SERV Swiss Export Risk Insurance
Annual Report

2022

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
3 296 CHF M

INCOME FROM INSURANCE
132 CHF M

PROPORTION OF SMES IN THE CLIENT BASE
76%

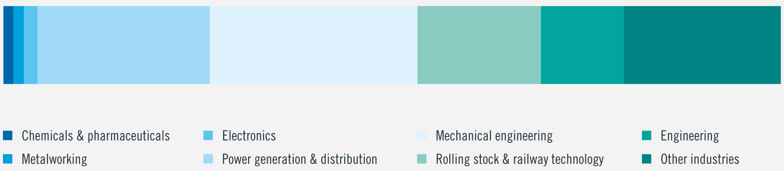
JOBS SECURED
21 000

INDEMNITY PAYMENTS
55 CHF M

ECONOMIC VIABILITY
60 CHF M

The surplus cover in the economic viability calculation amounted to CHF 60 million.

COMMITMENT BY INDUSTRY
in CHF million, as at 31 December



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

8 315 CHF M

Obligation in CHF million	31.12.2022	31.12.2021
Framework of obligation	14 000	14 000
Insurance obligations	10 174	9 924

Current exposure in CHF million	31.12.2022	31.12.2021
Commitment: insurance policies (IP)	8 315	7 089
Insurance commitments in principle (ICP)	1 859	2 835
Exposure	**10 174**	**9 924**

New exposure in CHF million	2022	2021
New commitment: insurance policies (IP)	3 296	1 933
Insurance commitments in principle (ICP)	1 434	2 714

Balance sheet in CHF million	31.12.2022	31.12.2021
Cash in hand & at bank and cash investments	3 187	3 036
Claims from losses and restructuring	176	203
Credit balances from debt rescheduling agreements	95	118
Unearned premiums and provisions	585	524
Capital	2 879	2 832

Income statement in CHF million	2022	2021
Earned premiums	121	79
Interest income from debt rescheduling agreements	10	11
Loss expenses	– 97	6
Debt rescheduling results	15	12
Profit/loss on insurance	**49**	**108**
Personnel expenses	– 17	– 15
Non-personnel expenses	– 8	– 9
Financial income	1	–
Other income	4	4
Operating profit/loss	**29**	**88**
Interest income from cash investments	17	–
Net income (NI)	**47**	**88**

Number of employees *		
Number	79	78
Full-time equivalents	72.2	71.1
Average number of full-time equivalents by year	72.5	70.7

*Including IT project employees

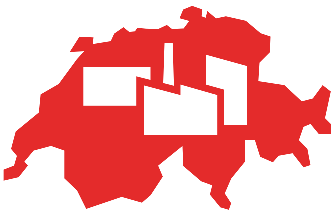
HIGHLIGHTS

SERV received the TXF “Top Performing ECA” award

TXF presents annual awards for notable achievements and transactions in the export finance industry. In 2022, SERV received the TXF “Top Performing ECA” award.

Successes in the Pathfinding Initiative

SERV’s Pathfinding Initiative, which was launched in 2019, is bearing fruit: in 2022, SERV insured three projects under the initiative with a total order value of CHF 175.0 million. Around 30 Swiss SMEs are participating in these projects as sub-contractors, some of whom are exporting for the first time.



21 000 jobs

SERV conducted an analysis of its direct and indirect employment effects in 2022. This shows that SERV instruments secure up to 21 000 jobs, that half of the transactions it insures would not take place without SERV cover and that every insured Swiss franc creates around 0.5 Swiss francs in exports.

Good overall satisfaction rating

SERV received a score of 4.3 out of 5 in its 2022 customer satisfaction survey. 94 per cent of respondents also said that SERV met their needs.

FOREWORD

Barbara Hayoz (Chairwoman of the Board) and Peter Gisler (Chief Executive Director)

The last 12 months have been shaped by geopolitical uncertainty, soaring inflation rates and exchange rate fluctuations. The situation in Europe continues to be dominated by the war in Ukraine. The energy crisis, the consequence of the sanctions against Russia, has had a drastic economic impact throughout Europe. In addition, increases in key interest rates to combat inflation, as well as persistently volatile share prices, are impacting on the economic environment. Despite the measures that have been introduced, Switzerland also runs the risk of an electricity shortage – with uncertain consequences for the economy and society. In summer 2022, the Swiss National Bank (SNB) initiated its interest rate turnaround: the artificial world of free money and negative interest rates has come to an end – for the time being, at least. This is a welcome development.

A look back at a year dominated by uncertainty

What are the effects likely to be for the Swiss export economy? How much will the economy deteriorate? And is Europe really threatened by an energy crisis? The answers to these questions are complex and even experts disagree. We must all learn to cope with this uncertainty and develop flexibility and resilience in this crisis.

The Pathfinding Initiative and the “Team Switzerland Infrastructure” approach to export promotion are a response to these challenges. SERV is working closely with SECO and the export promoter Switzerland Global Enterprise (S-GE) as well as with a variety of other associations, in particular Swissmem and Swissrail, on these approaches.

The aim is to help SMEs access major infrastructure projects abroad and thus new sales markets. In addition to projects falling under the umbrella of this Pathfinding Initiative, other major export contracts, such as insuring a project to modernise the Egyptian textile sector (cf. In the field, Swiss participation in a pioneering project to refurbish Egypt's textile industry), also made an important contribution to SERV’s premium income in 2022. As a result, SERV achieved the second-highest premium income in its history.

“In times dominated by uncertainty, it is vital that Swiss exporters are able to count on SERV as a flexible and resilient partner. It must therefore constantly evolve to enable it to meet the current requirements of the export industry.”

BARBARA HAYOZ
CHAIRWOMAN OF THE BOARD OF DIRECTORS

As a result of the war in Ukraine, SERV expects higher losses in the foreseeable future, some of which have already been reflected in the business result as imminent losses. New exposure has developed favourably this year. Many of the insurance commitments in principle (ICPs) issued in 2021 were converted into insurance policies (IPs) this year, resulting in new commitment of CHF 3.296 billion. Newly issued ICPs, on the other hand, came in lower than in the previous year at CHF 1.434 billion. Despite the fraught loss situation caused by the war in Ukraine, SERV posted a positive corporate result of CHF 46.7 million in 2022. Premium income of CHF 156.1 million, reduced by loss expenses of CHF 96.9 million, made a significant contribution to that result. The changed interest rate situation allowed SERV to generate interest income of CHF 17.4 million from its investments with the Federal Treasury, the first time it had done so since 2017.

SERV as a future-oriented trade facilitator

SERV operates from a position of strength. It has a compelling purpose – “Minimise risks. Maximise exports.” – and a coherent 2025 Strategy. In addition, it is well positioned in both structural and staffing terms to successfully shape its strategy. An important pillar and driver that is to be deliberately expanded is its transformation into a “trade facilitator”. This is to be achieved under the auspices of the aforementioned initiatives to help SMEs access significant foreign infrastructure projects. SERV can already boast some initial successes in this regard. In the year under review, 30 Swiss exporters were awarded subcontracts worth CHF 175.0 million. In view of the huge global need for infrastructure investments, additional opportunities are opening up for Swiss exporters. Topics such as digitalisation, sustainability and transformation to a climate-neutral economy will, of course, also continue to occupy SERV in the coming years.

“SERV is strategically and structurally well positioned to drive forward its transformation into a trade facilitator. It is aiming first and foremost to boost the Swiss export economy and give companies access to infrastructure projects.”

PETER GISLER
CHIEF EXECUTIVE DIRECTOR

Foreign trade is of vital 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 uncertainty, China’s economic ascent, the transformation to a climate-neutral economy, the rapid growth in the use of digital technologies and reductions in trade flows due to crises such as the COVID-19 pandemic and the war in Ukraine threaten Switzerland’s successful model. Financing and risk cover are important competitive factors in foreign trade – and public export credit agencies play an increasingly important role worldwide in supporting foreign trade activities with industrial policy measures. SERV can also play a significant role in managing global challenges.

SERV’s cover practice

The temporary amendment to the SERV Ordinance (SERV-V) due to the economic impact of the COVID-19 pandemic expired on 31 December 2022. On 23 September 2022, the Federal Council decided to indefinitely extend the applicability of the temporary content criteria, which require Swiss content of at least 20 per cent of the total order value. The increased cover ratios for liquidity products will, however, be scaled back to their previous level.

Fit for the future

If SERV is to continue to provide the best possible support to the Swiss export industry in the future, it must be able to identify the signs of the times and interpret them correctly. The SERV Act (SERVG) and the SERV-V were drafted in the early 2000s, and since then the export industry, foreign trade, governance requirements, product needs and, in particular, what is required of a modern export credit agency (ECA) have changed. Some minor modifications were made in the past, each of which was due to an extraordinary situation (2007–2009 financial crisis, 2020 COVID-19 pandemic). SERV makes full use of the legal framework to meet current requirements, but regularly reaches its limits.

SERV is also aware that financing export transactions has become more challenging. Banks are finding it increasingly costly and difficult to expedite the financing of export transactions. This is particularly disadvantageous for the low-volume financing that SMEs require. This is another area where there is a need for solutions to ensure that SERV can continue to support exporters in the best possible way.

It is currently still too early to determine precisely how the need for reform should be addressed. SERV will work with the relevant stakeholders in the coming months to consider the course that a reform project needs to take if it is to efficiently and effectively resolve the problems that have been identified.

This should ensure that SERV is able to fulfil its mandate of boosting the Swiss export industry most effectively in the future and in challenging circumstances.

Barbara Hayoz
Chairwoman of the Board of Directors

Peter Gisler
Chief Executive Director

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

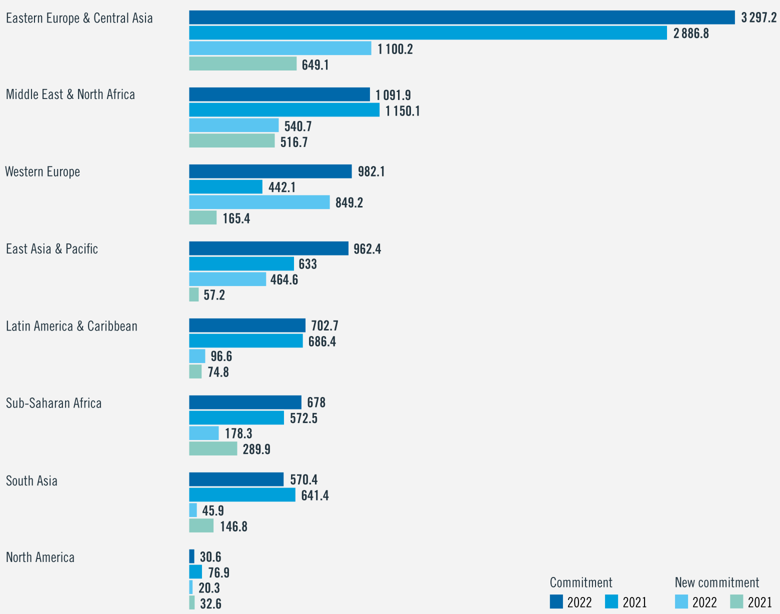
SERV approved 701 new applications in 2022, of which 582 were insurance policies (IPs) and 119 insurance commitments in principle (ICPs). The value of those 701 applications is significantly below the figures achieved in the past, although it should be noted that there is a tendency to bundle subcontracts. 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.

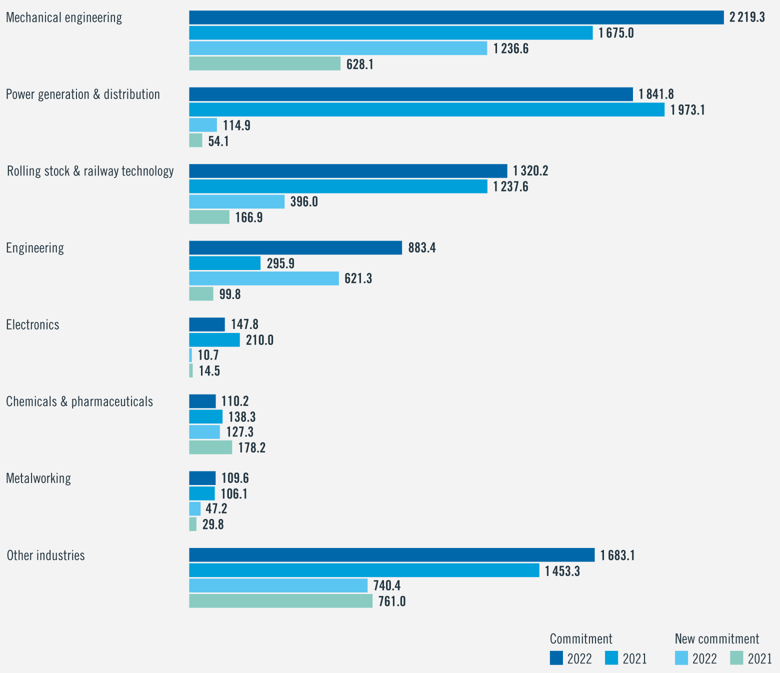
From 2017 to 2021, the demand for working capital insurance and counter guarantees declined continuously in terms of both numbers and exposure. In 2022, demand for these products by exporters increased again, with the number of working capital insurance policies issued rising from 39 to 47. There was 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.

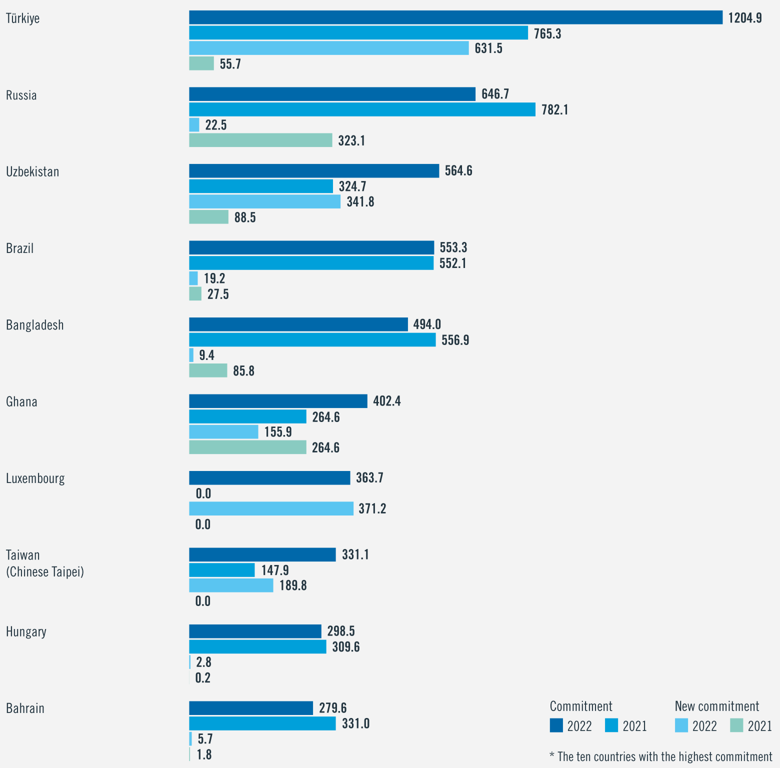
COMMITMENT & NEW COMMITMENT BY REGION
in CHF million, as at 31 December



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



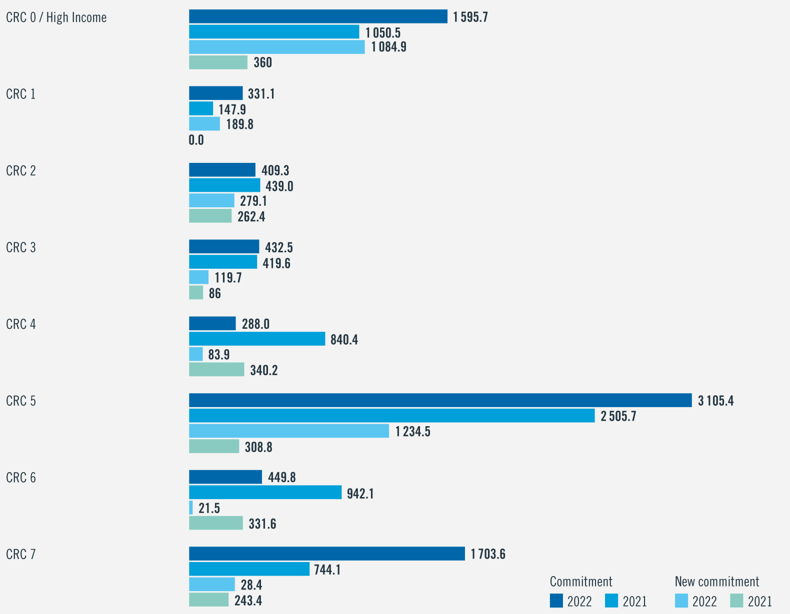
COMMITMENT & NEW COMMITMENT BY COUNTRY*
in CHF million, as at 31 December



* The ten countries with the highest commitment

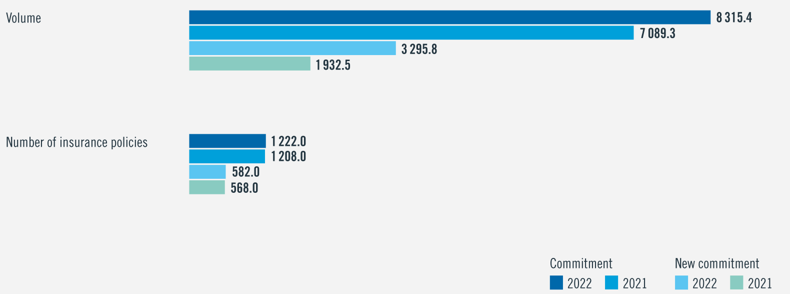
COMMITMENT & NEW COMMITMENT BY OECD COUNTRY RISK CATEGORY

in CHF million, as at 31 December



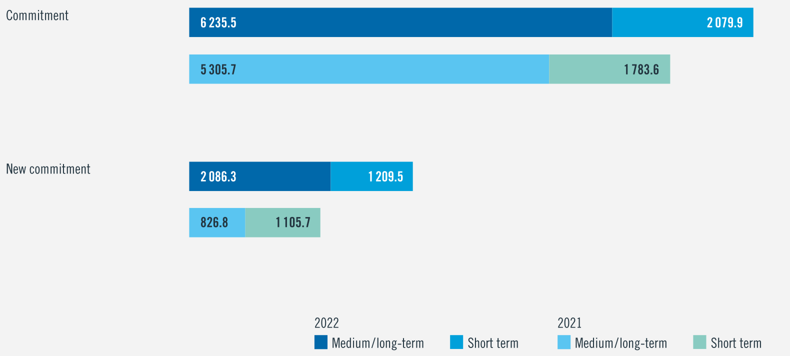
COMMITMENT & NEW COMMITMENT BY SIZE

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.

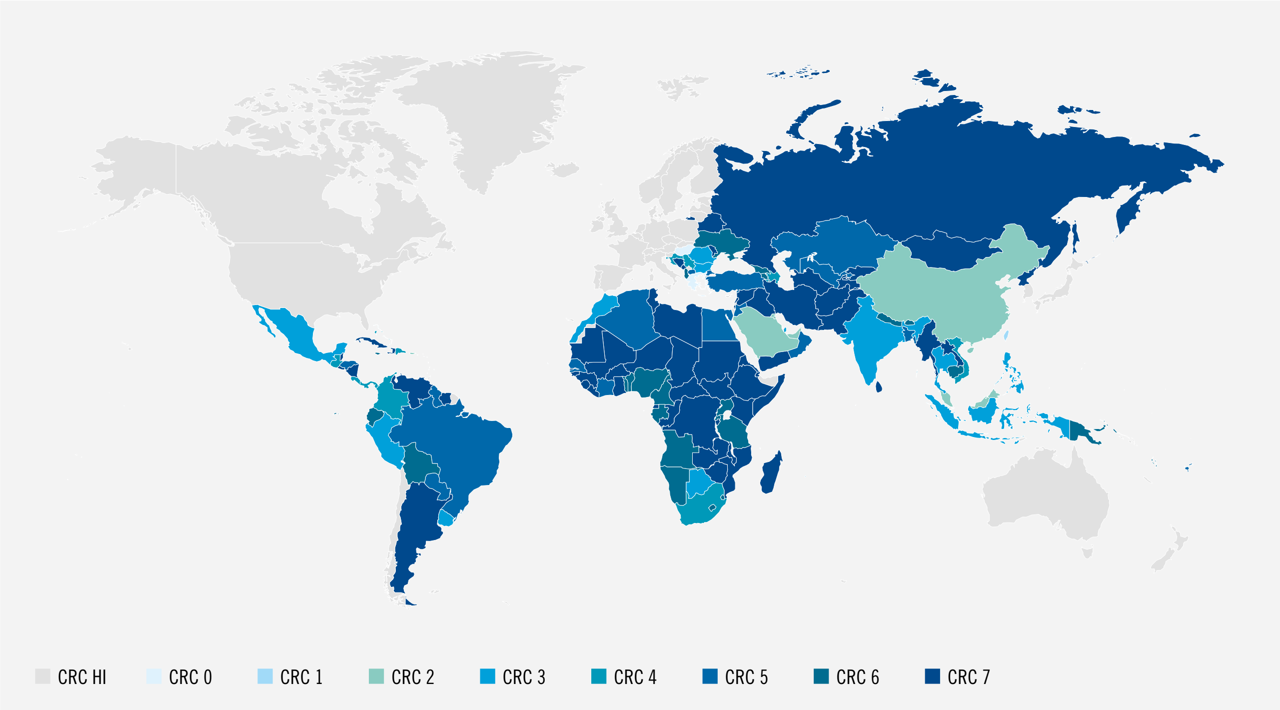
In September 2022, the Federal Council decided to indefinitely extend the temporary simplification of the content rules adopted in connection with the COVID-19 pandemic. This means that SERV can insure transactions with a Swiss content of at least 20 per cent of the order value without additional proof. 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

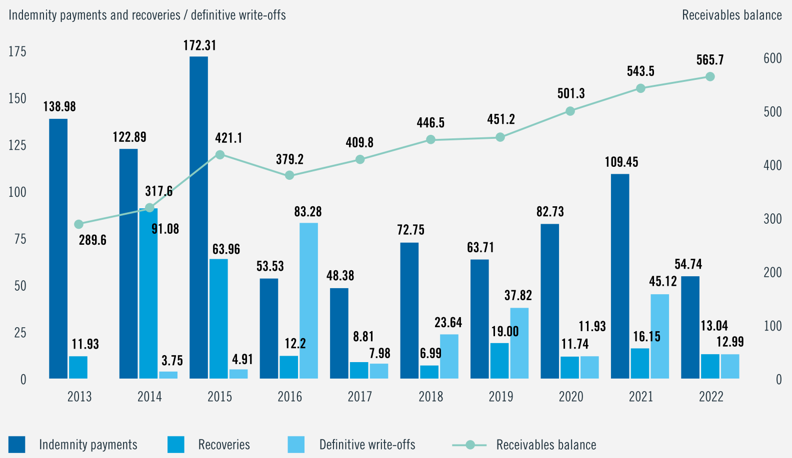
Losses and claims

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.

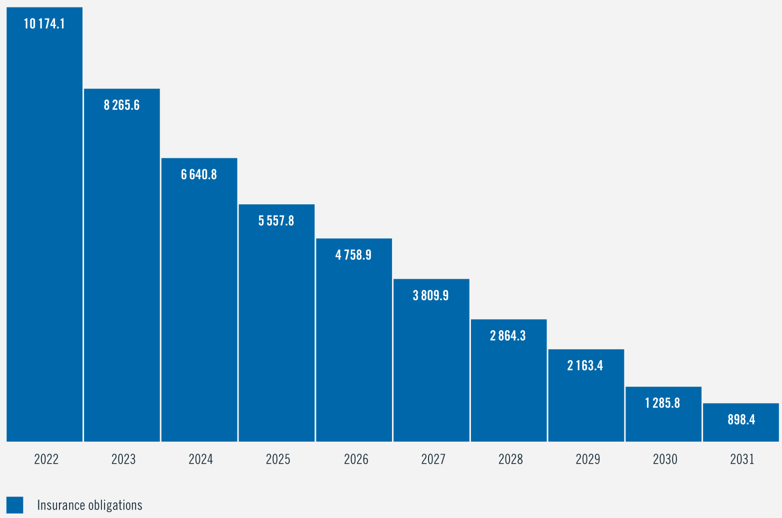
Insurance obligation

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

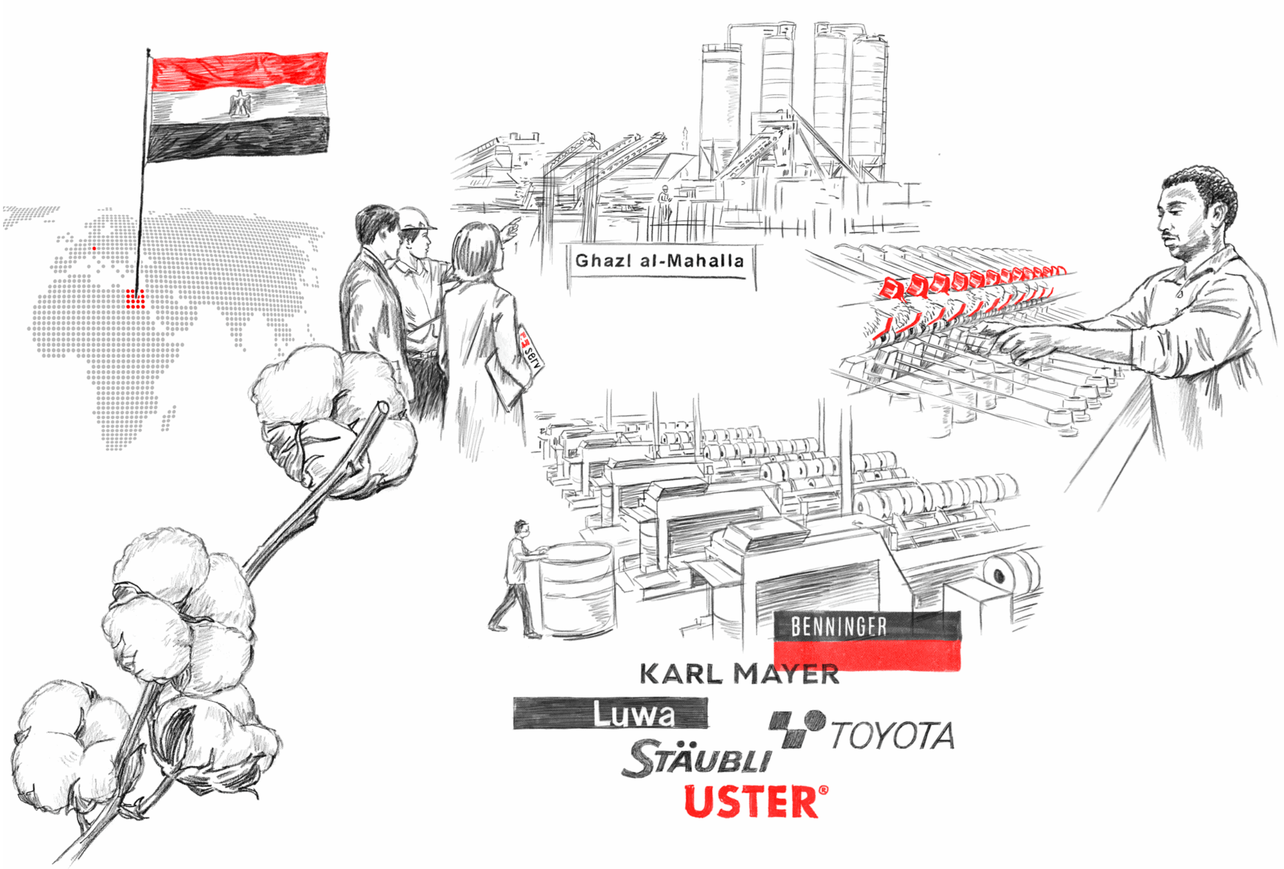
SERV defines the risk rating of countries, banks and private buyers in its cover practice. It is the most important tool for risk management in the insurance business. Current political and economic developments in the respective countries and sectors are analysed and evaluated to determine cover practice. 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

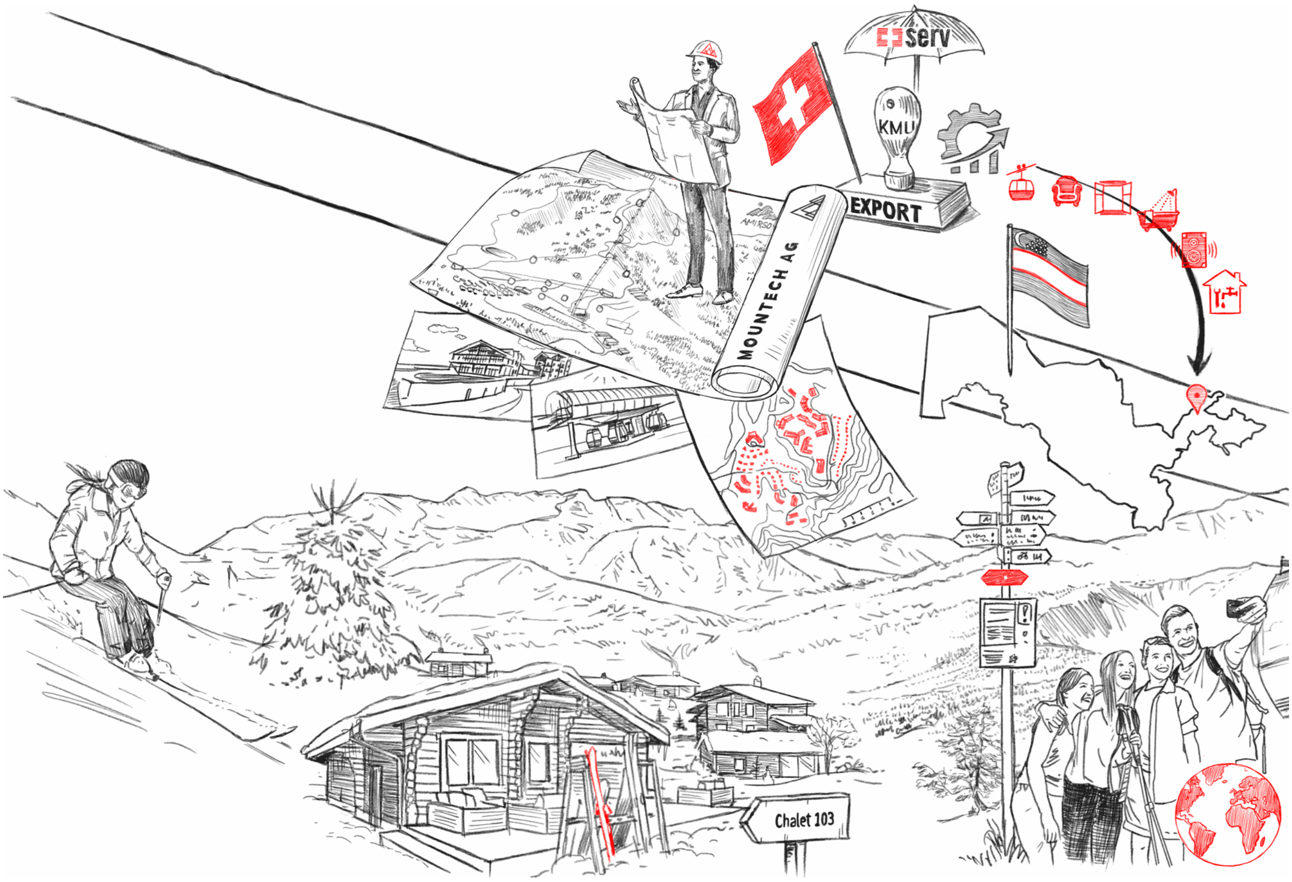
SERV faced the challenge of developing a creative and flexible solution for the insurance of this transaction as it involves 87 supply contracts in three different currencies with deliveries to seven locations, each of which must meet different environmental requirements. Close collaboration between 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

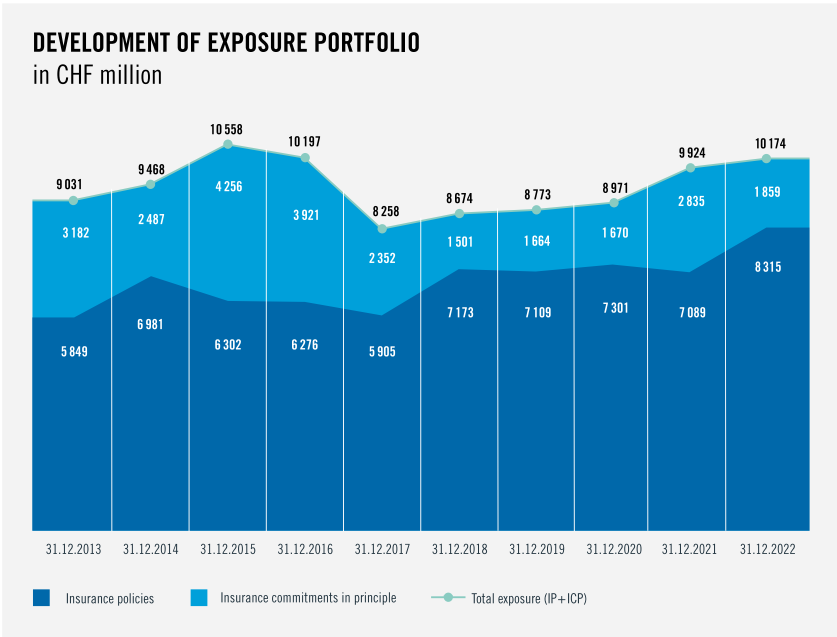
Approaching Swiss suppliers was not always easy, Marika Pechr, Project Manager at Mountech, explains: "Many viewed the project with scepticism as the destination country of Uzbekistan was an unknown quantity to them. It was very helpful to be able to say that SERV, the federal export credit agency under 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.

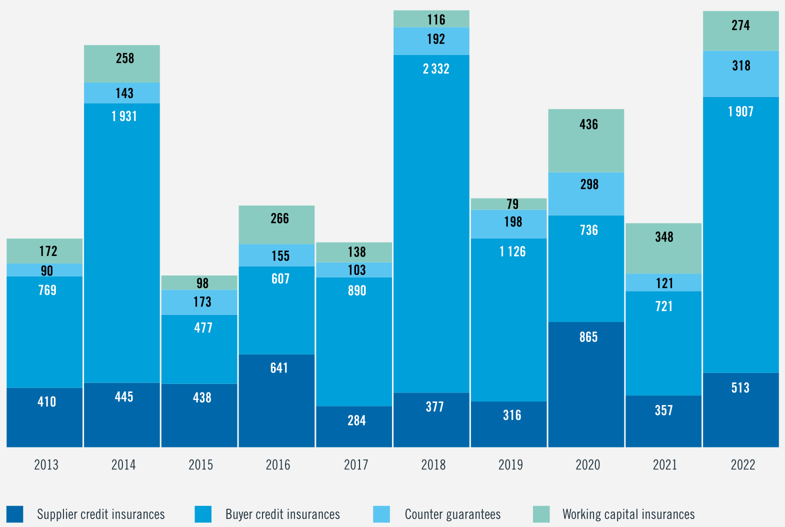


DEVELOPMENT OF NEW BUSINESS
in CHF million

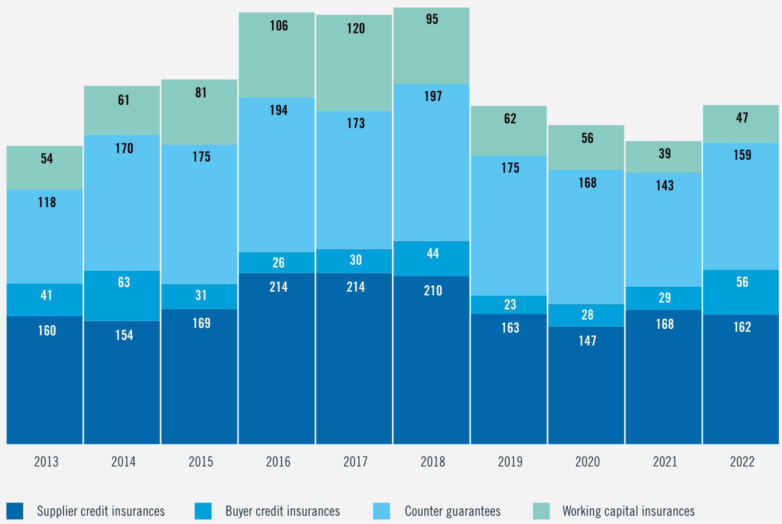
The exposure portfolio shows the total of all risks insured by SERV from insurance policies (IPs) and insurance commitments in principle (ICPs) at the end of a given financial year.

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 – NEW COMMITMENT
in CHF million

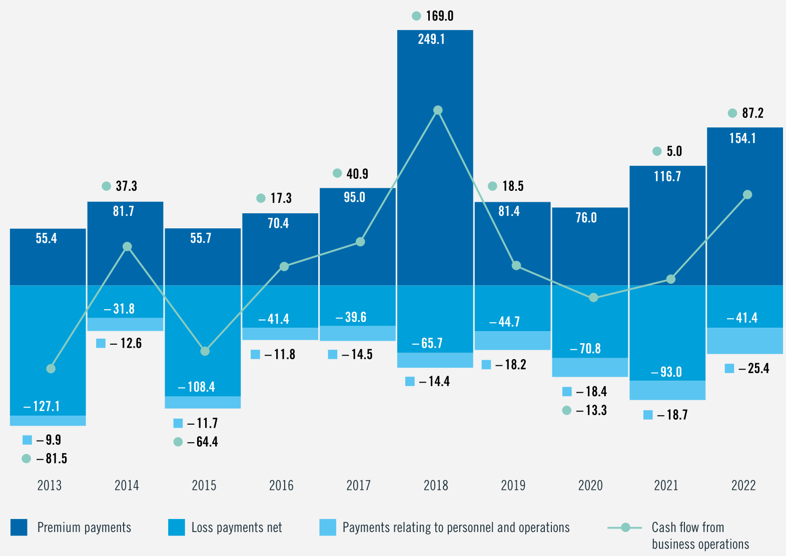


DEVELOPMENT OF MAIN PRODUCTS
Number of policies and guarantees



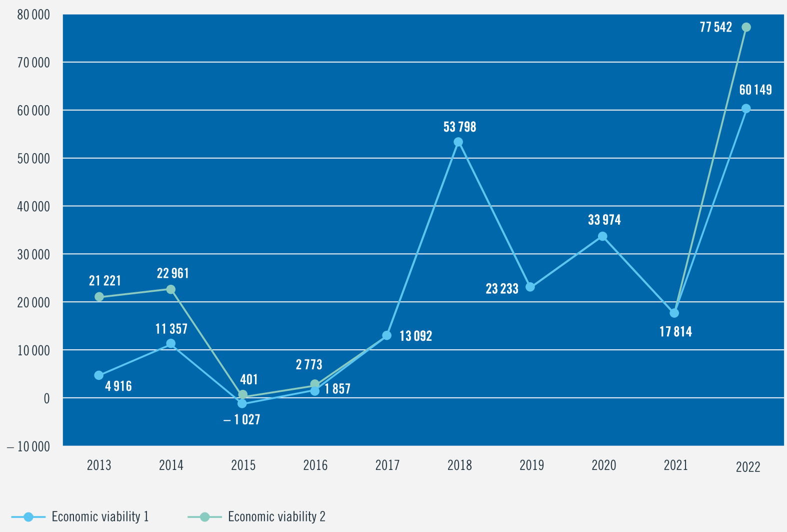
If new commitments are differentiated by main products, we see that the number and volume of new commitments per product tend to be inversely proportional. For example, a high volume of the insurances that SERV provides within a year are accounted for by only a few buyer credit insurances, whereas the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

CASH FLOW FROM BUSINESS OPERATIONS
in CHF million

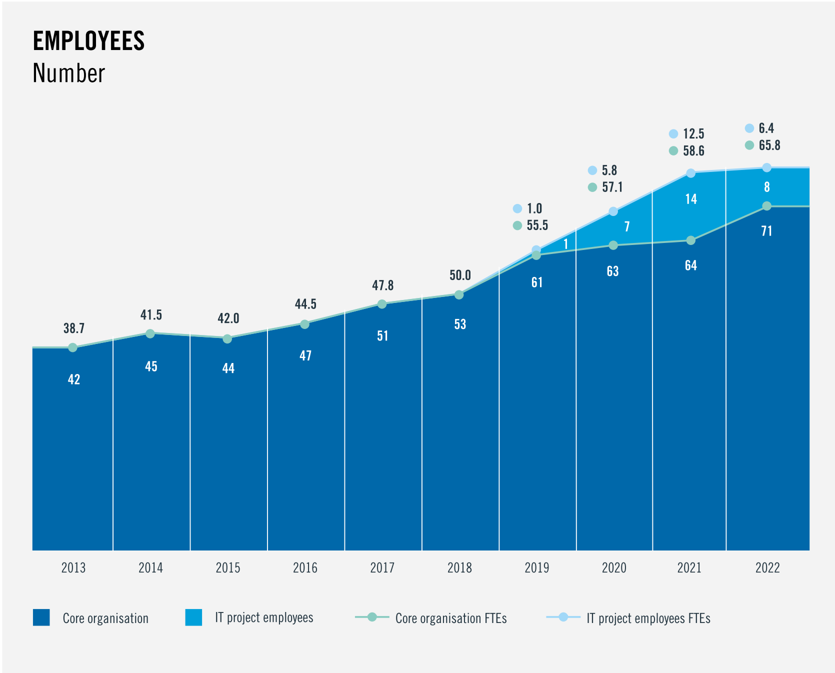


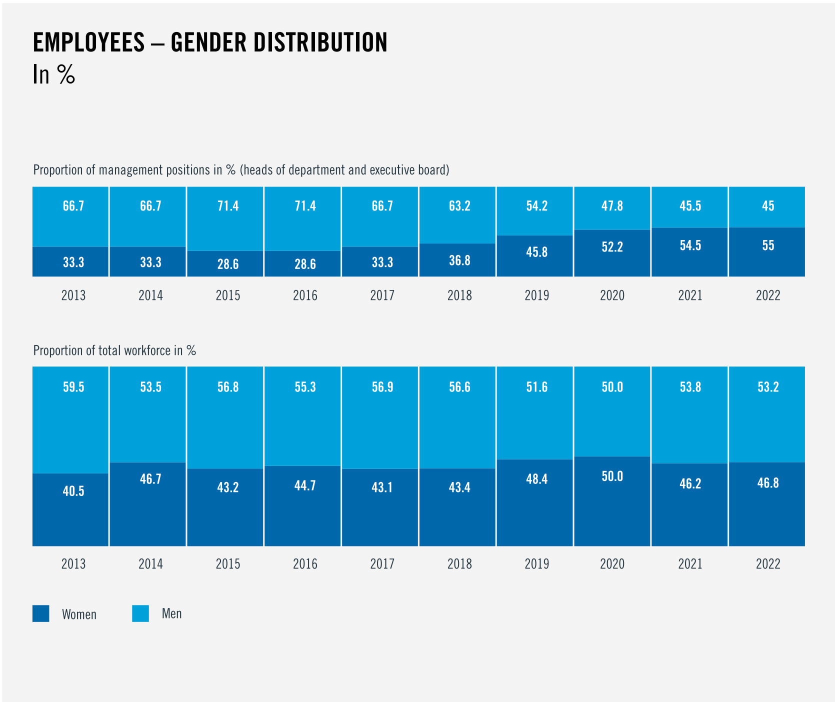
The cash flow from business operations shows whether premium payments are sufficient to finance indemnity payments and personnel and operating costs. The highly volatile nature of SERV's business is reflected in the fact that years in which premium payments are high and indemnity payments low alternate 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.

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

In future, SERV intends to provide more support for exports that play a part in mitigating and adapting to climate change.

The SERV Board of Directors (BoD) agreed SERV's climate strategy in June 2021. SERV's climate strategy, which identifies climate-related risks and opportunities, 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.

The climate strategy aims to limit physical risks (e.g. increased losses as a result of extreme weather events) and transitory risks (e.g. new technologies) and to make the best possible use of the opportunities presented by the energy transition and ecological change.

In addition to its operational emissions, which SERV fully offsets, the emissions attributable to the insurance portfolio were also measured for the first time in 2022 in line with the Partnership for Carbon Accounting Financials Standard (PCAF standard): around 75 per cent of the emissions are attributable to the power generation sector and 15 per cent to the steel and aluminium production sector.

The focus in 2022 was on how SERV deals with fossil energies. At the 2021 climate conference in Glasgow, Switzerland committed itself to abstaining from financing fossil energy projects from 2023 (COP26 Statement). Exceptions are possible if these are compatible with the goals of the Paris Agreement to limit global warming to 1.5°C. Based on scientific findings and best practices, SERV has developed a methodology for assessing fossil energy projects.

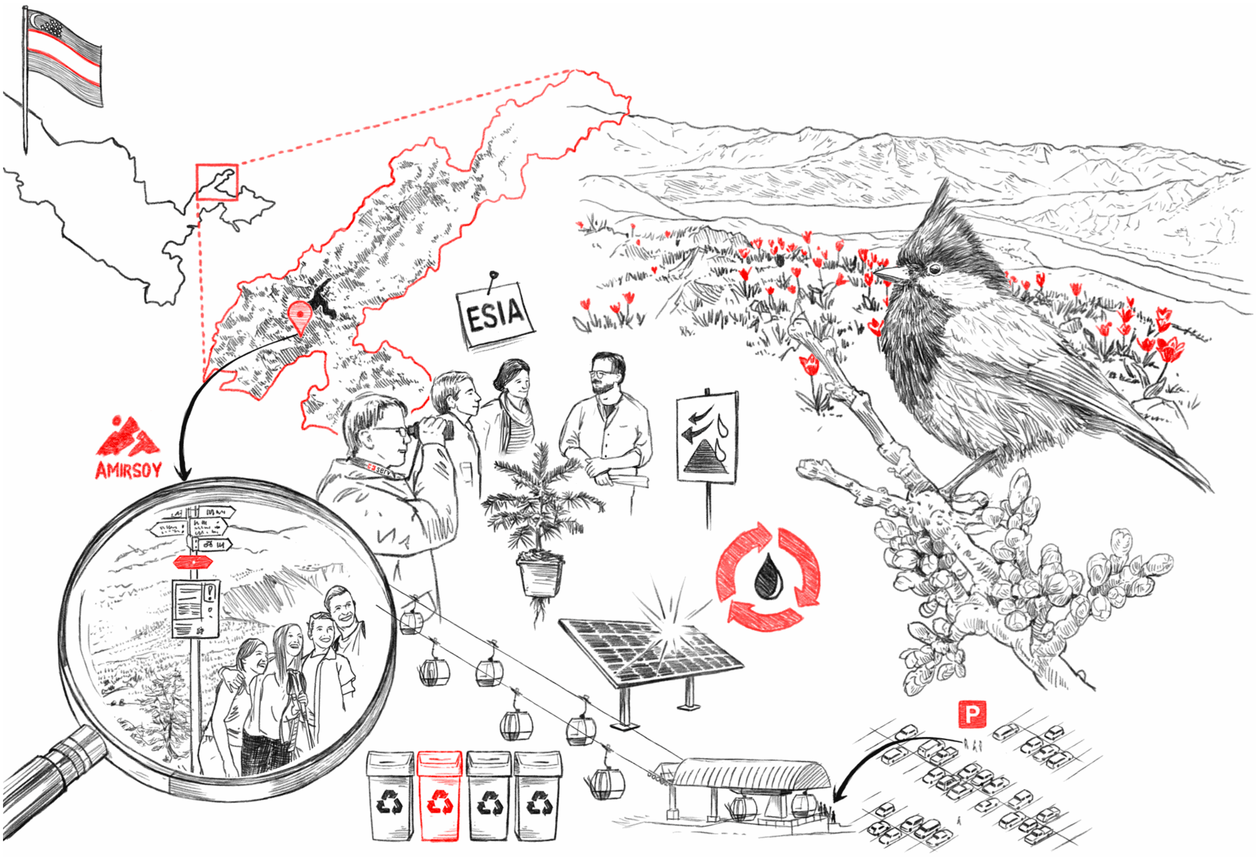
Transparency

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

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.

EXAMPLE IN THE FIELD

A HOLIDAY RESORT IN UZBEKISTAN THAT RESPECTS FLORA AND FAUNA



The Amirsoy project in Uzbekistan is currently in the monitoring phase

SERV audits each individual insurance and guarantee request to ensure that it complies with international standards (cf. sustainability, framework conditions). To this end, it collaborates closely with experts and all the parties involved to ensure that this is the case. This provides SERV with certainty that the transactions it insures are conducted in accordance with the prescribed standards. One of the transactions insured by SERV in 2022 is the expansion of a holiday resort in Uzbekistan. As it is in the vicinity of the Ugom Chatkal National Natural Park, which is an environmental conservation area, the undertaking is deemed a Category A project under the OECD Common Approaches. This means that a comprehensive Environmental and Social Impact Assessment (ESIA) pursuant to international standards must be conducted.

An independent consulting firm began this study in 2020. As is customary, the result was an Environmental and Social Action Plan (ESAP) that specifies the measures that must be undertaken to comply with the environmental, social and human rights requirements. SERV experts also went on site at the end of 2022 to see for themselves how the adopted measures were being implemented. These included planting 50,000 tree saplings and setting up erosion control apparatus. The project is now in the monitoring phase, which includes quarterly site visits. A local environmental specialist is monitoring the implementation of the measures.

For nature and society

The Amirsoy holiday resort (cf. In the field, New sales market for Swiss SMEs in Uzbekistan), which comprises 46 chalets, 11 ski slopes, four gondola cableway lifts and five restaurants, has been in operation since 2019 and is to be expanded with a hotel and an additional gondola cableway lift. The resort's operator is not content with merely complying with sustainability requirements: "It is very important to our client that the operation's impact on nature is reduced to the absolute minimum. Amirsoy's very purpose is to allow guests to experience an intact natural environment," Marika Pechr, Project Manager at Mountech AG, the general contractor for the project, explains.

The transport, energy and water treatment concepts bear this out: in order to reduce car traffic to a minimum, visitors have access to a gondola cableway lift as well as a large car park by the valley station. This means that guests can enjoy an almost car-free natural experience. Furthermore, the resort's water is supplied from two artificial lakes, one for drinking water and one for operational purposes. Waste water is purified by the resort's own water treatment plant, while a mobile photovoltaic system supplies most of the resort's electricity.

In addition to the efforts undertaken to protect nature, the local population also benefits from the project. The resort aims to appeal not only to international but first and foremost to Uzbek guests, to use local products and to employ local workers. Amirsoy has already created 500 jobs and there has been a great deal of investment in staff training. Bernhard Müller, Senior Vice President, Sustainability, at SERV comments on the project as follows: "I was able to get a good look at the resort and am satisfied with the manner in which the measures are being implemented. I am also confident that Amirsoy will contribute to the continued growth of the Uzbek economy, which has been experiencing rapid growth for several years."

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.

Christoph Meier-Meier, business economist HWV,**
(Vice Chair since 1 January 2022)
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.

Claudine Amstein, lawyer,**
(Board member since 1 January 2022)
is an independent consultant. She was director of the Chamber of Commerce and Industry of the Canton of Vaud (CVCI) for 17 years, and has many years' experience in trade associations at the cantonal and inter-cantonal level. She has held a number of political offices in her home canton and is also a board member of various institutions.

Claire-Anne Dysli Wermeille, lawyer,**
(Board member since 1 January 2022)
is head of the legal department at Chiquita and the Group's Corporate Secretary. She began her career at ABB and ALSTOM in Baden. After holding various positions in the legal department at Logitech, she worked for several watch manufacturers as a legal representative at the Swatch Group.

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.

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. He now holds several board mandates for SMEs in Switzerland and abroad.

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

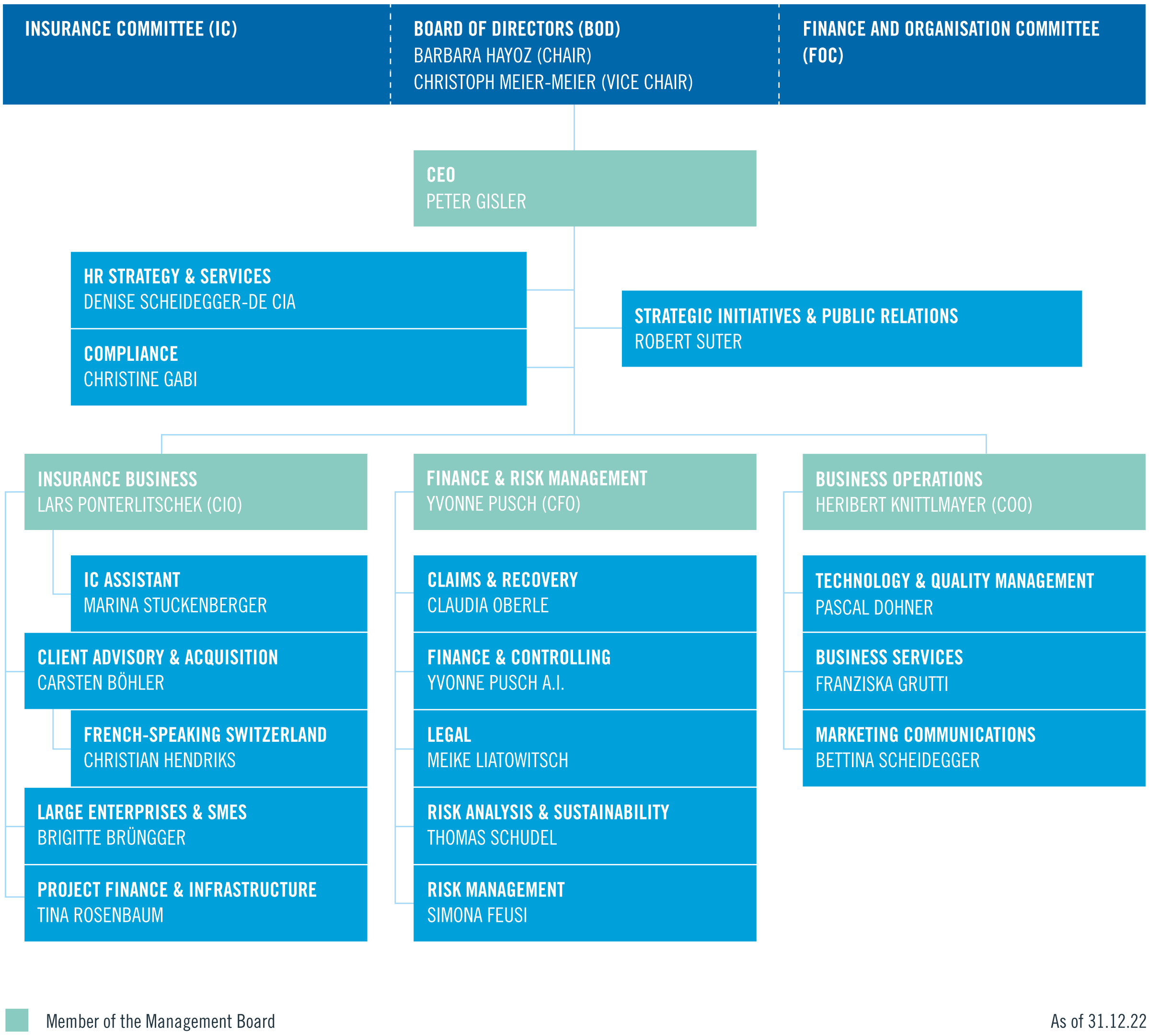
CEO

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 SERV Act [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 six times in 2022 and also came together for an in camera session. The IC met 17 times and the FOA six times, with the IC meeting for one extraordinary session.

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 Chair.

Human Resources

SERV is committed to the principle of equal pay and regularly reviews it.

Based on SERV's overriding strategic objective – to move away from being an insurer-of-last-resort and become a trade facilitator – the new organisation came into effect at the beginning of the year. In addition to the newly created Operations division headed by Heribert Knittlmayer and Lars Ponterlitschek taking over the Insurance Division, the position of Chief Financial Officer was also successfully filled by Yvonne Pusch. Personnel and management development, digitalising HR processes, and establishing and advancing the development of the SERV culture, which is aligned with the strategic orientation, will remain a strong focus.

The new Executive Board: Heribert Knittlmayer (COO), Yvonne Pusch (CFO), Peter Gisler (CEO) and Lars Ponterlitschek (CIO), from left to right.

SERV is also committed to the principle of equal pay. In line with its commitment to the Charter for Equal Pay in the Public Sector, which it signed in 2019, SERV uses self-testing to perform an annual assessment. As in the previous years, the result for 2022 lies within the defined tolerance range of 5 per cent.

IT

The IT department was incorporated into the newly created “Operational Activities” division at the start of the 2022 financial year and renamed “Technology & Quality Management”. It acts as an internal service provider for the continuous development of all SERV software applications and is responsible for ensuring the smooth running of IT operations.

“‘Excellent Operations’ is the optimal alignment of organisation, technology and employees with SERV’s business model and strategy.”

HERIBERT KNITTLMAYER
CHIEF OPERATING OFFICER

The focus of the software development has been on modernising the core applications for the insurance business. The tenders to procure new technology partners were successful and SERV has already been able to update and improve the functioning of its applications with these new partners. SERV has also initiated projects for digitalisation, such as dossier management.

Various measures were adopted in IT operations to improve cyber resilience. SERV drew up an information and data protection concept (ISDP concept) with an external consultant, which will be completed at the beginning of 2023.

In summer 2022, the Swiss Federal Audit Office (SFAO) conducted an audit of the project to modernise the core applications in the insurance business. In particular, the SFAO recommended that SERV update documentation in the business and operational organisation and incorporate a critical path in its project planning. These recommendations had for the most part been implemented by the end of the financial year. The SFAO will publish the report in the first quarter of 2023.

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, to report any relevant changes without delay, and to refrain from activities that are deleterious to SERV's interests. All personal and professional circumstances that might give rise to a possible or actual conflict of interest (e.g. personal interests, family relationships, friendships or dependency) must also be reported. The FOC receives these notifications and reports them to the BoD at least annually.

In the event of a conflict of interest involving a member of the Board of Directors or a member of the Executive Board, the Board of Directors shall take 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.

In 2022, all members of the BoD complied with the requirements regarding the disclosure of vested interests and no measures needed to be taken. In addition, awareness-raising measures were implemented in connection with revising the Code of Conduct.

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 2022, remuneration paid to the entire Board of Directors (BoD), excluding the Chairwoman, totalled KCHF 308.4. BoD Chairwoman Barbara Hayoz received remuneration amounting to KCHF 139.4. Remuneration was up slightly on the 2021 financial year due to the increased workload resulting from the ongoing COVID-19 pandemic and the IT project. In each case, the remuneration includes meeting attendance fees and compensation for special tasks.

Chief Executive Officer and members of the Executive Board

The remuneration of the Chief Executive Officer (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 CHF 1.1 million in 2022 for four members of the Executive Board (previous year KCHF 873.1 for three members). The highest total compensation of KCHF 354.1 was paid to the CEO.

Executive Salary Reporting – Senior Management (Board of Directors)

in CHF (previous year in grey)

	Chairwoman	Board (7 members, excluding Chair) Total	Average
Level of activity			
(percentage of time spent on function)	55%		BoD 15%
			IC 20%
			FOC 10%
Remuneration			
Meeting attendance fee	85 500	261 500	37 357
	84 000	319 500	39 938
Cash payments for compensation of special tasks	53 850	46 928	6 704
	63 100	53 800	6 725
Other contractual terms			
Post-employment benefits	–	1 919	274
Severance compensation	–	–	–

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

in CHF (previous year in grey)

	CEO	Members of the Executive Board (3 members* without CEO) Total	Average
Remuneration			
Fixed part (salary)	298 758	656 550	218 850
	298 758	471 400	235 700
Cash payments for compensation of special tasks	–	–	–
	–	–	–
Cash payments (justified by function or labour market)	–	–	–
	–	–	–
Bonuses (variable salary part)	54 770	85 900	28 633
	44 808	56 376	28 188
Other expenses	600	1 200	400
	600	1 200	600
Other contractual terms			
Post-employment benefits	Management plan	Management plan	–
Severance compensation	–	–	–

* The Executive Board was expanded from three to four members in April 2022.

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	2 959	2 653	7 216	3 309
Additions	291	416	3 354	3 907
Disposals	– 804	– 110	–	–
Other changes, transfers	–	–	–	–
Value as at 31 December	**2 446**	**2 959**	**10 570**	**7 216**
Cumulative depreciation				
Value as at 1 January	2 440	2 239	1 865	20
Additions	377	307	622	–
Disposals	– 797	– 106	–	–
impairment	–	–	339	1 845
Value as at 31 December	**2 020**	**2 440**	**2 826**	**1 865**
Book value as at 31 December	**426**	**519**	**7 744**	**5 351**

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.

KPMG

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

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The 2022 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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