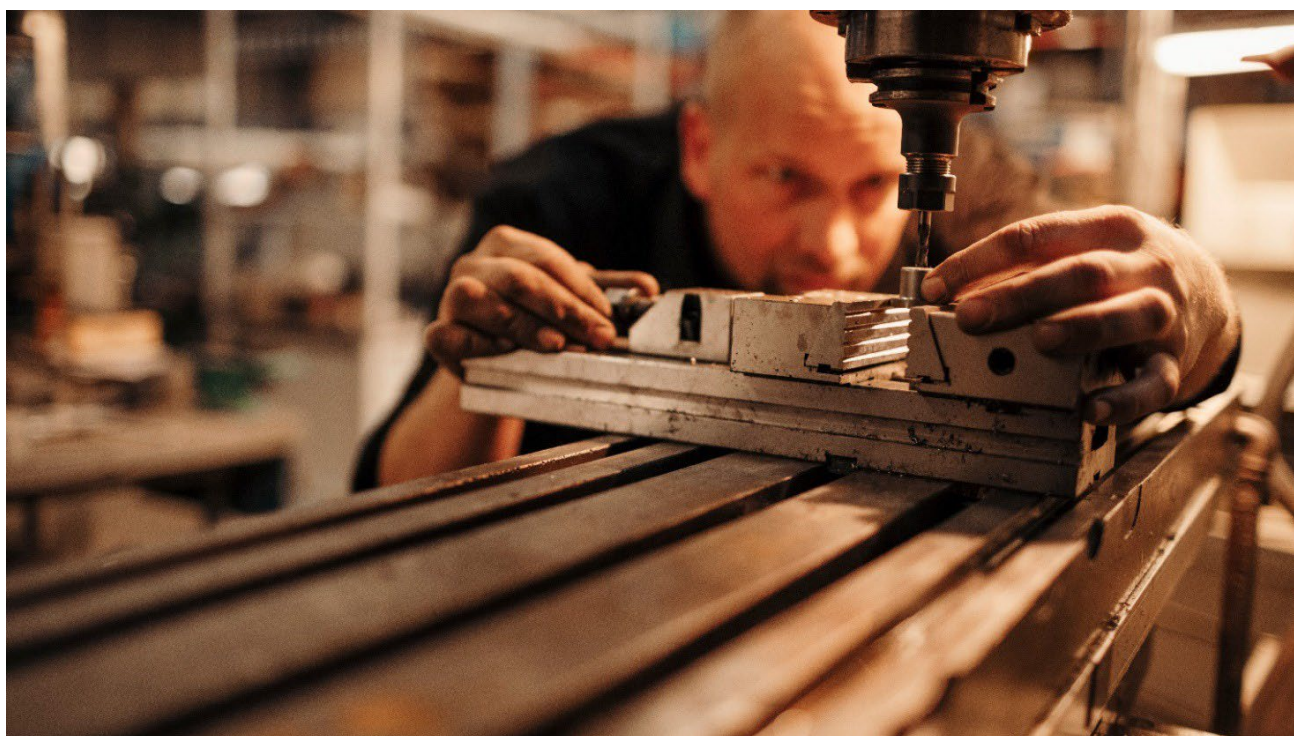




EKF

Half-Year Report

2022



Contents

Financial highlights and ratios	3
Management's review	4
Management's comments	6
Corporate information	10
Management statement	11
Accounts	12
Income statement	13
Balance sheet	14
Statement of changes in equity	15
Notes	16

Financial highlights and ratios for the first half of 2022

Amounts in DKK million	First half of 2022	First half of 2021	Year 2021
New export credits, working capital guarantees and loans	14,766	8,009	19,247
Profit/loss			
Basic earnings, guarantee activities	317	285	621
Basic earnings, lending activities	77	90	261
Administrative expenses	-143	-133	-259
Write-downs of guarantees and loans	-88	-126	-93
Net profit/loss for the period	264	143	548
Balance sheet			
Equity	7,655	8,976	9,364
Balance sheet total	21,303	27,061	26,496
Portfolio			
Guarantee exposure and loans, before reinsurance	110,199	97,904	102,509
Reinsured guarantee exposure and loans	54,447	43,191	47,112
Guarantee exposure and loans, after reinsurance	55,752	54,713	55,397
Conditional offers exposure	1,173	5,518	9,181
Total portfolio	111,372	103,422	111,690
Financial highlights and ratios, %			
Equity ratio	35.9	33.2	35.3
Provisioning ratio for guarantees (previous policy)	-	-	12.3
Write-down ratio for loans (previous policy)	-	-	6.6
Write-down ratio for guarantees and loans	7.1	-	-
Return on equity	3.2	1.7	6.1
Capital requirements, VaR 99 per cent	3,591	-	3,570
Capital adequacy ratio	213.2	169.5	216.1

Note: For definitions of financial highlights and ratios, see note 8.



Management's review

Satisfactory result despite global uncertainty

EKF Denmark's Export Credit Agency had a surplus of DKK 264 million in the first half of 2022. With new guarantees reaching just under DKK 15 billion during this period, this is satisfactory overall given the significant global uncertainty in both political and economic terms.

With a profit of DKK 264 million and new guarantees amounting to DKK 14.8 billion, the first half of 2022 was characterised by positive developments for EKF compared with the first half of 2021 and expectations for the year as a whole. This positive development in profit notwithstanding, EKF still anticipates a profit for the year in the range of DKK 100–300 million. This is due in particular to the August downgrading of the ratings of Turkish banks, requiring EKF to increase write-downs by a little under DKK 200 million.

The increasing activity in EKF's business comes at a time of significant global political and economic uncertainty, which naturally affects both nations and exporters across most of the world. This also applies to EKF's customers.

Nevertheless, EKF is demonstrating its worth to Danish exporters in this time of global turmoil. We are working together closely to finance the growth and exports of these companies in both new and familiar markets, while also insuring Danish exporters against political and economic uncertainty. This applies to very large exporters, particularly those in clean-tech, and to small and medium-sized companies that are ready to go global.

The results for the first half of 2022 also show that the recent sluggishness in Danish exporter activities as a result of COVID-19 has been eradicated.

Export loan sets new record

In June 2022, EKF issued the largest export loan to date to Spanish energy company Iberdrola. This record-breaking loan totalled 1 billion euro, equivalent to DKK 7.5 billion. The loan is made available in conjunction with Santander Corporate & Investment Banking. EKF has reinsured a large proportion of the risk, reducing the impact on EKF's balance sheet to DKK 2.2 billion.

This DKK 7.5 billion is for a credit facility for which Iberdrola has undertaken to buy wind turbines from turbine producers Vestas and Siemens Gamesa. In other words, EKF is helping to finance, not just one of the Spanish energy giant's wind projects, but a number of them, both onshore and offshore in several countries.

The loan came to fruition via a lengthy dialogue with Iberdrola, one of the world's biggest energy companies, and is an example of the way in which EKF independently brings in orders for Danish companies – orders that would not necessarily have reached Denmark without financing from EKF.

The agreement cements EKF's status as one of the world's leading export credit agencies for clean energy projects. It also demonstrates, despite a large part of the transaction being reinsured, that EKF's target of providing DKK 200 billion in financing for new green projects by 2030 is within reach.

Merger adds muscle

At the start of June 2022, the Danish Parliament agreed to merge Vækstfonden, the Danish Green Investment Fund and EKF Denmark's Export Credit Agency in order to create Denmark's Export and Investment Fund. The foundation is now in place for a stronger, coordinated initiative working for Danish growth and export companies.

Offering a common entry point for all Danish businesses, Denmark's Export and Investment Fund will provide a cohesive, green and internationally-minded financing initiative.

After the founding meeting and appointment of a board of directors for Denmark's Export and Investment Fund, the work of the merger will begin. For the time being, Vækstfonden and EKF Denmark's Export Credit Agency will continue to operate under the combined fund, and customers should, as previously, approach the respective funds, which will continue to focus on excellent customer satisfaction and effective operation.

A century of support for exports

This year, EKF Denmark's Export Credit Agency celebrates a hundred years of working in the service of exports and Denmark. This journey began in 1922, and since then, EKF has been ready at all times to provide insurance and financing and get results together with Danish businesses. From agricultural commodities, through pencils and kit homes, to our current focus on wind turbines and other green projects to support businesses and Denmark in the green transition.

At the dawn of Denmark's new Export and Investment Fund, our continued aim is to be the leading export credit agency worldwide when it comes to innovation and the green transition. Our goal is to join with Danish trade and industry to grow the Danish economy and green the globe.

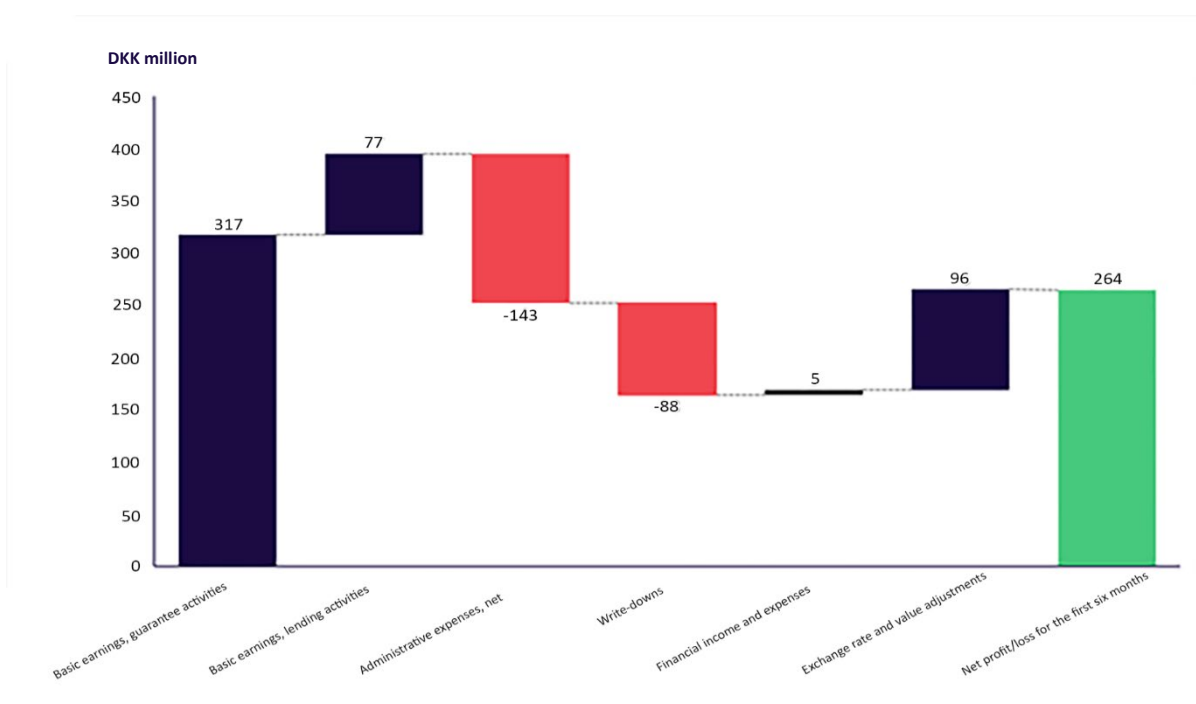
Management's comments on the first half of 2022

Income statement

EKF's net profit for the first half of 2022 was DKK 264 million. In the 2021 annual report, EKF predicted a profit in the region of DKK 100–300 million for the full year. Basic earnings are in line with expectations. The positive divergence is due to the continuing low demand for write-downs and the impact of the substantial increase in market rates, which has resulted in positive exchange rate and value adjustments.

The high level of activity in the second half of 2021 has continued in 2022, with new guarantees amounting to DKK 14.8 billion in the first half of 2022, compared with DKK 8.0 billion in the first half of 2021.

The overall result and level of activity for the first half of the year is regarded as satisfactory.



Basic earnings, guarantee activities

As at 1 January 2022, EKF switched to IFRS 9 for guarantees, meaning that premium income from EKF's guarantees will be recognised in line with changes in the underlying loans. Reinsurance premiums paid are recognised in a similar way, to achieve cohesion in the accrual of income and expenses. The change means that EKF's guarantee and lending activities are both stated in accordance with IFRS 9.

Amounts in DKK million	2022	2021
Premium income	473	370
Income from fees	46	24
Reinsurance premiums and fees paid	-241	-280
Commission to and from reinsurance	39	76
Change in guarantee provisions and reinsurance share	-	95
Basic earnings, guarantee activities	317	285

Basic earnings from guarantee activities totalled DKK 317 million in the first half of 2022.

Due to the change in accounting policy, income and expenses from guarantee activities in the first half of 2022 cannot be compared with the first half of 2021.

Basic earnings from lending activities

EKF's lending is in a number of currencies with both variable and fixed interest rates, and is generally financed through fixed-interest government on-lending in Danish kroner. This mismatch between lending and funding gives rise to interest rate and exchange rate risks, which EKF seeks to hedge effectively.

Income from lending is calculated as the interest income after conversion into currency and interest rate swaps, while expenses from lending are calculated as interest rate payments on government on-lending. Premiums paid for reinsurance on the credit risk of lending is also recorded here.

Amounts in DKK million	2022	2021
Interest income	242	247
Income from fees	16	9
Interest and fee expenses	-140	-142
Reinsurance interest and fees paid	-50	-24
Commission to and from reinsurance	9	-
Basic earnings, lending activities	77	90

Basic earnings from lending activities for the first half of 2022 totalled DKK 77 million, compared with DKK 90 million in the first half of 2021.

Earnings and portfolio are in line with the first half of 2021. The primary reason for divergence is the increase in reinsurance interest paid, with one-off fees paid to reinsurance parties during the first half of 2022.

Administrative expenses

Net administrative expenses for the first half of 2022 totalled DKK 143 million, compared with DKK 133 million in the first half of 2021. This increase derives mainly from a rise in payroll expenses, since certain areas of the organisation have been strengthened to prepare for a stronger focus on clean energy and match the increasing complexity of its business undertakings.

Write-downs of guarantees and loans

Since EKF's guarantee and lending activities are both stated in accordance with IFRS 9 as of 1 January 2022, write-downs of both guarantees and loans are now stated on the basis of IFRS 9's stage model, in which all activities are classed as stage 1 (healthy), stage 2 (impaired) or stage 3 (objective indication of credit impairment (OIC)). Stage 1 and stage 2 transactions are written down on the basis of a model calculation. For stage 3 transactions, write-downs are based on an expert assessment.

Amounts in DKK million	2022	2021
Write-downs of guarantees and claims/Claims expenses	-96	-120
Write-downs of loans	9	-6
Write-downs of guarantees and loans	-88	-126

Write-downs of guarantees and claims in the first half of 2022 amounted to an expense of DKK 96 million. In the first half of the year, EKF undertook write-downs relating to the conflict in Ukraine. Write-downs were also increased and decreased for other impaired transactions.

Due to the change in accounting policy, write-downs of guarantees in the first half of 2022 cannot be compared claims expenses in the first half of 2021.

Write-downs of loans in the first half of 2022 amounted to an income of DKK 9 million, as opposed to an expense of DKK 6 million in the first half of 2021. No objective indications of impairment of new transactions (OIC) were registered in the first half of 2022.

Overall write-downs totalled DKK 88 million in the first half of 2022. This was lower than EKF would normally have expected.

One post balance sheet event is that, in the middle of August, ratings of Turkish banks were downgraded. The effect of this is that write-downs for the year will be increased by a little under DKK 200 million.

Exchange rate and value adjustments

EKF uses hedge accounting for loans, resulting in cash flow hedges of variable-interest loans and fair value hedges of fixed-interest loans. Hedge accounting is expected to be around 75 per cent effective in terms of hedging the previous volatility caused by dissimilar practices for valuation of EKF's loans (amortised cost) and the associated funding (market value).

Exchange rate and value adjustments amounted to an income of DKK 96 million in the first half of 2022, compared with an income of DKK 10 million in the first half of 2021.

The change in profit/loss for the first half of 2022 is primarily attributable to market changes involving substantial rises in interest rates and currency fluctuations. This makes for an extremely positive change in the fair value of interest rate and currency swaps used by EKF in connection with hedging of interest rate and exchange rate risks associated with lending. Hedge effectiveness for the first half of the year is 77 per cent, while the remaining 23 per cent is recorded as profit, thus resulting in positive exchange rate and value adjustments.

Balance sheet

With the transition to IFRS 9 for guarantees, the opening balance was adjusted as a result of the change in accounting policy.

Assets

As a result of the transition to IFRS 9, the opening balance assets were adjusted by DKK -3,560 million. This adjustment is attributable to the following:

- reversal of reinsurance share of guarantee provisions and provisions for claims expenses of DKK -2,818 million
- adjustment of premiums receivable and interest of DKK -1,380 million
- new reinsurance share of write-downs of guarantees of DKK 638 million

Liabilities

As a result of the transition to IFRS 9, the opening balance liabilities were adjusted by DKK -3,560 million. This adjustment is attributable to the following:

- reversal of guarantee provisions and provisions for claims expenses of DKK -5,647 million
- adjustment of prepaid interest and payables to reinsurance parties of DKK 1,905 million
- new write-downs of guarantees of DKK 2,011 million
- adjustment of equity of DKK -1,829 million

The reduction in equity primarily reflects the fact that, after the transition to IFRS 9 for guarantees, EKF has reversed premiums that had been recorded as income according to the previous accounting policy. These premiums will be recognised as income in the coming years in step with the change in the underlying loans. After adjustment, EKF had equity of DKK 7,390 million.

Contingent liabilities Guarantee

Exposure

EKF provides guarantees for loans in connection with export transactions and working capital guarantees for loans to companies. Guarantee exposure is not registered in the balance sheet, but as a contingent liability. EKF undertakes substantial reinsurance in order to reduce credit risk and maintain capacity to continue issuing a high number of new guarantees.

Reinsurance is primarily effected via EKF's treaty agreements, which in principle cover 40 per cent of EKF's large new guarantees. There is also Denmark's Green Future Fund, which reinsures 20–30 per cent of EKF's large green transactions, as well as certain transactions that are reinsured via private insurance companies and other export credit agencies.

Before reinsurance, EKF's export credit and working capital guarantee exposure totalled DKK 93.3 billion as at 30 June 2022 compared with DKK 84.2 billion as at 30 June 2021. After reinsurance, EKF's exposure totalled DKK 47.6 billion as at 30 June 2022, compared with DKK 45.8 billion as at 30 June 2021.

Change in accounting policies

As of 1 January 2022, EKF switched to IFRS 9 for guarantees and therefore presents accounts in accordance with IFRS 9 for the entire business undertakings. A more detailed description and the effect on the opening balance is provided under relevant topics in the above. Policies are outlined in note 7.

Post balance sheet events

In the middle of August, ratings of Turkish banks were downgraded. This means that a substantial portion of EKF's exposure in Turkey moves to stage 2. Based on EKF's credit risk model, write-downs for EKF's Turkish bank transactions have been increased by a little under DKK 200 million.

Outlook for 2022

In the 2021 annual report, EKF expected net profit for 2022 to be in the DKK 100-300 million range.

The global political and economic tensions which found expression in higher interest rates and commodity prices in the first half of 2022 create considerable uncertainty regarding the economic outlook for the second half of the year. Since the August downgrading of Turkish banks also increases write-downs substantially, and given the risk of further credit impairment in Turkey, the anticipated profit for 2022 is still expected to be in the DKK 100–300 million range despite the positive first six months.

Corporate information

EKF Denmark's Export Credit Agency

Lautrupsgade 11, 4th floor

DK-2100 Copenhagen

Telephone: 35 46 26 00

Fax: 35 46 26 11

Website: www.ekf.dk

E-mail: ekf@ekf.dk

CVR no.: 30 76 37 77

Founded: 19 November 1999

Registered office: Copenhagen

Accounting period: 1 January – 30 June

Auditors

PricewaterhouseCoopers Statsautoriseret

Revisionspartnerselskab

Strandvejen 44

DK-2900 Hellerup

Rigsrevisionen

Landgreven 4

DK-1301 Copenhagen

Board of Directors

Christian Frigast, Chair

Dorrit Vanglo, Deputy Chair

Emilie Turunen

Janne Bram Hemphrey

Jørgen Høholt

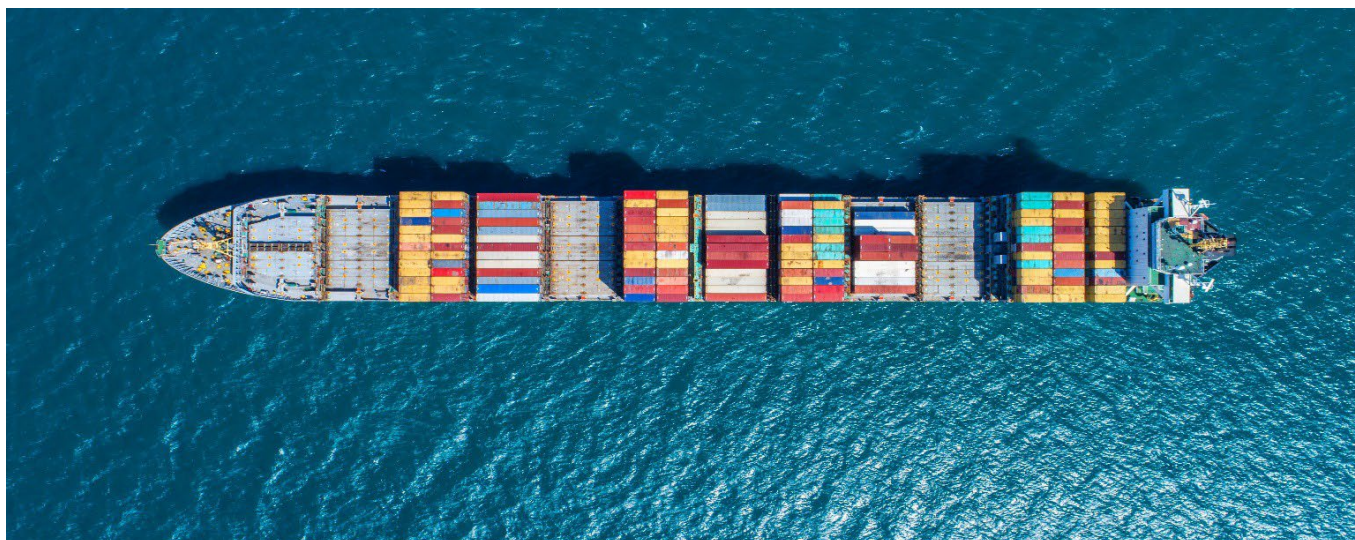
Niels Jacobsen

Anna Marie Owie, Employee Representative

Kenneth Plum, Employee Representative

Management

Peder Lundquist, Chief Executive Officer



Management statement

Today the Board of Directors and the Management considered and approved the Half-Year Report for 1 January – 30 June 2022 for EKF Denmark's Export Credit Agency.

The Half-Year Report was prepared in accordance with the Danish Financial Statements Act, subject to the necessary exemptions and adjustments required as a consequence of EKF Denmark's Export Credit Agency's special position as an independent public company, cf. the Act on EKF Denmark's Export Credit Agency.

In our opinion, the Half-Year Report gives a true and fair view of EKF Denmark's Export Credit Agency's assets, liabilities and financial position at 30 June 2022 and of the results of EKF Denmark's Export Credit Agency's operations and cash flows for the period 1 January – 30 June 2022.

Furthermore, we are of the opinion that Management's review gives a true and fair account of the development of EKF Denmark's Export Credit Agency's operations and financial circumstances and a description of the significant risks and uncertainty factors that could impact EKF Denmark's Export Credit Agency.

Management

Peder Lundquist
Chief Executive Officer

Board of Directors

Christian Frigast Chair	Dorrit Vanglo Deputy Chair	Emilie Turunen
Janne Bram Hemphrey	Jørgen Høholt	Niels Jacobsen
Anna Marie Owie Employee Representative	Kenneth Plum Employee Representative (Elected to the Board on 1 July 2022)	

Half-yearly report

First half of 2022



Income statement for the period

Amounts in DKK million	Note	First half of 2022	First half of 2021	Year 2021
Premium income	1	473	370	603
Income from fees		46	24	112
Reinsurance premiums and fees paid		-241	-280	-459
Commission to and from reinsurance		39	76	110
Change in guarantee provisions and reinsurance share	2	-	95	256
Basic earnings, guarantee activities		317	285	621
Interest income	3	242	247	546
Income from fees		16	9	16
Interest and fee expenses	4	-140	-142	-244
Reinsurance interest and fees paid		-50	-24	-57
Commission to and from reinsurance		9	-	-
Basic earnings, lending activities		77	90	261
Total basic earnings		395	375	882
Administrative expenses, net		-143	-133	-259
Profit before write-downs and net financials		252	243	623
Write-downs of guarantees and loans	5,6	-88	-126	-93
Profit before net financials		164	117	530
Financial income and expenses		5	16	-10
Exchange rate and value adjustments		96	10	28
Profit/loss		264	143	548

Balance sheet

Amounts in DKK million	Note	30 June 2022	30 June 2021	Year 2021
Assets				
Cash and demand deposits		6,953	6,816	6,716
Loans	6	9,881	9,856	9,779
Securities		441	870	822
Fixed assets		30	33	30
Receivables		3,233	6,753	6,330
Reinsurance share		766	2,735	2,818
Total current assets		3,999	9,488	9,149
Assets		21,303	27,061	26,496
Liabilities				
Equity		7,655	8,976	9,364
Other payables		11,444	12,371	11,480
Accumulated write-downs, guarantees		2,204	-	-
Technical provisions				
Guarantee provisions		-	5,147	5,116
Provisions for claims expenses		-	566	535
Liabilities		21,303	27,061	26,496
Contingent liabilities				
Guarantee exposure before reinsurance	6	93,319	84,197	84,883
Guarantee exposure after reinsurance	6	47,628	45,849	39,589
Conditional offers exposure		1,173	5,518	9,181

Statement of changes in equity

Amounts in DKK million	Retained (non-restricted earnings)	Capital transfer to the Danish state	Restricted equity (tied up)	Exchange rate adjustment reserve	Reserve for cash flow hedges	Total
Equity at 1 January 2021	6,240	100	2,425	-74		8,691
Dividend distributed		-100				-100
Capital injection in support of rebooting Danish exports	230	-				230
Transferred to non-restricted equity	2,351		-2,425	74		-
Change in the cash flow hedges for the year				-	12	12
Recommended capital transfer to the Danish state						-
Net profit/loss for the period	143					143
Equity at 30 June 2021	8,964	-	-	-	12	8,976
Capital injection in support of rebooting Danish exports	230	-	-	-	-	230
Transferred to restricted equity	2,351	-	-2,425	-74	-	-148
Net profit/loss for the period	548	-	-	-	-	548
Change in the cash flow hedges for the year	-	-	-	-	-5	-
Recommended capital transfer to the Danish state	-150	150	-	-	-	-
Equity at 31 December 2021	9,219	150	-	-	-5	9,364
Adjustment, beginning of year, IFRS 9 EKF	-1,829					-1,829
Equity at 1 January 2022	7,390	150	-	-	-5	7,535
Dividend distributed		-150				-150
Net profit/loss for the year	264					264
Change in the cash flow hedges for the year					6	6
Equity at 30 June 2022	7,654	-	-	-	1	7,655

From 1 January 2021, EKF has adopted a new capital model. With the transition to a new capital model, the restricted equity and exchange rate adjustment reserve were transferred to non-restricted equity.

EKF has the status of an independent public company guaranteed by the Danish State. Losses exceeding accumulated write-downs and non-restricted equity are therefore covered by the Danish State.

Notes

Note 1: Premium income

Amounts in DKK million	30 June 2022	30 June 2021	Year 2021
Gross premium income	-	394	714
Fees included in gross premiums, separated out	-	-24	-112
Premium income	473		
Premium income	473	370	603

In 2021, fees were included in gross premiums. As of 2022, these are separated out on a separate line in the accounts.

Note 2: Change in guarantee provisions and reinsurance share

Amounts in DKK million	30 June 2022	30 June 2021	Year 2021
Change in guarantee provisions	-	-52	122
Change in the reinsurance share of guarantee provisions	-	147	134
Reinsurance premiums paid	-	95	256

Note 3: Interest income

Amounts in DKK million	30 June 2022	30 June 2021	Year 2021
Financial income related to lending	-	256	562
Fees included in financial income, separated out	-	-9	-16
Interest income	242	-	-
Interest income	242	247	546

In 2021, fees were included in financial income related to loans. As of 2022, these are separated out on a separate line in the accounts.

Note 4: Interest and fee expenses

Amounts in DKK million	30 June 2022	30 June 2021	Year 2021
Financial expenses related to loans	-	-166	-301
Reinsurance interest paid included in financial expenses, separated out	-	24	57
Interest and fee expenses	-140	-	-
Interest and fee expenses	-140	-142	-244

In 2021, reinsurance interest paid was included in financial expenses related to loans. As of 2022, these are separated out on a separate line in the accounts.

Note 5: Write-downs of guarantees and loans

Amounts in DKK million	30 June 2022	30 June 2021	Year 2021
Claims expenses	-	-147	-183
Change in the reinsurance share of provisions for claims expenses	-	27	29
Write-downs of guarantees and claims	-96	-	-
Write-downs of loans	9	-6	61
Write-downs of guarantees and loans	-88	-126	-93

Note 6: Information about credit risks

Amounts in DKK million	Stage 1	Stage 2	Stage 3	Total
EKF's guarantees by debtor rating (before reinsurance)				
AAA – A	397	-	-	397
BBB+ – BBB-	27,314	-	-	27,314
BB+ – BB-	27,472	839	-	28,311
B+ – B-	23,778	8,079	-	31,857
CCC or weaker	195	3,909	1,336	5,440
Total	79,156	12,827	1,336	93,319
EKF's guarantees by debtor rating (after reinsurance)				
AAA – A	397	-	-	397
BBB+ – BBB-	14,712	-	-	14,712
BB+ – BB-	13,446	543	-	13,989
B+ – B-	9,416	6,082	-	15,498
CCC or weaker	195	1,697	1,140	3,032
Total	38,165	8,322	1,140	47,628
EKF's claims by debtor rating (before reinsurance)				
AAA – A	-	-	-	-
BBB+ – BBB-	-	-	-	-
BB+ – BB-	-	-	-	-
B+ – B-	-	-	-	-
CCC or weaker	-	-	2,399	2,399
Total	-	-	2,399	2,399

EKF's claims arise when guarantees are paid out, less reinsurance cover.

Amounts in DKK million	Stage 1	Stage 2	Stage 3	Total
Accumulated write-downs of guarantees and claims				
Opening balance	-	-	952	952
Change in opening balance due to new accounting policy	146	709	518	1,373
Adjusted opening balance	146	709	1,471	2,326
Write-downs of new guarantees	21	-1	1	20
Completed guarantees	-2	-2	-106	-110
Guarantee reduction	-11	-79	-8	-98
Stage change 1	-	0	32	32
Stage change 2	-0	-	103	103
Stage change 3	-4	-6	-	-9
Change in rating	5	42	131	178
Change in LGD/PD	-11	-12	-	-23
Other changes	0	-14	17	4
Operational effect of write-downs	-2	-71	169	96
Exchange rate adjustments	3	22	8	33
Reinsurance share of write-downs	183	464	119	766
Closing balance	330	1,125	1,767	3,221

As at 30 June 2022, accumulated write-downs of guarantees totalled DKK 2,204 million and accumulated write-downs of claims totalled DKK 1,013 million.

Amounts in DKK million	Stage 1	Stage 2	Stage 3	Total
EKF's loans and credit facilities by debtor rating (before reinsurance)				
AAA – A	178	-	-	178
BBB+ – BBB-	1,782	-	-	1,782
BB+ – BB-	4,290	-	-	4,290
B+ – B-	8,003	1,397	-	9,400
CCC or weaker	-	381	849	1,231
Total	14,253	1,778	849	16,880
EKF's loans and credit facilities by debtor rating (after reinsurance)				
AAA – A	178	-	-	178
BBB+ – BBB-	1,552	-	-	1,552
BB+ – BB-	2,049	-	-	2,049
B+ – B-	2,740	659	-	3,399
CCC or weaker	-	226	722	947
Total	6,518	885	722	8,124
Accumulated write-downs of loans				
Opening balance	30	76	586	692
Change in opening balance due to new accounting policy	1	3	-	4
Adjusted opening balance	31	80	586	697
Write-downs of new loans	0	1	-	1
Completed loans	-0	-0	-	-0
Loan run-offs	-1	-7	-	-7
Stage change 1	-	-	-	-
Stage change 2	-	-	-	-
Stage change 3	-	-	-	-
Change in rating/provisioning ratio	0	-0	-	-0
Change in LGD/PD	-1	-1	-	-2
Other changes	-0	-1	-	-1
Operational effect of write-downs	-1	-8	-	-9
Exchange rate adjustments	0	2	49	52
Closing balance	30	74	635	739

Note 7: Significant accounting policies

Since the presentation of the annual report for 2021, EKF has chosen to implement IFRS 9 for guarantees with the following policy. Beyond this, the significant accounting policies in the half-year report are unchanged relative to the 2021 annual report.

Guarantees are measured at amortised cost using the effective interest method.

Guarantees are written down according to IFRS 9. EKF uses a proprietary model to calculate the expected credit loss according to IFRS 9. The model is based on an assessment of the likelihood that the counterparty will no longer be able to meet its contractual commitments – Probability of Default (PD). EKF uses well-known methods such as rating tools from S&P and Moody's to determine ratings. Ratings are translated into PD based on Moody's statistics for 1-year default rates.

Guarantees are written down on initial recognition by an amount corresponding to the expected credit loss during a 12-month period (stage 1). EKF calculates the 12-month credit loss as the product of the probability of default (PD), the average expected receivable in the coming 12 months and the proportion EKF expects to lose.

In the event of a subsequent considerable increase in credit risk relative to the time of initial recognition, the asset is written down by an amount corresponding to the expected credit loss during the remaining term of the asset (stage 2). Since EKF uses a PD model, the following principle is applied in determining when a considerable increase in credit risk exists:

- If the 12-month PD on initial recognition is under 1 per cent: At the time of calculation, the 12-month PD must have increased by 0.5 percentage points or more and the PD must have doubled for the expected remaining term of the asset.
- If the 12-month PD on initial recognition is 1 per cent or more: At the time of calculation, the 12-month PD must have increased by 2.0 percentage points or more or the PD must have doubled for the expected remaining term of the asset.

EKF calculates the credit loss over the useful life of the asset as the product of the probability of default (PD), the average expected annual receivable and the share EKF expects to lose.

If the transaction is deemed to be credit-impaired (stage 3), the transaction is written down by an amount corresponding to the expected credit loss during the remaining term of the transaction. Guarantees for which EKF has observable data on events indicating that the transaction is credit-impaired are written down individually. EKF typically performs individual write-downs based on three scenarios: a best-case scenario, a base-case scenario and a worst-case scenario.

Note 8: Definitions of financial highlights and ratios

Equity ratio

$$\left(\frac{\text{Equity}}{\text{Balance sheet total at year-end}} \right) \times 100$$

Capital adequacy ratio

$$\left(\frac{\text{Non-restricted equity}}{\text{Capital requirements, VaR 99 per cent}} \right) \times 100$$

Return on equity

$$\left(\frac{\text{Net profit/loss for year}}{\text{Average equity}} \right) \times 100$$

Write-down ratio for guarantees and loans

$$\left(\frac{\text{Accumulated write-downs, guarantees and loans, closing}}{\text{Guarantee exposure and loans, after reinsurance}} \right) \times 100$$