# Financial Year 2017

SERV achieved considerably higher premium income in 2017 than in the previous year, in spite of falling new commitment. Both loss expenses and earnings from debt rescheduling fell significantly in comparison with the previous year, while net profit/loss on insurance and net income (NI) remained positive around the level of 2016. New commitment fell again in 2017 compared with the previous year, by 14 percent to CHF 2.693 billion. The number of newly concluded insurance policies (IP) fell slightly from 780 to 774, but remained at a comparatively high level. Income from premiums earned was increased from CHF 48.1 million in the previous year to CHF 64.1 million, in particular because of the conclusion of some major transactions.

Loss expenses fell from CHF 74.8 million in 2016 to CHF 10.0 million. The drop was even greater in the earnings from debt rescheduling (from CHF 110.2 million to CHF 31.5 million), as a result of which SERV posted a net profit/loss on insurance of CHF 85.6 million in 2017, slightly higher than in the previous year. Personnel, non-personnel and financial expenses rose slightly compared with 2016, leading to an operating profit of CHF 69.8 million. As SERV recorded no interest income at all from cash investments for the first time in 2017, NI was equal to the operating profit of CHF 69.8 million.

**Development of the Business Environment**

SERV's business performance was subject to generally great fluctuations compared with the previous year, as a result of a few major transactions. Even so, considering developments in international trade policy, the global economy and the Swiss export industry is necessary when it comes to understanding SERV's business performance in a long-term context.

Despite the persistent geopolitical uncertainties resulting from Great Britain's exit from the EU, the unclear foreign trade policy of the USA and the conflicts in the Middle East and around North Korea, the global economy found its way back onto a solid growth path in 2017. In particular, emerging markets such as Brazil and Russia reported positive economic developments again following a lengthy recessive phase. The USA and the Eurozone also contributed to broad-based growth in the global economy. The Swiss export industry has benefited from the good state of the economy in the buyer markets. Its competitiveness also improved thanks to the weakening of the Swiss franc against the euro since the summer of 2017, which once again brought more orders for the MEM industry in particular.

The commodity prices for oil and agricultural products remained largely stable in 2017, with some of them rising again slightly compared with 2016. However, they are still at a relatively low level compared with their record values in the years 2012/13. The recovery in commodity prices certainly contributed to the fact that the investment climate improved not only in the emerging markets but also in parts of Africa and in Central Asia and there was increased demand from these regions once more for goods and services in plant construction with SERV cover. In the preceding years, the low commodity prices had weakened some national economies both cyclically and with regard to their currency reserves to such an extent that payment defaults occurred and deals were abandoned in breach of contract. As a result, SERV had to pay out losses amounting to CHF 48.3 million in 2017.

**Development of new Exposure and new Commitment**

New commitment fell significantly from CHF 6.644 billion in the previous year to CHF 4.956 billion (–25 percent). This reduction is mainly attributable to the sharp fall in insurance commitments in principle (ICPs) by 36 percent to CHF 2.264 billion (2016 CHF 3.527 billion). With 159 ICPs, there were also slightly fewer commitments issued in 2017 than in 2016 (176). However, the number and amount of the ICPs in a financial year can only serve as rough indicators for SERV's future commitments, as on the one hand, conclusions of major transactions are subject to violent fluctuations and on the other hand, the performance of a proposed transaction can stretch over several months or even years before it is reflected in the business statistics of SERV. What is remarkable is the fact that the ICPs made up less than half of the new exposure in 2017, having amounted to 53 percent in the previous year.

At CHF 2.693 billion, new commitments were at an even lower level in 2017 than in 2016 (CHF 3.116 billion) and 2015 (CHF 3.197 billion). The reasons behind the fall are first, the ongoing reduced demand for multi-buyer insurance from the chemical and pharma-

## New Exposure

in CHF million

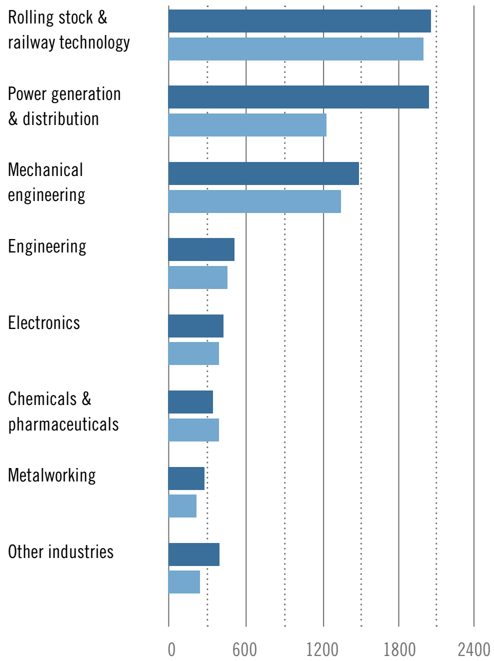
| | Insurance policies (IP) (new commitment) | | | | Total | | Insurance commitments in principle (ICP) | | Total new exposure | |
|---|---|---|---|---|---|---|---|---|---|---|
| | short term | | medium/long-term | | | | | | | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| **Countries** | | | | | | | | | | |
| Bahrain | 3.6 | 0.5 | 807.1 | – | 810.7 | 0.5 | – | 920.7 | 810.7 | 921.2 |
| Russia | 11.6 | 7.7 | 16.6 | 2.1 | 28.2 | 9.8 | 731.2 | 444.4 | 759.4 | 454.2 |
| Indonesia | – | 14.0 | 1.1 | 12.5 | 1.1 | 26.5 | 583.0 | – | 584.1 | 26.5 |
| Turkey | 103.9 | 7.1 | 114.4 | 64.0 | 218.3 | 71.1 | 86.8 | 356.6 | 305.1 | 427.7 |
| Iraq | 102.1 | 113.0 | 32.0 | – | 134.1 | 113.0 | 110.4 | 89.1 | 244.5 | 202.1 |
| United States | 8.9 | 42.5 | 188.0 | 5.3 | 196.9 | 47.8 | – | 2.1 | 196.9 | 49.9 |
| United Arab Emirates | 125.0 | 18.7 | 29.1 | 38.9 | 154.1 | 57.6 | 7.7 | 38.2 | 161.8 | 95.8 |
| Switzerland | 48.8 | 154.3 | 46.3 | 24.1 | 95.1 | 178.4 | 21.9 | 4.0 | 117.0 | 182.4 |
| Other countries | 723.8 | 1 686.4 | 330.4 | 925.0 | 1 054.2 | 2 611.4 | 722.5 | 1 672.3 | 1 776.7 | 4 283.7 |
| **Total** | **1 127.7** | **2 044.2** | **1 565.0** | **1 071.9** | **2 692.7** | **3 116.1** | **2 263.5** | **3 527.4** | **4 956.2** | **6 643.5** |
| **Industries** | | | | | | | | | | |
| Mechanical engineering | 280.0 | 146.9 | 180.6 | 253.2 | 460.6 | 400.1 | 1 450.3 | 890.5 | 1 910.9 | 1 290.6 |
| Power generation & distribution | 64.6 | 47.1 | 812.0 | 258.2 | 876.6 | 305.3 | 420.6 | 851.6 | 1 297.2 | 1 156.9 |
| Chemicals & pharmaceuticals | 525.2 | 1 258.8 | – | 4.1 | 525.2 | 1 262.9 | 118.3 | 11.4 | 643.5 | 1 274.3 |
| Rolling stock & railway technology | 35.6 | 331.4 | 250.5 | 322.6 | 286.1 | 654.0 | 151.4 | 964.3 | 437.5 | 1 618.3 |
| Electronics | 56.4 | 114.0 | 44.7 | 39.8 | 101.1 | 153.8 | 42.9 | 216.4 | 144.0 | 370.2 |
| Engineering | 10.8 | 14.5 | 92.0 | 138.3 | 102.8 | 152.8 | 10.7 | 149.1 | 113.5 | 301.9 |
| Metalworking | 10.2 | 17.2 | 52.6 | 6.7 | 62.8 | 23.9 | 13.0 | 29.2 | 75.8 | 53.1 |
| Other industries | 144.9 | 114.3 | 132.6 | 49.0 | 277.5 | 163.3 | 56.3 | 414.9 | 333.8 | 578.2 |
| **Total** | **1 127.7** | **2 044.2** | **1 565.0** | **1 071.9** | **2 692.7** | **3 116.1** | **2 263.5** | **3 527.4** | **4 956.2** | **6 643.5** |

ceutical industries, which are increasingly carrying the payment risks themselves or are able to reduce them by means of other instruments, such as factoring or cover from the private insurers. Second, there was lower demand for insurance from the rolling stock and railway technology sector in 2017 than in previous years. The increase in new commitments in the power generation and distribution sectors, as well as in mechanical engineering (textiles, foodstuffs and machine tools) could not compensate for this fall. As a result, the ratio between transactions with short risk periods and transactions with medium to long risk periods has shifted further in favour of the latter.

In 2017, the number of ICPs and IPs did not quite reach last year's record of 956, but it is still high at 933 (774 IPs and 159 ICPs). In particular, the number of working capital IPs (2017: 120, 2016: 105) and counter guarantees (2017: 175, 2016: 213) concluded remains at a relatively high level. These products make up 34 percent of the number of newly issued IPs and are still in demand, above all from Swiss SMEs. These are indeed able to benefit from the current upward trend in the export economy, but their balance sheets have frequently been so weakened by the franc-related difficulties in recent years that they are still reliant on the cover provided by SERV. Against this background, SERV will initially – through the end of 2019 – waive any premium surcharges for the purchase of cover in the case of working capital insurance (from 80 to 95 percent) and counter guarantees (from 90 to 100 percent).

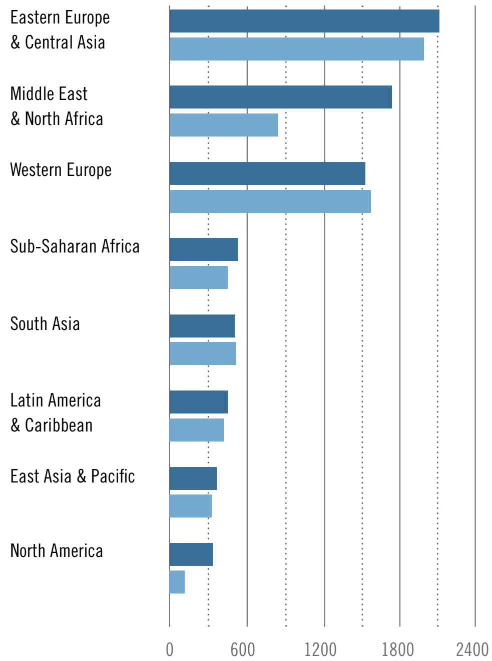
### Commitment by Industry

in CHF m



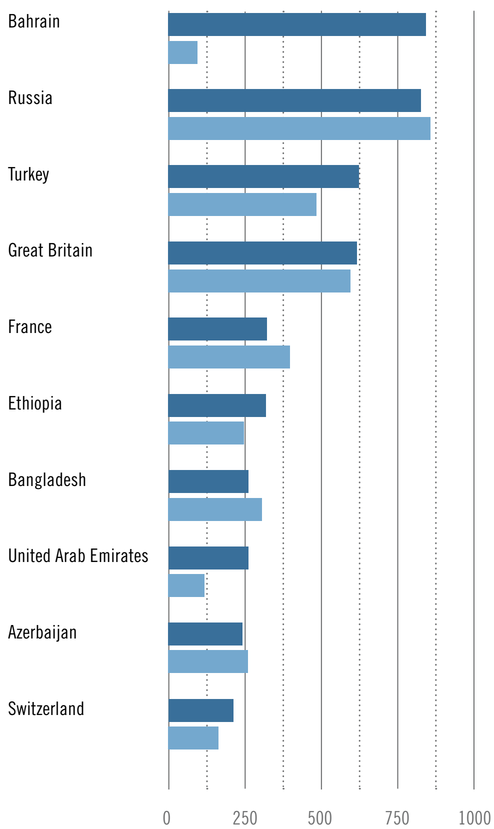

### Commitment by Region

in CHF m



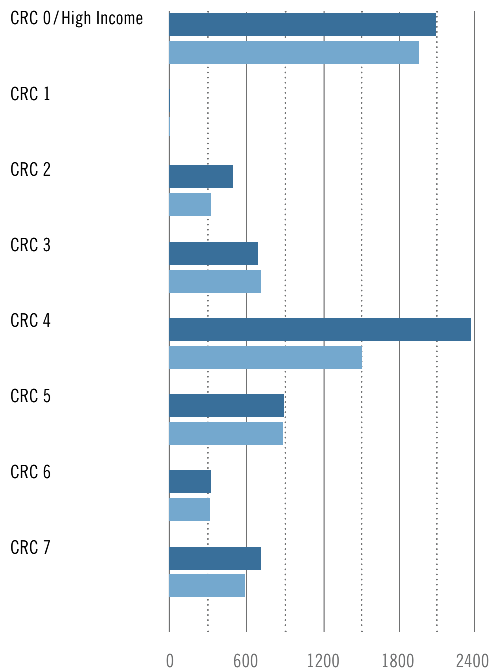

### Commitment by Country

The ten main countries for SERV, in CHF m




### Commitment by OECD Country Risk Category

in CHF m




2017
2016

**SERV's Exposure and Commitment**

SERV's gross exposure amounts to CHF 10.217 billion as of 31.12.2017, only slightly higher than at the end of 2016 (CHF 10.197 billion). But unlike the previous year, commitment rose significantly by 20 percent from CHF 6.276 billion to CHF 7.525 billion as of 31.12.2017. This is attributable both to the slightly higher number of current IPs (1311 compared with 1247 at the end of 2016) and the fact that once again SERV insured a few export transactions with a higher order volume in 2017. The level of current ICPs dropped from CHF 3.921 billion to CHF 2.692 billion at the end of 2017. However, it must be taken into account that the number and level of ICPs are subject to a high degree of fluctuation and for that reason it is not possible to deduce any general trend from the fall in 2017.

SERV's highest commitment by country is in relation to Bahrain at CHF 852.2 million as of 31.12.2017, which accounts for around 11 percent of total current commitments. The large increase in commitment, which stood at CHF 96.6 million in 2016, is attributable to a major transaction in the power generation and distribution sector which was concluded in 2017. New arrivals in the top ten are the United Arab Emirates, where the commitment of CHF 120.1 million rose to CHF 264.3 million because SERV insured two medium-sized transactions from the vehicle industry and in the recycling sector. The commitment in relation to Ethiopia grew once again from CHF 250.6 million to CHF 322.4 million. In connection with a railway project, SERV issued a buyer credit IP enabling several Swiss exporters to continue their involvement in the second phase of this major project.

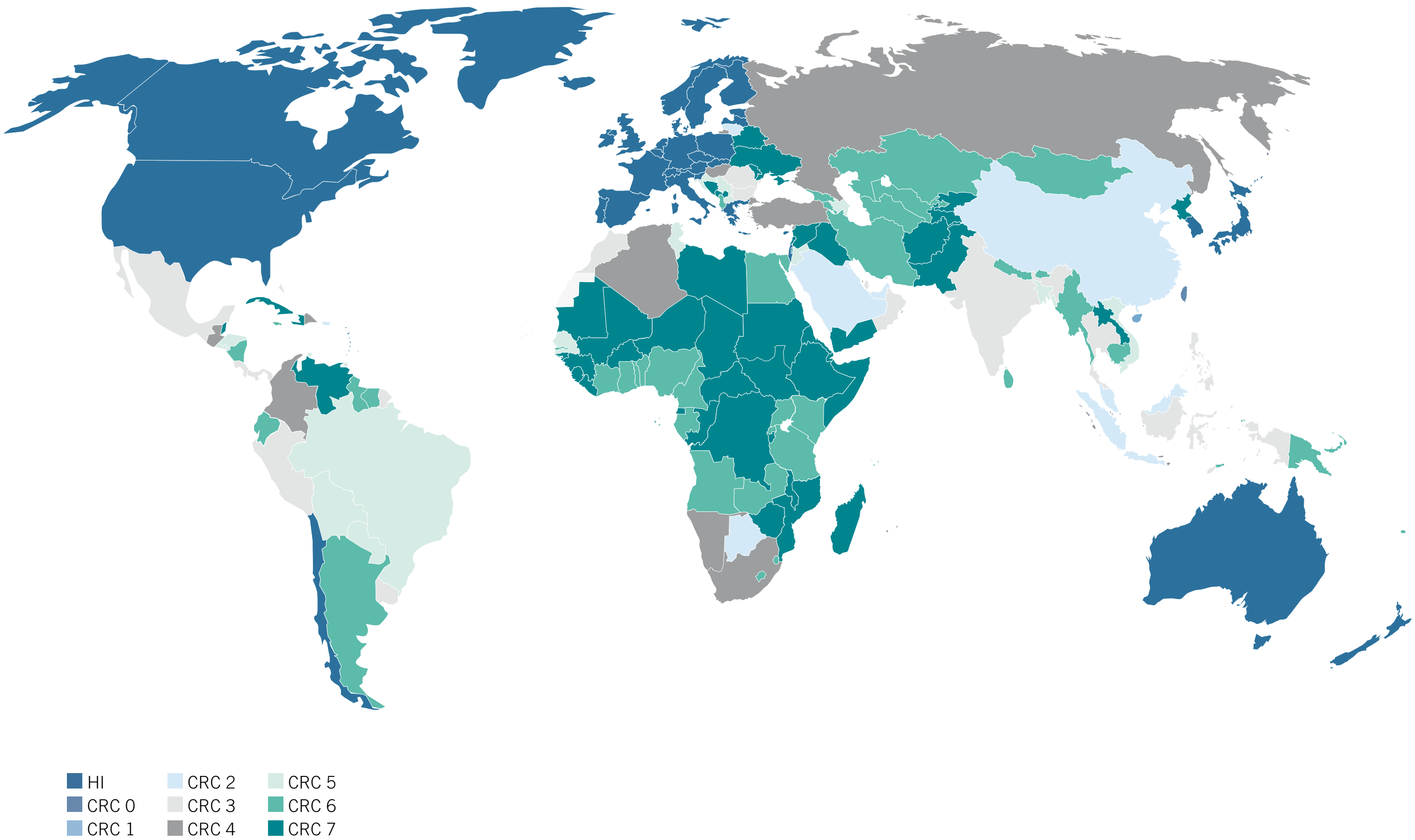
**Organisation, Personnel and IT**

There were no changes in the Board of Directors (BoD) in financial year 2017. The term of office of the BoD will continue until 2019. In the first half of the year the BoD revised the SERV internal rules of procedure as well as all the regulations within its competence. In this context, the BoD dissolved its human resources committee and transferred its responsibilities to the

SERV understands OECD country risk categorisation to mean the categorisation of countries by the OECD into the country risk categories CRC 0 – CRC 7 and High Income. CRC 0 is the lowest country risk level, while CRC 7 is the highest. The category High Income comprises the high income OECD countries and the high income eurozone countries, which are not classified by country risk. The CRC influences the amount of the insurance premium. The premiums for High Income countries and the countries in CRC 0 are based on market prices.

At www.report.serv-ch.com there is an interactive map of the world with more details.

**OECD country risk categories, as of 31.12.2017**



**"The exciting thing about SERV is working at the interfaces between industry, finance and politics."**

**Heribert Knittlmayer**
Head of Insurance Business

existing finance and organisation committee (FOC). Beyond this, no structural changes were made and there were no more than minor textual modifications and a formal tidying up of the regulations.

On 1 January 2017, Peter Gisler took over responsibility as CEO at SERV. He succeeded Herbert Wight, who had stood down as CEO at the end of 2016 after reaching retirement age. In the course of the change of CEO, the Executive Board of SERV was reduced from five to three members, with each of the members of the Executive Board leading one of three organisational areas.

Due to the ongoing high number of proposed transactions and their increased complexity, the BoD approved an increase in the staffing ceiling. The number of employees rose from 47 to 51 (47.8 full-time equivalents) with women making up 43.1 percent of the workforce. In particular the department Client Advisory, Legal & Compliance and International Relations & Sustainability departments were given more staff. As a result of the growth in staff numbers, the BoD resolved to modify parts of the organisational structure of SERV. In particular, Client Advisory is now to be split into three departments to increase the specialisation of its employees. SERV committed itself again to three apprentices in vocational training in 2017.

IT at SERV is currently engaged in a far-reaching transformation process, the aim of which is to transfer the systems to a sustainable IT architecture which comprehensively supports the business processes of SERV. Standardised processes are to be automated and SERV is to be connected via open interfaces with other stakeholders to create a company-wide digital network.

With this objective, in 2017 SERV developed an IT strategy which clearly formulates the aims and principles of IT at SERV. IT solutions are in future to be developed on the basis of a service-oriented architecture (SOA), with the systems development being carried out with the help of experienced, external suppliers. Professional project management will guarantee ongoing renewal and ensure that predefined individual projects are initiated and completed in good time. In this way, it will be possible in future to guarantee that IT development is coordinated with the requirements of public procurement.

**Risk Policy, Risk Management and Cover Policy**

The BoD is responsible for risk management and its supervision at SERV. It defines the risk policy and periodically evaluates the risk profile.

SERV's risk policy goals are as follows:

– compliance with the legal mandate taking the various restrictions into account, especially that of economic viability;
– protection of assets and reputation;
– establishing the principles and requirements for cover policy.

In 2017 the BoD dealt with the risks faced by SERV, based on regular reporting. It determined that risk management was appropriate, both for the financial, operational and strategic risks as well as reputation risks.

SERV conducts an annual assessment of the risks handled by the internal control system (ICS). The goals of ICS include the safeguarding of assets, maintaining proper accounting records and financial reporting, and prevention or at least detection of unauthorised actions and errors from the perspective of financial reporting. Since 2016, the monitoring activities of each of the identified key risks have been assessed with regard to their effectiveness and efficiency, on a scale of 1 to 5. The assessment in 2017 showed that the effectiveness and efficiency of the monitoring activities were good overall in terms of all the key risks. Only in one case was there any reduced effectiveness and efficiency of the monitoring activities, where manual processes had to be used as a result of a lack of system support. No essential faults were found in the monitoring activities.

The risk classification of individual countries, banks and private-sector buyers is determined in the cover policy. The risk classification is used as a benchmark when assessing insurance applications. In the course of the OECD Export Credit Arrangement, which is binding on SERV, the country analysts of the export credit agencies (ECAs), including analysts from SERV, met to classify individual countries into the OECD's country risk categories (CRC). The credit and country analysts from SERV additionally studied particular countries if they had seen marked improvement or deterioration compared to the existing classification, or if new applications had been made for insurance covering these countries. Cover policy is the most important flexible tool for risk management in the insurance business. Compliance with the various limits in accordance with the risk policy, cover policy and the appropriateness of capital level, taking risk concentrations into consideration, continued to be reviewed in 2017 on an ongoing basis.

SERV's executive employees assessed operational risks on the basis of the following risk areas: systems, processes, people, external events and legal risks. These risks are evaluated according to their probability of occurrence and significance. Measures introduced or implemented to reduce or eliminate risk are monitored in the normal controlling process.

In 2017, SERV commissioned KPMG to carry out an IT security analysis. The aim of the analysis was to examine the vulnerability of SERV to cyber-attacks in their various forms. Vulnerabilities were to be identified by means of penetration tests and validated by means of targeted attacks from the Internet, WLAN and susceptibility to malware attacks and phishing. This analysis came to the conclusion that SERV was exposed to an increased risk potential in relation to external attacks. The identified critical vulnerabilities were immediately eliminated; findings of medium and low criticality are to be continuously addressed and corrected to ensure IT security is comprehensively ensured for SERV.

**Sustainability**

SERV checks any proposed insurance transactions for their sustainability in the fields of the environment, social responsibility, human rights and combating corruption. When assessing insurance applications, SERV observes in particular the relevant international guidelines of the OECD, as well as the principles of Swiss foreign policy according to Art. 6 para. 2 SERVG. These include 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 preserving Switzerland's independence and protecting its national welfare. For the assessment of major projects of environmental or human rights significance, the Head of Sustainability conducted detailed reviews of environmental and social aspects, making use of appropriate experts' reports; in several cases he also made on-site inspections.

SERV maintains a regular dialogue with the relevant non-governmental organisations (NGOs). It holds an annual meeting with them, providing information about its business results, specific current projects, developments at SERV and in the OECD export credit group. At these events, SERV also attends to concerns of importance to NGOs. In addition to representatives from SERV, the organisations Alliance Sud, Public Eye and Transparency International once again attended Dialogue 2017. The NGOs in attendance expressed their satisfaction with the open discussion and the high level of transparency of SERV.

In 2017, SERV was visited by the Independent Expert on Foreign Debt and Human Rights, who has written a report on behalf of the UN Human Rights Council on the subject of human rights in the context of international finance and cash flows in Switzerland. The measures taken by SERV to guarantee sustainability receive positive acknowledgement in the report. There is also a recommendation that local population groups which are directly affected by an export transaction supported by SERV should be even more directly included by means of access opportunities at SERV.

In the field of anti-corruption, Swiss exporters were visited in four cases in order to check their compliance measures relating to the prevention of corruption. SERV conducts such visits in the context of detailed anti-corruption checks if there is any evidence of corruption on the part of the exporter.

**International Relations**

SERV regularly accompanies the Swiss State Secretariat for Economic Affairs to the meetings of the OECD Export Credit Group and the Consensus Group, which is responsible for the OECD Arrangement on Officially Supported Export Credits (OECD Export Credit Group). In 2017, the OECD Export Credit Group particularly focused on improved reporting for the documentation relating to climate-friendly projects. The intention of this is to contribute more in future to the promotion of climate-friendly technologies. The currently applicable recommendation on combating corruption in export transactions is also to be revised and updated.

**Sustainability Audit**

SERV employs over 100 percent work time of an FTE for auditing the export transactions for their sustainability. The Head of Sustainability carries out local visits in the buyer countries, where appropriate. For example, in March 2014, an initial meeting was held with the buyer and the banks involved for a railway project in Ethiopia, which started at the beginning of 2015, in order to evaluate possible risks and draft some appropriate measures.

One special feature of the project: a strip of land more than 50 m wide and around 400 km long is needed to build the track. This is leading to some resettlements. For that reason, particular attention is being given to a resettlement plan which respects human rights. Affected residents must be given appropriate compensation and a suitable alternative, as well as the basis for a new livelihood (housing, farmland or support for business start-ups). Other key topics include possible damage to eco-systems as a result of building work, which will have to be restored to their former state on conclusion of the work, as well as compliance with safety regulations.

Since the start of the project, there has been ongoing monitoring by a group of experts from an independent consultancy. This monitoring takes place in close coordination with SERV's Head of Sustainability and with annual visits on site. In co-operation with the export credit agencies (ECAs) that are also involved in the project, EKN (Sweden) and EKF (Denmark), SERV also audits evaluation reports and decides about any action that needs to be taken. "One positive side-effect of our audit is a certain capacity development and a know-how gain on the part of the Ethiopian buyer. The buyer values the experts' input and is already planning a further expansion of the rail network," explains Bernhard Müller, SERV's Head of Sustainability.

In the interests of transparency, SERV publishes all projects with a contract value of more than CHF 10.0 million on its website in agreement with the respective policyholders. These projects fall into Category A according to OECD environmental and social guidelines, and are published no later than 30 days prior to issue of the relevant IP.

In the context of the OECD Arrangement on Officially Supported Export Credits, the temporary measures introduced in 2009 for the facilitation of project financing were no longer extended in 2017. Until now, ECAs were able to offer a maximum repayment period of 14 years for project financing in High Income OECD countries with a financed or covered share of up to 50 percent. This is now only possible with a covered share of up to 35 percent; for a covered share of 35–50 percent the maximum repayment period will be limited to ten years.

The sector understanding on credit terms for the financing of coal-fired power stations has been in force since 1 January 2017. This provides for more restrictive credit terms for export financing in connection with the modernisation and building of new coal-fired power stations. There are also heightened notification requirements for justifying the financing or support of coal-fired power stations by an ECA.

In addition to multilateral cooperation, SERV is constantly engaged in maintaining and expanding its bilateral relationships with other ECAs. In that context, reinsurance agreements with other ECAs are playing an increasingly important role in order to take better account of what are now the heavily fragmented international value chains of export transactions, by means of reinsurance and parallel insurance. Having already concluded a reinsurance agreement with US export and import bank US EXIM in 2016, SERV was able to conclude another agreement with British ECA UK Export Finance (UKEF) in 2017. It became possible to conclude these two reinsurance agreements after the requirements for the adoption of the insurance conditions of the primary insurer by SERV were made more flexible by means of the partial revision to the SERV Act in 2016. SERV now has reinsurance agreements with 16 ECAs.

**Audit by the Federal Financial Audit Office**

In February 2017, the Federal Financial Audit Office (FFAO) published its report on the audit of the implementation of the legal remit and the strategic objectives of export risk insurance. In it, SERV scores well in some important respects. The BoD and the Executive Board had a good level of expertise and maintained intensive cooperation. The organisation with the separation of Client Advisory Services & Underwriting, Credit & Country Analysis, as well as Claims & Recovery, was good and the key processes were appropriately equipped. The financial risk management was adequately well-developed, the rendering of accounts was appropriate overall and the risk capital was of conservative proportions. The FFAO drew attention to the weight of some major clients in terms of premium income, as well as the strategic significance of the IT modernisation, and recommended that procurement should be better aligned on the relevant legislation. The BoD had already recognised the critical points identified by the FFAO, and initiated measures to deal with them.

# Losses and Claims

In the year under review, SERV made indemnity payments totalling CHF 48.3 million (cf. p. 33). Of this amount, CHF 11.5 million was payment for losses already recognised in previous years; CHF 36.8 million was paid out for newly reported losses. Conversely, SERV realised CHF 8.8 million in recoveries as a result of implementing recovery measures in 2017. CHF 8.0 million were written off as definitive losses (cf. p. 42).

Claims from losses rose in 2017 by a total of CHF 0.6 million to CHF 409.8 million. The biggest disbursements related to risks in Switzerland amounting to CHF 22.3 million, risks in Russia amounting to CHF 5.7 million and Indonesian risks amounting to CHF 5.2 million. The biggest recoveries amounting to CHF 4.8 million related to Iran transactions, while the highest write-off of unrecoverable claims amounting to CHF 5.1 million related to Swiss risks arising from working capital insurance and counter guarantees.

As in previous years, it was also possible in 2017 to avoid some imminent losses through restructuring of due dates and extending cover.

SERV did not post any recoveries from restructuring with public debtors in the year under review. The reason for this is that there is a restructuring agreement with North Korea at the moment, according to which North Korea is currently exempt from repayments.

With reference to the countries listed on page 16 with which debt rescheduling agreements were concluded in the Paris Club, all the debtor states met their payment obligations in the year under review, apart from Sudan.

Following the multilateral debt rescheduling agreement reached in the context of the Paris Club in December 2015 between Cuba and its creditors, Switzerland concluded a bilateral agreement with Cuba for claims amounting to CHF 127.6 million, of which capital and accrued interest totalling CHF 47.3 million are to be repaid by 2033. In return, SERV will waive default interest of CHF 82.2 million gradually in proportion to the repayments made.

In November 2014, a bilateral debt rescheduling agreement was concluded between Argentina and Switzerland relating to the accrued capital, interest and default claims amounting to CHF 454.2 million as of 1 May 2014. This agreement stipulated that the entire outstanding amounts should be repaid by 2019. The agreed annual minimum payments have been made by Argentina to date.

In the case of countries for which SERV has claims from losses or with which a debt rescheduling agreement has already been concluded, SERV's credit balances are value adjusted (cf. pp. 40 and 41).

**Claims from Restructuring with Public Debtors**

in CHF m, not value adjusted

| | 31.12.2017 | | | 31.12.2016 | | | Change | |
|---|---|---|---|---|---|---|---|---|
| | Total claims | 3rd parties [1] | SERV | Total claims | 3rd parties [1] | SERV | Total claims | SERV |
| | (1)=(2)+(3) | (2) | (3) | (4)=(5)+(6) | (5) | (6) | (7)=(1)–(4) | (8)=(3)–(6) |
| North Korea | 208.9 | 26.5 | 182.4 | 205.1 | 26.0 | 179.1 | 3.8 | 3.3 |
| **Total** | **208.9** | **26.5** | **182.4** | **205.1** | **26.0** | **179.1** | **3.8** | **3.3** |

[1] policyholders or assignees

## Claims from Losses (excluding policyholders deductibles)

in CHF m, not value adjusted

| | 31.12.2017 | 31.12.2016 | Change |
|---|---|---|---|
| | (1) | (2) | (3)=(1)–(2) |
| Saudi Arabia | 128.4 | 128.4 | – |
| Greece | 50.7 | 50.7 | – |
| Zimbabwe | 37.2 | 37.0 | 0.2 |
| Spain | 41.3 | 42.4 | –1.1 |
| India | 26.3 | 23.3 | 3.0 |
| Switzerland | 26.3 | 9.3 | 17.0 |
| Brazil | 21.3 | 20.9 | 0.4 |
| Russia | 19.8 | 14.1 | 5.7 |
| Georgia | 10.9 | 10.9 | – |
| Mexico | 10.6 | 10.9 | –0.3 |
| Other countries | 37.0 | 31.3 | 5.7 |
| **Total** | **409.8** | **379.2** | **30.6** |

## Credit Balances from Debt Rescheduling Agreements

in CHF m, not value adjusted

| | 31.12.2017 | | | | 31.12.2016 | | | | Change | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Total credit balance | Con-federation | 3rd parties [1] | SERV | Total credit balance | Con-federation | 3rd parties [1] | SERV | Total credit balance | SERV |
| | (1)=(2)+(3)+(4) | (2) | (3) | (4) | (5)=(6)+(7)+(8) | (6) | (7) | (8) | (9)=(1)–(5) | (10)=(4)–(8) |
| Argentina | 273.8 | – | 52.9 | 220.9 | 325.3 | – | 62.9 | 262.4 | –51.5 | –41.5 |
| Sudan | 144.9 | 91.7 | – | 53.2 | 144.9 | 91.7 | – | 53.2 | – | – |
| Cuba | 122.9 | – | 31.9 | 91.0 | 126.8 | – | 33.3 | 93.5 | –3.9 | –2.5 |
| Serbia | 86.5 | – | 23.0 | 63.5 | 94.3 | – | 25.1 | 69.2 | –7.8 | –5.7 |
| Pakistan | 85.0 | 3.5 | 4.7 | 76.8 | 91.1 | 3.6 | 5.0 | 82.5 | –6.1 | –5.7 |
| Indonesia | 57.7 | 3.1 | 5.2 | 49.4 | 70.8 | 3.7 | 6.4 | 60.7 | –13.1 | –11.3 |
| Iraq | 47.3 | – | 15.7 | 31.6 | 51.6 | – | 17.1 | 34.5 | –4.3 | –2.9 |
| Bosnia and Herzegovina | 24.7 | – | 6.1 | 18.6 | 25.4 | – | 6.3 | 19.1 | –0.7 | –0.5 |
| Egypt | 12.1 | – | 2.6 | 9.5 | 15.1 | – | 3.2 | 11.9 | –3.0 | –2.4 |
| Cameroon | 2.5 | – | 0.3 | 2.2 | 3.0 | – | 0.4 | 2.6 | –0.5 | –0.4 |
| Honduras | 1.9 | – | 0.2 | 1.7 | 2.0 | – | 0.2 | 1.8 | –0.1 | –0.1 |
| Bangladesh | 1.5 | 0.2 | – | 1.3 | 1.8 | 0.2 | – | 1.6 | –0.3 | –0.3 |
| Montenegro | 1.5 | – | 0.3 | 1.2 | 1.7 | – | 0.4 | 1.3 | –0.2 | –0.1 |
| Kenya | 0.7 | – | 0.2 | 0.5 | 1.4 | – | 0.3 | 1.1 | –0.7 | –0.6 |
| **Total** | **863.0** | **98.5** | **143.1** | **621.4** | **955.2** | **99.2** | **160.6** | **695.4** | **–92.2** | **–74.0** |

[1] policyholders or assignees

# Outlook

SERV pursues its objectives according to the SERV Act and the strategic requirements of the Federal Council. That means with its insurance and guarantee services it supports the creation and preservation of jobs in Switzerland and facilitates participation in international competition for the Swiss export industry. In the strategic goals for 2016–2019, the Federal Council expects SERV to actively support the export sector by relieving it of major financial risks on the international markets, promoting export financing by the financial market by providing risk-reducing products, and simplifying access to export finance for the SMEs.

**Growth Stimuli for the SERV Business**

The Swiss export industry will benefit from a powerful world economy and the weaker Swiss franc in 2018. For that reason, SERV expects clear growth stimuli in its insurance and guarantee business in the coming year. Since exporters are increasingly opening up new markets in Africa, Asia and Latin America, where the payment and credit risks are relatively high, there are signs of increasing demand for SERV cover. SERV also expects unchecked demand in 2018 for insurance solutions for SME finance, which have grown continuously since their introduction in 2009. In this context, SERV makes an important contribution with its working capital insurance and counter guarantees to supporting export-oriented enterprises in their liquidity management and in that way securing jobs in Switzerland.

**Changes to the Business Structure**

In the case of major infrastructure projects of a project finance nature, good insurance solutions which enable attractive financing options are playing an increasingly important role for the award of contracts. In order to be able to define the framework for their financing concepts as early as possible, exporters or project sponsors increasingly often contact SERV at a very early stage of business development. As a result SERV is increasingly taking on the role of (co-) structurer, for which it has to employ staff with the appropriate skills. Some important changes to the business structure also result from the increasingly vertical, cross-border fragmentation of production stages. International integration is thus increasing fast and value chains are becoming ever more global and complex. In this context, SERV can make an important contribution to the promotion of Switzerland as a business centre with a flexible application of the rules about minimum Swiss content.

**Strategic Thrusts**

In order to meet the needs and requirements of its clients even better in future, SERV implemented various organisational measures in the second half of 2017: The redistribution of underwriting for the start of 2018 into the three departments, Project and Structured Finance, Large Enterprises and Small & Medium-sized Enterprises, plays a key role in this. In order to take account of the increasing complexity of structured insurance and financing solutions, the continuous and sustained training of personnel is of very great importance. In addition to its marketing activities in Switzerland, SERV also intends to improve its international visibility. This will be achieved by means of targeted measures in buyer markets to demonstrate at an early stage in a major project the willingness to insure the export of goods and services from Switzerland. In this way, SERV can open up the opportunity for new business deals to Swiss exporters.

In 2018, SERV will subject its business processes to an in-depth audit. In doing so, the intention is to create the basis for handling insurance solutions efficiently and quickly with a service-oriented IT architecture and as a result to create more scope for advising the clients.

In 2017, SERV supported various major financing deals for export transactions in the power generation and distribution industry with some innovative insurance solutions. From these projects, SERV expects to issue IPs with an exposure of approx. CHF 1.4 billion and a premium income of approx. CHF 185 million in the first quarter of 2018.

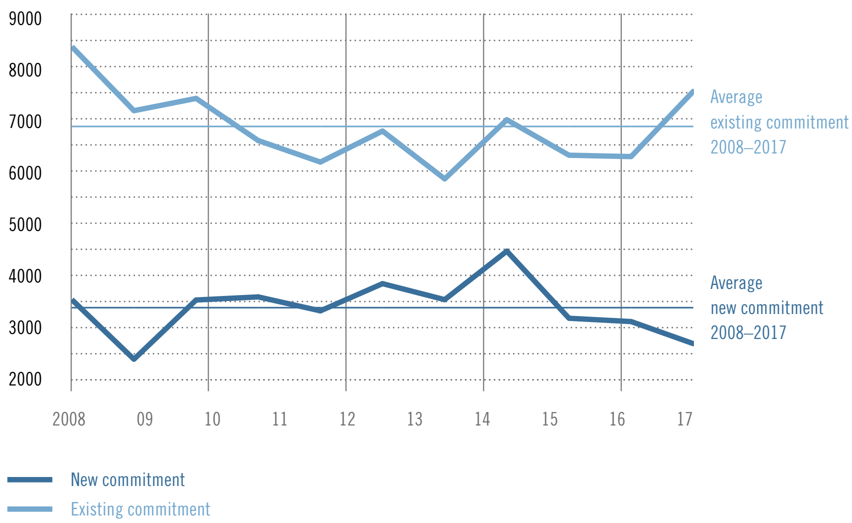
**"Our complex business repeatedly presents us with new challenges: for example, the increasing number of major transactions in the project finance sector demands the innovative further development of our products."**

**Peter Gisler**
CEO

# Multi-year Comparison

### Commitment Development

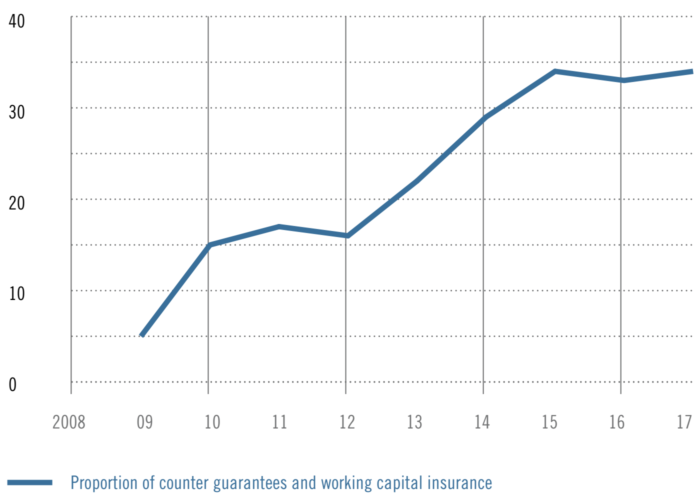
in CHF m




Viewed over the last ten years, the average commitment of SERV is CHF 6.700 billion. It is above average in 2017 at CHF 7.525 billion. The average new commitment is CHF 3.366 billion (2016: CHF 3.451 billion) and is below average in 2017 at CHF 2.693 billion.

### Proportion of Counter Guarantees and Working Capital Insurance in the Number of Newly Issued Insurance Policies

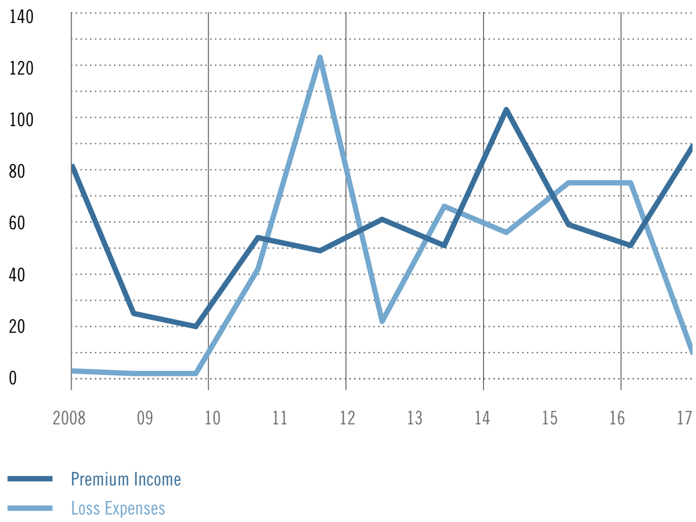
in percent




Since the introduction of the counter guarantee and working capital insurance in 2009, demand for these two products has grown steadily. The two products assist Swiss exporters, SMEs particularly, in optimising their liquidity management. In 2017, the proportion of the two products relative to the total number of new transactions (IP) stood at 34 percent, placing it in line with the previous year's level. It is expected that demand for these products will remain constant or even continue to increase.

**Development of Premium Income and Loss Expenses**

in CHF m




The course taken by premium income and loss expenses indicates the volatility of SERV's business. Large transactions have a strong impact on the two key parameters, resulting accordingly in spikes in the annual data. SERV's business performance must always be viewed against this background.

Over the last ten years, SERV has implemented the development objectives set by the legislators as well as the financial requirements with regard to economic viability and business management. It is well known among major exporters from the plant construction, mechanical engineering, metalworking and electrical engineering sectors, as well as chemicals and pharmaceuticals. Exporting SMEs are also increasingly benefiting from SERV's product range, in particular from the counter guarantees and working capital insurance products that were introduced in 2009.

SERV's commitment has slightly increased since 2008, from CHF 7.155 billion to CHF 7.525 billion, and is again slightly above average, as the commitment rose significantly in 2017 compared with the previous year, as a result of some insured major transactions. Unlike the existing commitment, the new commitment still remains below the ten-year average, coming to rest at a low value of CHF 2.693 billion, although the number of newly insured transactions has more than doubled, from 328 in 2007, the year SERV was founded, to 774. The reason for this is that SERV has increasingly covered export transactions with smaller order and insurance volumes over the last ten years.

Economic viability 2 has always been positive over the last ten years, amounting to CHF 23.4 million on average. That means that in the last ten years SERV has at all times been able to cover its operating expenditure and the actuarially calculated losses arising from its risk portfolio by means of its premium and interest income from cash investments. SERV has so far been able to finance itself sustainably. However, as a result of the interest rate movements which have been disadvantageous from the perspective of SERV, interest income has reduced steadily over the years, with the result that in 2017 economic viability 2 is for the first time at the same level as economic viability 1.