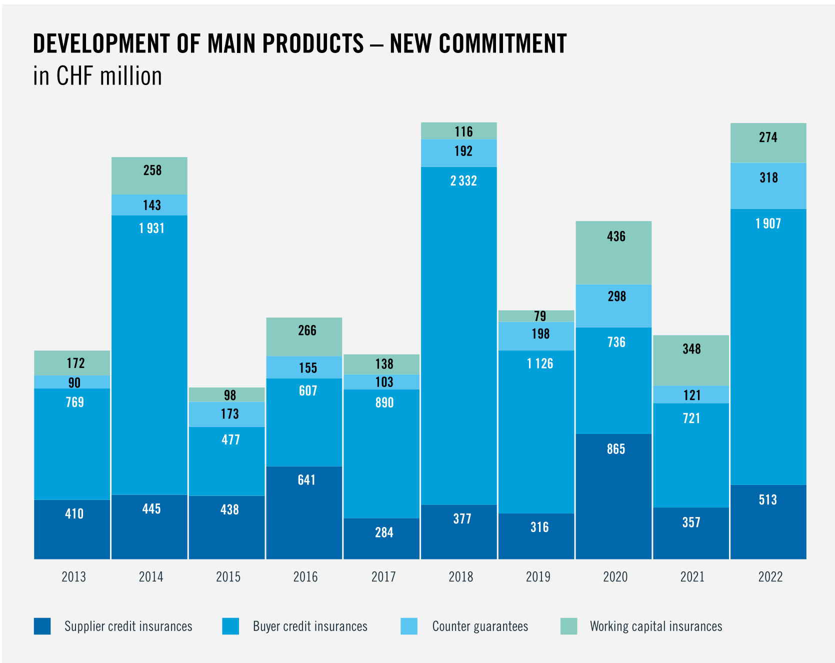
DEVELOPMENT OF EXPOSURE PORTFOLIO
in CHF million



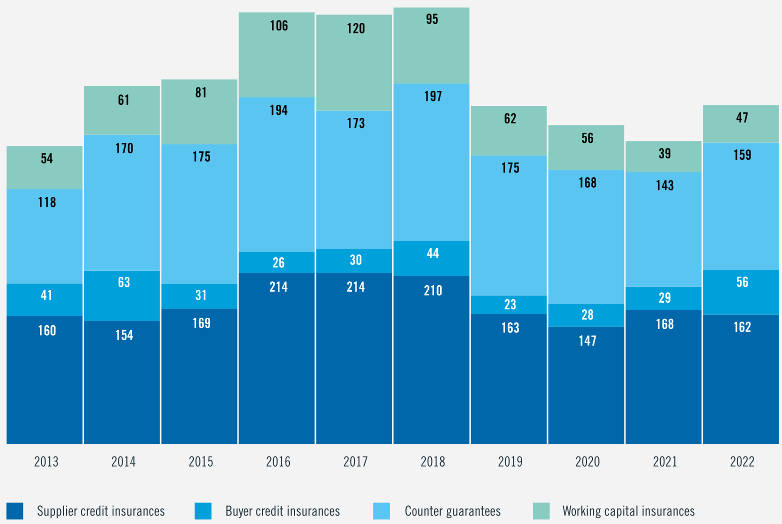


The exposure portfolio shows the total of all risks insured by SERV from insurance policies (IPs) and insurance commitments in principle (ICPs) at the end of a given financial year.

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.

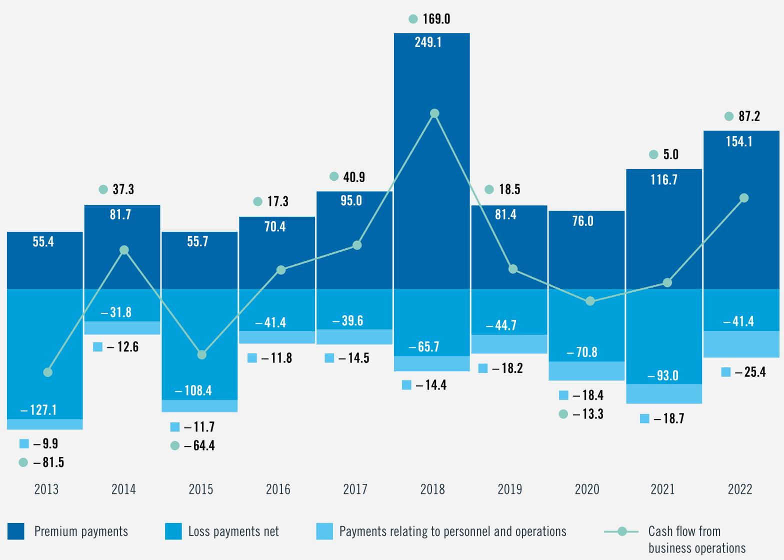


DEVELOPMENT OF MAIN PRODUCTS
Number of policies and guarantees



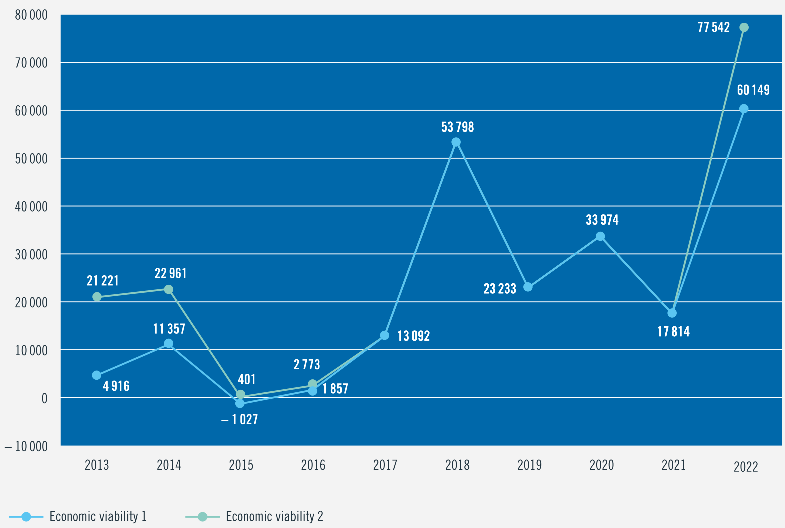
If new commitments are differentiated by main products, we see that the number and volume of new commitments per product tend to be inversely proportional. For example, a high volume of the insurances that SERV provides within a year are accounted for by only a few buyer credit insurances, whereas the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

CASH FLOW FROM BUSINESS OPERATIONS
in CHF million

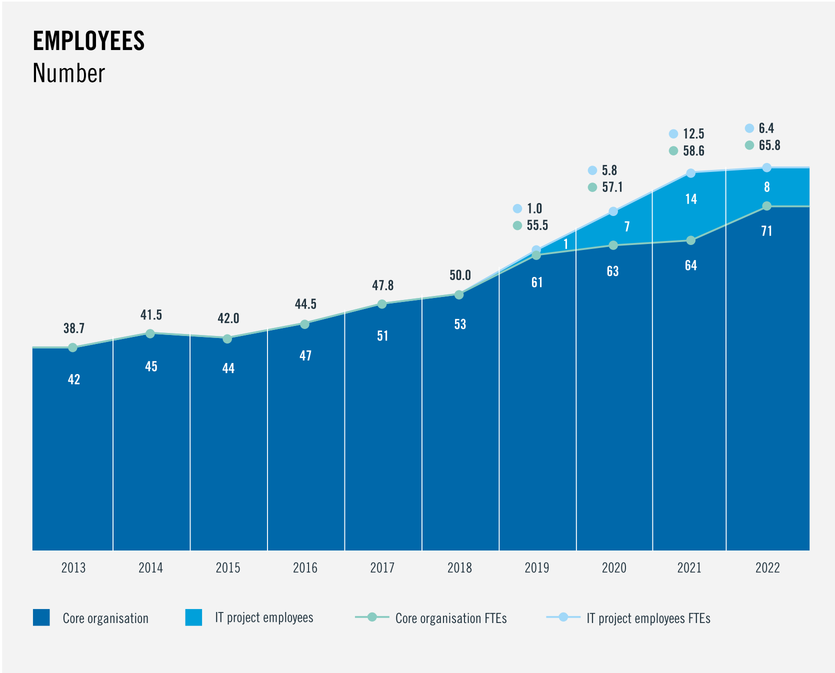


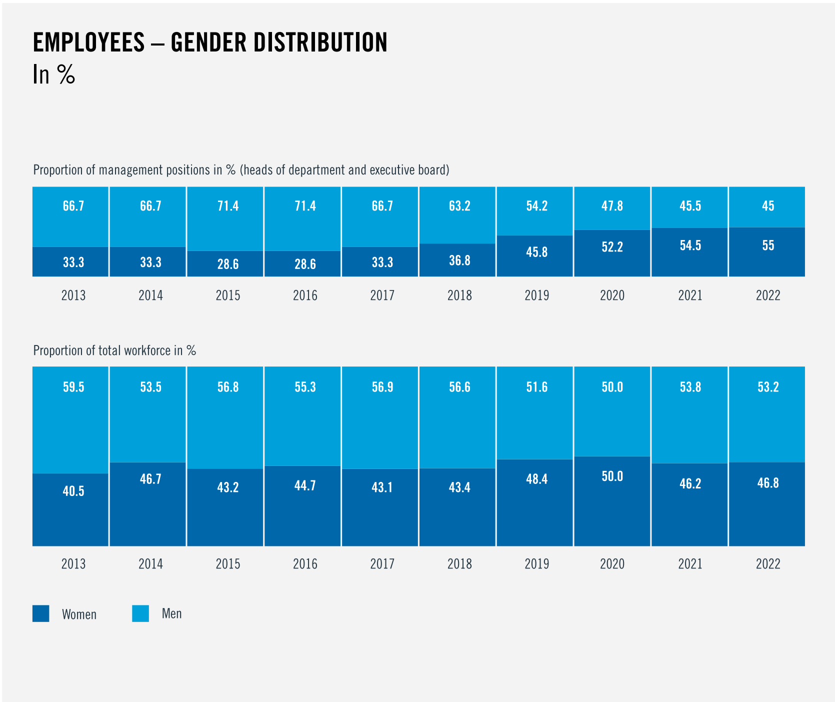
The cash flow from business operations shows whether premium payments are sufficient to finance indemnity payments and personnel and operating costs. The highly volatile nature of SERV's business is reflected in the fact that years in which premium payments are high and indemnity payments low alternate with other years in which premium payments are low and at the same time 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 0 in previous years, results in economic viability 2. Economic viability 2 has been positive at all times over the last 10 years. For the first time since 2016, economic viability 2 was greater than economic viability 1 as a result of the interest income on SERV's capital.





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, which is why the Client Advisory department was expanded. In addition, the requirements that SERV is subject to have also increased (compliance and risk management). SERV has had to increase its workforce in the last three years to cope with the renewal and expansion of its IT systems.