EKF
Annual Report 2021

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Growth and green transition in the time of COVID

2021 was a turbulent year – initially overshadowed by the COVID-19 pandemic, which continued to lock down countries and disrupt business, followed in the second half of the year by an economic upturn that created impetus and new opportunities for Danish business and industry.

Inevitably, the lower level of activity for Danish export businesses in the first half of the year also impacted EKF Denmark's Export Credit Agency. Nevertheless, the year ended satisfactorily after a strong final sprint.

2021 was thus a good year for exports – for Danish exporters and EKF. The net profit for the year totalled DKK 548 million with total new guarantees worth DKK 19 billion.

This once again emphasised Denmark's role as a trading nation and EKF's role as a partner supporting Danish business exports and internationalisation – a role which we have now, as of 2022, played for a hundred years.

Exports have grown in significance over the past 30 years, and they now represent over half of Denmark's GDP and are crucial to almost one in two jobs in the private sector. EKF's contribution to Denmark's GDP was DKK 9 billion in 2021.

From the outset, EKF Denmark's Export Credit Agency has been an active partner in Denmark's development as an export nation. This journey began in 1922 and has covered everything from agricultural commodities, machinery and ships to kit homes and wind turbines – always with EKF standing ready to insure, finance and get results together with Danish businesses.

2021 was no exception: wind farms, infrastructure and the global green transition in general predominated in this year's transactions. We travelled the world with Danish export companies – but we also brought the world home to Denmark thanks to the financing of major projects for which Danish businesses would not otherwise have won orders.

In 2021, we financed wind farms in Poland and Vietnam as well as consolidating and expanding our role as a trustworthy financial partner for the global wind power industry in both mature and new markets.

EKF is preferred for our knowledge, agility and attractive products, along with the fact that the private financial market is in a position to take on ever more financing.

EKF's expertise and willingness to structure large, complex financing projects was also crucial to its ability to issue the biggest export loan in its history at the end of the year: DKK 4.3 billion for a 200 km electric high-speed railway in Turkey. This loan means that Danish businesses are assured of high-value orders.

Ambitious climate policy
EKF is currently expanding its overall role as a catalyst for Danish exports and the green transition.

EKF is already one of the leading green export credit agencies worldwide. 70 percent of our transactions involve clean or green projects. In the past decade alone, we have assisted in financing 120 wind farms, mobilising more than DKK 400 billion in private venture capital.

But our ambitions go further than this. The EKF board adopted a zero-carbon policy targeting climate neutrality for its entire business by 2045. This is ambitious, but aligns with our mission to not merely keep up with our customers in making the green transition, but to act as a proactive catalyst both in Denmark and around the world. In concrete terms, our commitment to financing green projects amounts to DKK 200 billion by 2030. This goal is realistic, and hopefully we will surpass it.

The journey to a climate-neutral EKF in 2045 starts now. In November 2021, the Danish Government decided to end and phase out public financing for fossil fuel projects in the overseas energy sector.

In the longer term, EKF's climate policy means that we will help to transform the sector from fossil fuel-based to clean energy, and phase out financing for projects that are incompatible with the green transition and international climate targets.

The green transition – for EKF, for Denmark, and for the entire world – also requires a focus on new clean technologies, including in particular Power-to-X, but also carbon storage and capture. EKF's pipeline of Power-to-X projects is already extensive, but since nobody can be certain of who the winners of the race for green solutions will be, it is also associated with substantial risk. EKF is prepared to run these risks, just as we played an active role for decades in the affairs of the Danish wind turbine industry.

EKF brings home orders
The road to Danish exports has laid down important new tracks at EKF. Not only will we assist Danish businesses with specific transactions; we will also bring greater levels of business home to Denmark.

Our two new regional offices in New York and Singapore are crucial in this regard. EKF is acknowledged around the world as an attractive financial partner. By moving closer to customers in Asia and South and North America, we can ensure that Danish businesses have a share in green projects, in particular. But EKF's work out of Copenhagen is also conducting outreach on behalf of Denmark to an ever-increasing extent.

Help from the very first steps with exports
Very few companies grow to be large without first being small. For this reason, via the Danish parliament's relief packages for Danish trade and industry in the context of COVID-19, but also in all other work, EKF focused strongly in 2021 on growth and exports for small and medium-sized enterprises (SMEs).

One example is EKF's contribution to the expansion of shooting star Hobbii, which has turned the unusual business of exporting knitting yarn into an unsurpassed success.

Seven in ten of EKF's customers are SMEs. Through a range of products, we have helped to insure their sales and finance their growth and development during the course of the year, either directly or together with the customers' banks.

Growth in a green world

In a changeable world, in which growth has so far been bullish among high levels of uncertainty, EKF is mindful of its role as a partner supporting Danish export companies through the best and worst of times. In 2021, therefore, EKF secured export contracts totalling DKK 26 billion and created or retained 10,700 jobs.

Our goal is to help grow the Danish economy and green the globe. We can achieve this through our continued aim to be the leading export credit institution worldwide when it comes to innovation and the green transition. We are committed to driving the green transition forward in partnership with businesses and assisting them in their energy transition. We will help to ensure that Denmark retains its leading position in the wind sector, and platform a similar position for Denmark within new clean technologies, while also supporting Danish businesses more broadly.

This is what EKF has done for a hundred years, and we will continue to do this with Denmark's Export and Investment Fund, which is a merger of EKF, Vækstfonden (the Danish Growth Fund) and the Danish Green Investment Fund, which, following a proposal from the government ("Denmark can do more 1") in autumn 2021, was adopted by a parliamentary majority at the start of 2022.

Denmark's Export and Investment Fund will strengthen the overall government offerings for Danish growth and export businesses. The aim is to create a more cohesive, green and internationally competitive government financing initiative for all Danish businesses going forward. This is a goal that EKF fully supports.

Christian Frigast

Chair of the EKF Board of Directors

EKF in figures

Net profit for the year

548

DKK million

Portfolio

112

DKK billion

New guarantees

19

DKK billion

Number of customers

678

5-year overview

Amounts in DKK million	2021	2020	2019	2018	2017
New export credits, working capital guarantees and loans	19,247	23,000	17,839	33,683	11,507
Profit/loss					
Technical result before administrative expenses	467	690	712	535	553
Result of lending activities before administrative expenses	322	145	269	212	275
Administrative expenses	259	228	209	195	179
Net profit/loss for the year	548	746	743	618	598
Proposed dividend[1]	150	100	640	140	140
Balance sheet total					
Technical provisions, gross	5,651	5,705	5,050	5,005	3,800
Write-downs of loans	692	719	630	620	340
Equity	9,364	8,691	8,459	7,856	7,612
Balance sheet total	26,496	27,528	26,634	28,037	26,834
Portfolio					
Guarantee exposure and loans, before reinsurance[2]	102,509	97,158	92,219	86,697	63,936
Reinsured guarantee exposure and loans[2]	47,112	41,225	32,985	20,506	15,069
Guarantee exposure and loans, after reinsurance[2]	55,397	55,933	59,234	66,192	48,867
Conditional offers exposure[2]	9,181	8,588	6,964	5,253	7,453
Total portfolio[2]	111,690	105,746	99,183	91,950	71,389
Financial highlights and ratios[3], %					
Equity ratio	35.3	31.6	31.8	28.0	28.4
Provisioning ratio for guarantees	12.3	12.0	10.3	9.2	9.9
Write-down ratio for loans	6.6	7.3	6.3	5.5	2.6
Return on equity	6.1	8.7	9.1	8.0	8.1
Capital ratio[4]	N/A	10.7	8.7	7.7	9.4
Capital adequacy ratio[4]	191.3	157.6	N/A	N/A	N/A

1) *Proposed dividend for 2021, which must be approved by the Minister for Industry, Business and Financial Affairs.*

2) Exposure refers to guarantees and loans including loans granted and equity investments undertaken. From 1 January 2021, future expected interest amounts which have not yet been added or accrued are no longer recognised in the statement of exposure. Comparative figures have not been adjusted.

3) *See note 31 for a definitions of financial highlights and ratios.*

4) From 1 January 2021, EKF has switched to new capital management. From this date, capital adequacy ratio will be calculated as non-restricted equity (stated according to IFRS 9) divided by calculated capital requirements (the portfolio's Value-at-Risk at 99% fractile). Previously, management was based on a capital ratio that was calculated as non-restricted equity as a percentage of guarantee and loans exposure.

EKF works for Denmark

GDP contribution
9
DKK billion

Distribution to the Danish state
150
DKK million

Export contracts worth
26
DKK billion

Number of jobs created or retained
10,700

Tax contribution
3
DKK billion

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EKF creates value for Denmark

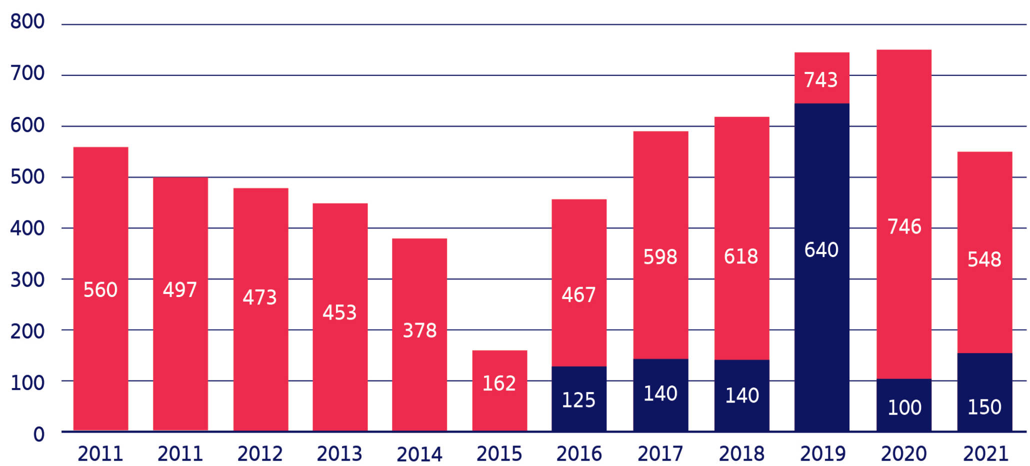
Exports create the basis for our shared prosperity. And export credit is crucial to growth in exports. For a hundred years, EKF has been a partner in Denmark's many export ventures.

Denmark would be a poor country without international trade. Exports of medicines, food, machinery and maritime transport – but also wind farms and other clean technology – are the prerequisites for Denmark's prosperity and wellbeing.

Exports currently make up over 50 per cent of Denmark's GDP. Denmark's international trade has risen in particular in the past 30 years, and exporters are increasingly important to Danish prosperity and employment. Nearly one in two jobs in the private sector depend on Danish exports. In particular, employment outside of the major cities benefits from the rise in Danish exports.

For a hundred years, EKF has helped Danish businesses go out into the world – and thereby to create the prosperous Denmark we see today. The post-World War I period was uncertain for global trade, and it was then that the first government export credit agencies – known as ECAs – were established. When EKF was set up in 1922, we were only the world's third export credit agency with a guarantee facility of DKK 5 million.

Profit/loss and dividend



However, exports also incur risk for the individual businesses and require expertise on new markets. While it may be safer to produce for the domestic market or our closest neighbours, complexity increases when businesses sell on foreign markets, where buyers may be less robust, and certain countries are more likely to experience both political and financial unrest.

In line with the ECAs of other countries, EKF Denmark's Export Credit Agency is thus responsible for opening the windows of businesses to the world by obtaining financing and hedging risks entailed by exports and internationalisation.

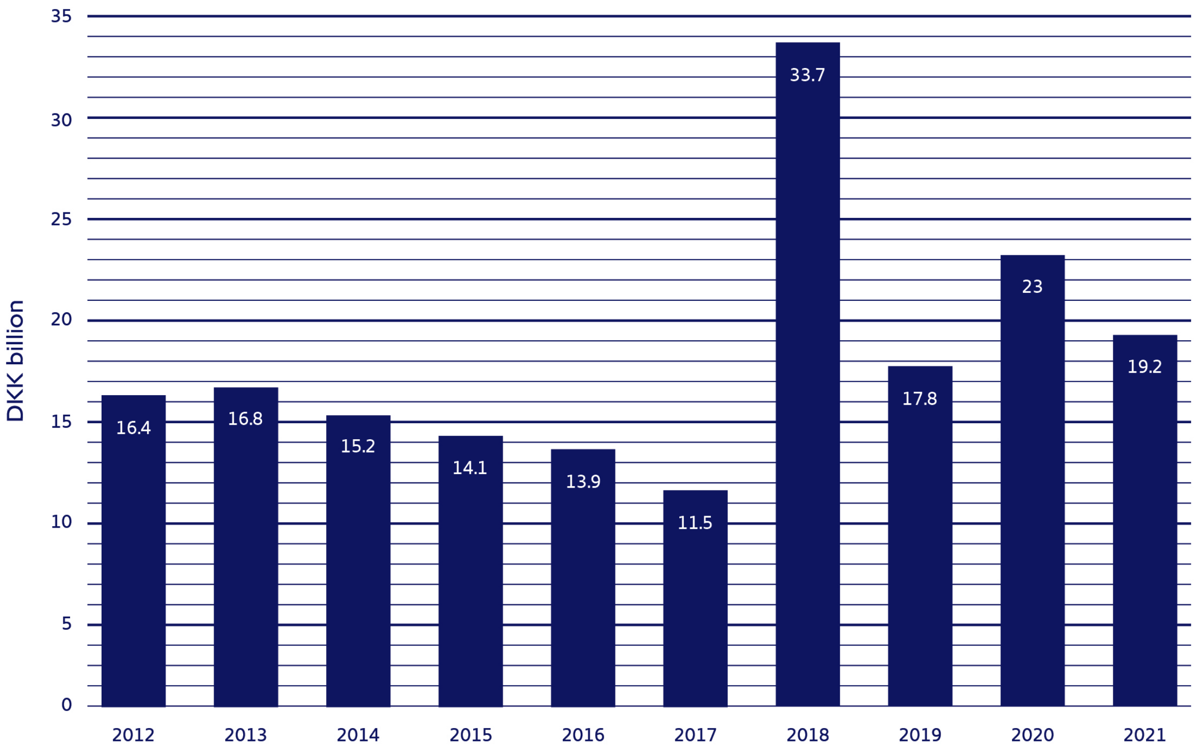
From bacon to wind farms

After EKF was established a hundred years ago, it quickly became an important element of Danish exports of everything from pencils and bacon to bread makers. EKF has historically insured large proportions of Danish exports, with this figure reaching as high as 25 per cent in the 1980s. In the 1990s, a political decision was taken to privatise the short-term commercial guarantees, enabling state-owned EKF to concentrate on long-term credit. Large transactions typically involved ships, cement factories and dairies. In recent decades, EKF has been an active ally in the affairs of the Danish wind turbine industry, and is currently the world's leading ECA in the financing of wind farms together with partners such as Vestas, Siemens Gamesa, Ørsted and CIP. In the past 20 years, the number of EKF customers has increased significantly as a result of a growing number of products and services aimed at small and medium-sized export companies.

Just under 90 per cent of global trade is thought to depend on financing, insurance or guarantees from governmental or private banks and credit insurance companies. Export credits are thus crucial to the exchange of goods, and particularly important in a small, open economy like that of Denmark. Similarly, a range of scientific studies in recent years have shown that EKF's work has had a marked impact, not only on direct customers – the export companies – but also on their sub-suppliers.

With an overall business volume of DKK 112 billion in 2021, EKF is crucial to the realisation of current and future export ventures – from wind turbines to Power-to-X to the export of machinery and expertise. EKF's contribution to Denmark's GDP in 2021 was DKK 9 billion.

New issuances over 10 years



A century has passed in which EKF and Danish business and industry have gone from strength to strength by virtue of new products and new markets, in ever-closer interaction with some of Denmark's largest companies.

The value of EKF's work to Denmark can be seen on several fronts. In 2021, EKF contributed a total of DKK 26 billion via guarantees and financing for export contracts. We created or retained 10,700 jobs in Denmark in 2021, and enabled tax contributions of DKK 3 billion.

There is no doubt that exports will continue to be crucial to the prosperity of Denmark. But whether global trade will continue to grow strongly for Denmark and various other western countries as it has in recent decades is less certain. Jolts in the ongoing globalisation mean there is cause for uncertainty. Competition is intensifying between both nations and companies. On the other hand, the export of new clean technologies in which Denmark already has an edge may create new export opportunities.

Whatever the circumstances, EKF stands alongside Danish business and industry, ready to open up new markets and provide attractive financing options. Just as we have for a hundred years.

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Taiwan is the gate to a new offshore wind boom

The island nation is rapidly building offshore wind farms – and is increasingly becoming the entry point to Asia for Danish wind industry companies. EKF is helping to open the gate to this new boom.

The group of islands that make up Taiwan is small but hugely ambitious. Taiwan wants to be free of fossil fuels and energy self-sufficient within a short time, and is focusing intensively on offshore wind energy as a way to do this. And who is best placed to help with that? That would be the Danish world leaders in offshore wind: Vestas, Siemens Gamesa, Ørsted, CIP and EKF.

As well as being a major purchaser of offshore wind turbines, the island nation of Taiwan is currently the jumping off point for much of the offshore wind boom that is underway across the region of Asia. Major developers such as Ørsted and turbine manufacturers such as Vestas and Siemens Gamesa (SGRE) have their regional hubs in Taipei.

Taiwan arrived on the global offshore wind energy scene in 2018 with the world's first commercial offshore wind farm outside of Europe, known as Formosa 1. EKF contributed substantial risk cover even at this early stage.

Many Danish and foreign suppliers have subsequently established a foothold in Taiwan from which to service the expansion of Taiwanese offshore wind energy. Since Formosa 1, EKF has participated in the financing or risk cover of five additional offshore wind farms: Yunlin, Formosa 2, CFXD, Greater Changhua 1a and Zhong Neng.

Bringing in additional Danish orders

Thanks to our establishment in Taiwan, Danish offshore wind energy companies can expand to other Asian markets, with Japan, South Korea and Vietnam in particular appearing to be excellent prospects.

Patrick Rosenqvist Jakobsen, Senior Vice President at EKF, refers to the fact that EKF has helped to open the gate for Danish green solutions in large parts of Asia as "due diligence".

"Taiwan is a beacon for offshore wind energy in Asia, having created a clear plan for the roll-out while other countries are still in the process of clarifying framework conditions and tenders. But there is no doubt that expansion of renewable energy in these other countries will bring significant orders to Danish businesses, and that Danish investors will share in this development through investment in the wind farms. EKF is prepared to both offer financing and cover risk," says Patrick Rosenqvist Jakobsen.

In 2021, EKF participated in the financing of Greater Changhua 1a, when Canadian pension fund CDPQ and Taiwanese Cathay PE acquired 50 per cent of its ownership from Danish company Ørsted A/S. The wind farm provides 605 MW of energy and the turbines are supplied by Siemens Gamesa Renewable Energy A/S. EKF guaranteed the repayment of loans in NTD of more than NTD 15 billion, equivalent to DKK 3.4 billion. The rest of the financing was arranged by a group of international and local banks together with the ECAs of several other countries.

Via an investment guarantee (Political Risk Insurance), EKF also hedged the political risks associated with Copenhagen Infrastructure Partners' investment in the Zhong Neng project in Taiwan, another offshore wind project providing 298 MW with turbines supplied by Vestas Wind Systems A/S. EKF covers political risks such as war, unrest, nationalisation, expropriation and so on together with a group of private insurance companies.

EKF is selected for these major project financing projects because of our extensive experience with renewables, complex financing solutions and willingness to take risk and partner with developers and local governments to find solutions that allow projects to succeed.

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New initiatives to bring more orders home to Denmark

EKF does not only travel out into the world: we also bring the world home to Danish businesses. In particular, strengthened outreach activities will sell more Danish clean technology.

Competition is tough between companies and between the world's export credit agencies. This is the case everywhere, but particularly in regard to the green transition. Added to this is the current large appetite in the private market for financing green projects.

The success of the ECAs of individual countries and other financial players is determined by attractive products, but also, increasingly, by visibility to potential customers and international banks.

EKF has been engaged in outreach work for many years. But in 2021 we took a big step forward by opening two regional offices in New York and Singapore. Our posted EKF employees are now in place for Denmark's existing delegations and the work is in full swing.

Proximity to important players
The employees at our new regional offices are tasked with providing a local presence for potential buyers of Danish solutions and building relationships with businesses, international banks, financial advisers, organisations and governments. Not to mention opening up entirely new markets in which Danish businesses are not yet present.

The green transition is gathering momentum in both the USA and Asia, and given Denmark's leading expertise in many of the sought-after clean technologies, we are uniquely positioned. This applies to offshore wind, but also to various other clean energy solutions.

EKF has also focused increasingly on outreach work from Copenhagen. This applies to a range of major infrastructure projects in Africa, including health clinics in Côte d'Ivoire in partnership with Per Aarsleff PF.

The biggest export loan in EKF's history – euro 576 million, or 4.3 billion in Danish kroner – also fell into place towards the end of 2021. The loan for the 200 km-long electric railway in Turkey was signed off on the final day of November. While EKF has extensively reinsured the loan with the export credit agencies of various other countries, EKF's involvement will bring in orders for Danish businesses totalling several hundred million kroner. These are orders that would not have gone to Denmark without the EKF being specifically selected by one of our important partners, Standard Chartered Bank, for participation in the project.

EKF continues to accompany Danish companies out into the world with financing and risk cover, just as we have for a hundred years. But the effort to independently bring orders home to Denmark has proven its worth in 2021 – and will be prioritised even more highly in the years to come.

Thomas Hovard, COO, heads the EKF delegation to the Turkish Ministry of Finance in Istanbul, to celebrate the signing of EKF's largest export order.

Billion-kroner loan to Turkish railway paves the way for Danish exporters

The biggest export loan in EKF's history, worth DKK 4.3 billion, brings in orders for Danish exporters that Denmark would otherwise lose out on.

There were big smiles and praise for EKF when Chief Commercial Officer Thomas Hovard signed the biggest export loan in EKF's history in a ceremony at the Turkish Ministry of Finance, providing euro 576 million for a green railway project in Turkey.

The 200 kilometre electric high-speed railway from Bandırma via Bursa, and Yenisehir to Osmaneli in northwestern Turkey is being built by Turkish contractor Kalyon, a new partner for EKF.

The DKK 4.3 billion loan will secure orders worth a significant amount for Danish exporters. Orders that, it is worth noting, would not have accrued to Danish companies if EKF had not been selected to participate in the financing and work as an active structuring partner.

"We are extremely proud to have contributed to a sustainable railway project in Turkey via this loan, EKF's biggest in every way, thus helping to create jobs in Denmark," says Thomas Hovard, Chief Commercial Officer at EKF. "These are orders that would never have accrued to Denmark without EKF's involvement."

He adds that EKF's involvement in this project was not a coincidence:

"A number of foreign banks were involved in the project, including a major one – Standard Chartered Bank – with whom we have worked closely in several parts of the world, and with whom we are proud to be highly rated. They were looking for lenders with a strong rating and extensive experience of infrastructure projects, and so we were preferred."

EKF subsequently chose to reinsure the loan via other export credit agencies in Spain and Poland, thus reducing EKF's risk in general and exposure to a single country significantly. The building of the railway provides attractive orders for Danish businesses working in logistics, consultancy, contracting works and smaller component suppliers.

First time for Turkey
The Turkish contractor that was awarded the assignment by the Turkish government is also highly appreciative of EKF's work:

"This is the first transaction of its kind from the Turkish Ministry of Finance, as well as an extremely creative, outside-the-box solution from EKF. It is always a pleasure and an honour to have a chance to work with EKF, and I look forward to working together on other projects," says Hasan Kutluhan Çevik, Strategy and Business Development Manager at contracting firm Kalyon.

© Shuttershock

As a green leader, EKF is attractive

The world's greenest export credit agency is getting even greener. A decades-long wind turbine boom and a new, ambitious climate policy leave no doubt as to the direction in which EKF is heading.

In 1998, EKF granted the first guarantee for payment of a wind turbine that Vestas had sold to a customer in Turkey. A new, green era beckoned.

Since then, EKF has been widely acknowledged as the world-leading export credit agency in the financing of both offshore and onshore wind farms across large parts of the world. This benefits exporters and the entire Danish wind turbine industry, which now makes not only EKF, but also Denmark, attractive as the world enters the green transition.

70 percent of EKF's transactions today are green, with the majority related to wind energy. EKF has been involved in the financing of almost one in three wind turbines in the North Sea. In the past decade alone, we have assisted in financing 120 wind farms in 34 countries, mobilising more than DKK 400 billion in private venture capital across a variety of countries.

This puts EKF in a great position in terms of helping to develop and finance future clean technologies such as Power-to-X, but also carbon capture and storage. Firstly, clean fuels will require an enormous global expansion of wind energy. Secondly, EKF's expertise in and extensive experience of involvement in complex financial packages, which will also be required in the global roll-out of new clean technologies, is almost unmatched.

A climate policy with ambitious goals

Our position as a green leader was followed up in 2021 with a genuine climate policy for EKF. In the policy, EKF adopts a net zero strategy that should make our overall portfolio climate neutral by

120
wind energy projects supported by EKF between 2011 and 2020

2045. This is ambitious, but realistic precisely because of our decades of focusing on green issues. One interim goal is for EKF to provide DKK 200 billion in financing for new green projects by 2030. With this climate policy, EKF is stepping up and taking responsibility for the global climate agenda, contributing actively to the Paris Agreement's goals of limiting global warming to one and a half degrees, and to Denmark's goal of achieving a 70 percent reduction in greenhouse gas emissions by 2030.

We will also work continuously on influencing multilateral frameworks for international financing so that they comply with the goals of the Paris Agreement.

EKF will obviously keep its moratorium on export financing for coal and will eventually step away from fossil fuel projects altogether. In November 2021, the Danish government decided that Danish public financing and export promotion of overseas fossil fuel projects in the energy sector would end at the start of 2022. EKF's climate policy means that we will phase out financing for projects that are incompatible with the green transition.

This puts EKF in a unique position to support Danish exporters in the green transition both now and in the future as global competition heats up and the green transition increasingly becomes a competitive parameter. We aim to lead the way with financial solutions that will also help energy-intensive companies participate in the green transition.

EKF Denmark's Export Credit Agency was green before it was fashionable. That makes us a leader today. And it gives us an opportunity to be a green frontrunner in the future. However, we must not take Denmark's role as an international climate leader for granted. Many countries are watching Denmark's wind energy boom with amazement, but they are increasingly ready to take up the fight. This was clear at the COP26 climate conference, where EKF's CEO and several other employees were invited to be panellists in various debates about the future of climate financing.

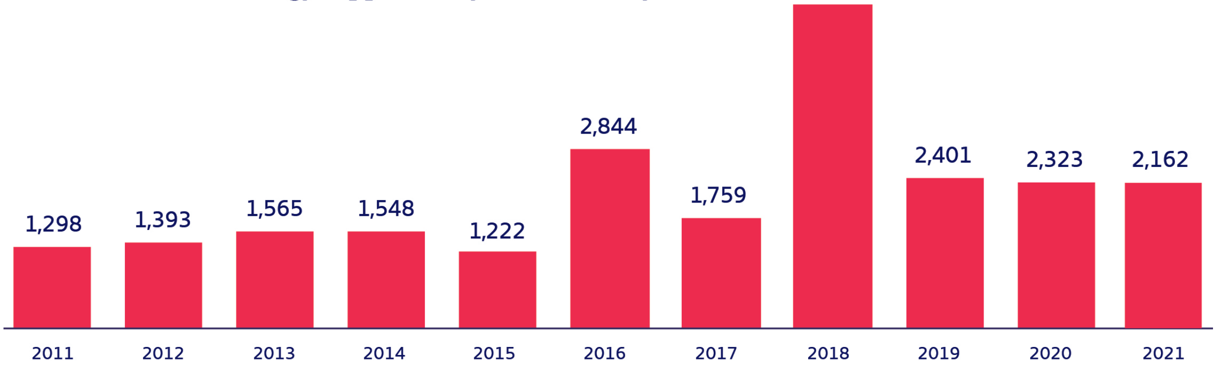
As EKF and as a country, we must continue to be ambitious, so that the green export boom can continue in the decades to come. We have all the ingredients for success.

400
DKK billion in CapEx supported by EKF financing

22.000
MW supported by EKF in the past decade

34
different countries covered

Total MW of wind energy supported by EKF annually



The first and the greatest – a green wind turbine journey

EKF's green journey is closely associated with wind turbines. From the initial financing of a Vestas turbine in 1998 through the ensuing years to the present day, where both the wind turbines and our partnerships with Vestas and other turbine manufacturers have grown.

Both the blades and the partnerships have grown. Specifically, from 44 metres to 174 metres measured from blade to blade – known as the rotor diameter – since EKF initially financed a Vestas wind turbine 23 years ago to the present day, where EKF finances the company's giant turbines in areas such as the Baltic Sea.

In 1998 the Vestas turbine was the V44, capable of producing 600 KW of energy and sited in a wind project in Turkey. In 2021, the biggest Vestas turbines are known as V174, towering at just under 200 metres high, and capable of producing 9.5 MW of power when placed on their bases in the German part of the Baltic Sea.

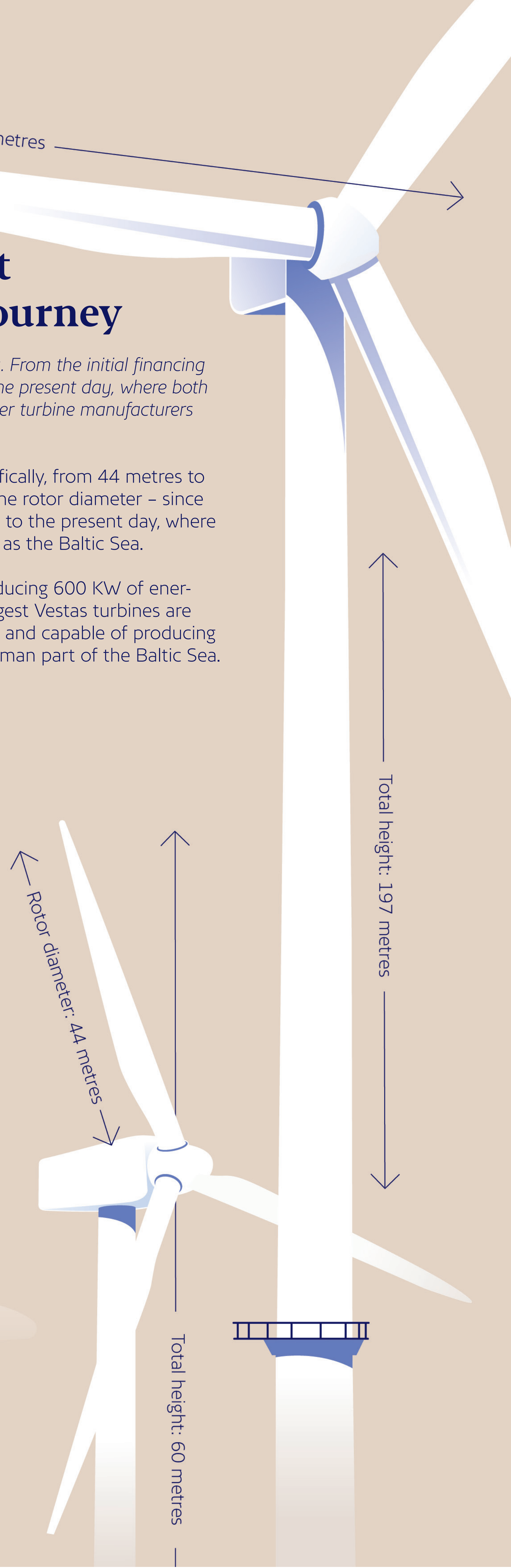
The spread of wind energy as an alternative to coal and oil was already well underway at the end of the 1990s, when EKF began to work with Vestas as part of a process of increasing outreach among Danish exporters. And in 1998, EKF issued the first guarantees as security in connection with foreign customers buying wind turbines from this iconic Danish company.

Vestas looks forward to more projects

While Vestas now continues to sell many wind turbines without EKF's assistance, the partnership has remained close and important.

"We view our long-standing and close partnership with EKF as crucial in the delivery of turbines for wind farms in certain parts of the world, particularly where complex financial transactions are involved, and when we are working with others to open up new markets for green Danish solutions. EKF has the experience and expertise to enter into those huge trades, and I look forward to us working together on even more green projects in the future," says Henrik Andersen, CEO of Vestas.

In that first joint transaction, Vestas had sold five V44 turbines to a Turkish customer for DKK 38.3 million. 85 per cent of the purchase was financed by Danske Bank with a five-year buyer credit in Deutschmarks, for which repayment was guaranteed by a Turkish state-owned bank. EKF issued a guarantee covering 95 per cent of the risk of neither the Turkish customer nor the guarantor being able to repay the loan.



Aside from the longer credit periods, wind turbines on the Turkish market are still predominantly financed in this way. In 2021, EKF issued guarantees in connection with two Turkish wind energy projects with a total production capacity of 105 MW, and over the years EKF has financed over 1.5 GW of wind energy projects in Turkey.

In 2021, EKF also added a variety of Vestas transactions to the books in Poland, Ukraine and Germany. Overall, EKF contributed to the establishment of Vestas wind turbine projects with a capacity of over 1.1 GW in 2021.

Most of the projects are being built onshore, but EKF has also issued an export loan to finance part of the Arcadis Ost 1 offshore wind farm in the Baltic Sea north of Germany. Hollandske Parkwind is the majority owner of the project, and Vestas will deliver 27 V174 turbines.

The ongoing green journey with Vestas is crucial to both EKF and Denmark's overall contribution to the global green transition.

"EKF's business with Vestas is a win-win partnership in every respect," says Peter Boeskov, Chief Commercial Officer of EKF. "This applies to Vestas as a Danish wind giant, to EKF, and to Denmark's overall role as a global green change maker. No one would have predicted the green boom when EKF was founded a century ago. But this is precisely where EKF's strength lies today: Together with Danish business and industry, we can help spot new green export opportunities and realise them despite the political and financial risks involved. It isn't just Vestas that is pushing this forward today, but a variety of green giants like Siemens Gamesa, Ørsted and CIP."

Since the turn of the century, EKF has been involved in financing wind farms with a capacity of around 26 GW, equating to almost ten times the annual electricity consumption of all Danish households.

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Large toolbox makes EKF unique

Specialist products, extensive knowledge and a place at the table of international forums gives EKF plenty of opportunities to support Danish export businesses.

EKF Denmark's Export Credit Agency is one of the biggest domestic financial players when it comes to financing Danish exports and the green transition. We are proud of this, but also aware that it incurs obligations.

EKF works on commercial terms, but we were established to take that extra risk that the market is less able to handle. This applies on uncertain markets, with new technologies, and in difficult financial circumstances. We have done this for a hundred years – not always in the same way, but always aiming to support the market and open up new opportunities for Danish exporters. And always with an overall goal of growing the Danish economy.

EKF aims to meet all customers with as much knowledge as possible about their business and a desire to find solutions. Along with the products, it is our expertise and agility that produce satisfied customers. And thankfully, annual surveys indicate that customers are overwhelmingly satisfied. This remained true in 2021, with customer satisfaction across all parameters exceeding 80 out of 100 possible points across customer groups. This put EKF among the top 25 per cent of comparable organisations.

This makes EKF a strong brand right now – in Denmark, obviously, but also to a great extent in the wider world. EKF is chosen by international banks and major project developers because we are known for our ability to structure complex financial solutions. This applies particularly in regard to infrastructure and wind energy. And we are chosen by Danish exporters and their banks because we can support Danish business exports, internationalisation and the green transition with extensive knowledge and attractive products.

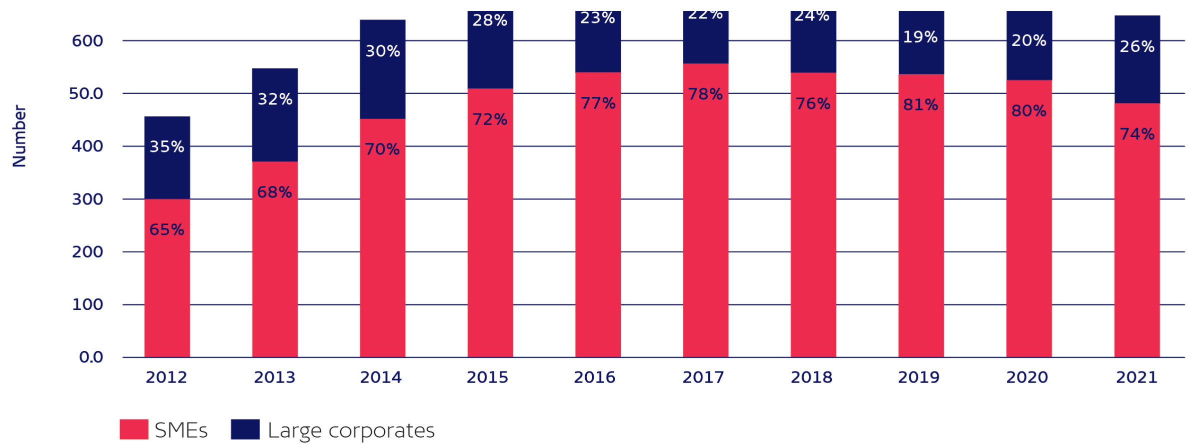
Make the money go further

The scope of EKF's business has increased substantially in recent decades, and is now around DKK 112 billion. This shows how necessary EKF is. But it is only possible because EKF makes the money go further through reinsurance.

Since EKF entered into its first reinsurance agreement in the private market in 2013, reinsurance has become strategically important to EKF. Today, 47 per cent of EKF's guarantee and loan exposure (a little over DKK 100 billion) is reinsured with either the private reinsurance market or with other ECAs. This is partly due to a desire to limit EKF's risk with certain large transactions, and partly due to a wish to reduce capital charges for new transactions in order to maintain capacity for additional transactions.

Reinsurance covers both facultative reinsurance, in which an agreement is entered into for reinsurance of a transaction when or after EKF has entered into the transaction, but also treaty reinsurance, in which EKF enters into an agreement with a panel of insurance companies who undertake to reinsure a predefined share of EKF's transactions within specific EKF products, primarily buyer credit guarantees and project financing guarantees. In other words, treaty reinsurance means EKF has security for the reinsurance before entering into the transaction.

Breakdown of customers 2012–2021



In recent years, EKF has had treaty cover of 40 per cent on the majority of its major new issuances. Treaty reinsurance means that the reinsurers do not perform a separate credit rating or review of commercial terms, but base themselves fully on EKF's ability to enter into profitable transactions via a strong and sustained credit policy. Their due diligence on EKF thus focuses on our approach to new transactions, including in particular our ability to assess credit risk and accommodate any restructuring and losses.

EKF represents Denmark internationally

As a result of our professional expertise in regard to export credit, EKF is Denmark's legal representative in international forums when it comes to the international regulation of export credits. EKF thus undertakes this task for the Danish government in respect of organisations such as the World Trade Organization (WTO), the European Union (EU) and the Organisation for Economic Co-operation and Development (OECD).

This is because international regulation of export credit is generally of a highly technical nature, requiring in-depth practical knowledge of export credits. The OECD has adopted detailed regulation on the financial terms and conditions for export credits, including maturity, premium and interest rates, intended to prevent competition between exported becoming distorted, among other things. Moreover, under the auspices of the OECD, guidelines have been adopted concerning export credit agencies' method of assessment of each transaction in terms of environmental and social sustainability, along with common principles for sustainable lending to the poorest countries and an anti-corruption convention.

EKF also works in the Berne Union (BU) on best practice for credit insurance alongside 80 governmental and private credit insurers from around the world. This work helps to strengthen EKF's network and improve our transaction-based expertise.

In 2021, EKF hosted the launch of a White Paper on Public Export Finance in the EU, which bore the tag line, "Take Action or Fall Behind!" This marked the completion of two years of work led by EKF as secretary of the EU Export Finance Lab, an informal think tank bringing together experts from Germany, France, the Netherlands, Belgium, Denmark and the European Commission to produce a white paper with a number of recommendations as to how the EU can best ensure that EU exporters have competitive financial terms on a global scale.

EKF is also involved in work to promote greener export financing internationally under the auspices of the EU and OECD through the Export Finance for Future (E3F) initiative. Simon Kollerup, the Danish Minister for Industry, Business and Financial Affairs, signed the agreement in April 2021 alongside the first six European countries, with a further three countries signing up to the work following a conference in November 2021.

One of the agreement principles requires the coalition members to end export finance for coal, an initiative which Denmark had already implemented in summer 2020. In addition, the members have committed to cooperating on a long-term strategy for how best to promote the green transition and gradually phase out export finance directed at fossil fuel, as also required by EKF's own climate policy.

In all of these contexts, EKF works on Denmark's behalf to ensure equal and market-friendly terms for Danish exporters in competition with export companies in other countries. EKF also works on issues of Danish interest, and focuses particularly on areas in which Danish businesses are in a strong position, including clean technology. Through this international cooperation, we are able to expand our expertise, strengthen our networks and gain inspiration for new financial products that may benefit Danish export companies.

Relief packages and green transition with the Green Future Fund

Finally, changing governments – including the current social-democratic government – have leveraged EKF's expertise to implement political initiatives, most recently in the governmental COVID-19 export relief packages and re-start initiatives.

EKF's significant role in Denmark's Green Future Fund also saw EKF activities allocated DKK 14 billion out of a total fund of DKK 25 billion, with EKF's involvement hedged via a reinsurance framework.

The Fund is intended to advance the national and global green transition, including new technology development and diffusion, conversion of energy systems to renewable energy, storage and efficient use of energy, etc. and the promotion of global exports of clean-tech. It is also intended to help solve the challenges posed by climate change and a growing global population such as food shortages and water scarcity.

At the end of 2021, EKF had financed 15 projects under this framework worth approximately DKK 4 billion. The projects relate to agriculture and foodstuffs, energy, construction and infrastructure.

EKF also has a number of projects in the pipeline that currently amount collectively to another step up of just under DKK 6 billion.

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The yarn star that's about much more than just knitting

Hobbii is poised for growth in the business of selling knitting yarn, supported by a working capital guarantee issued by EKF. And while this shooting star is unique, a senior EKF VP is keen to emphasise that more people should take inspiration from the story.

Yarn, knitting and crocheting are not a personal passion for Jens Reimer Olesen. Neither was knitting yarn an interest of his three partners. The idea for Hobbii came when they noticed a trend for knitting yarn and patterns that revealed huge engagement in places like certain Facebook groups.

Alongside his partners, Jens Reimer Olesen, the company's co-founder and chair of the board, began to look into the people who supplied all these wool enthusiasts with products, and realised that it was a disorganised cohort of different businesses. So in 2015 they had a pallet of yarn shipped to their office. They quickly came up with a name, launched a website and sent out a newsletter.

In the days after the newsletter went out, they sold twenty thousand kroner-worth of yarn. They had something. Six years later, Hobbii was recognised as a Børsen Gazelle, and today it has a presence in several countries, with ambitions for much more.

EKF is also not an expert in yarn, but it is an expert in financing promising companies like Hobbii, which face large development costs when they expand internationally. In 2021, EKF issued Hobbii with a working capital guarantee of DKK 110 million via their bank, Jyske Bank.

Jens Reimer Olesen, one of Hobbii's four partners, says it is easier than ever to set up a business in Denmark, adding that there are also many financial opportunities, both private and public, that may be helpful at different stages of the company's development.

"Things are in your favour, because entrepreneurship is popular, and in Denmark there's an amazing ecosystem around you. We have a lot of opportunities, and it's really easy," says Jens Reimer Olesen, who holds clear opinions about the benefit of having EKF on board for the financing.

"What's been great for us with the financing we recently received from EKF, and at the current stage of the company's development, is that we can accelerate our business without needing to give up our share of ownership," he says. "We already have investors in Hobbii, and that's great for certain things, but we also like still being in charge of our own company."

Morten Hvilsom Larsen, First Vice President of EKF, is happy that EKF is able to help with Hobbii's expansion – and encourages others to take inspiration from this.

"If you have a good Danish business up and running, you may be a little scared about all the costs and challenges in the wider world which you're not used to here in Denmark, including legal issues," he says. "And so maybe you don't take the risk. But it can be well worth doing. The market is out there for those strong Danish products and services. Once you get started, it isn't as dangerous, risky or hard as you might believe."

Even a game changer needs guarantees when scaling quickly

Lyras is all set to revolutionise the pasteurisation market. But even a successful business needs credit – and a guarantee from EKF.

Rasmus Mortensen is a success. His Aalborg-based company, Lyras, is growing in every aspect: new customers and lots of new employees, month after month.

He has invented a new clean technology called Raslysation. This technology could save huge amounts of energy that large parts of the food industry spend on heat-treating their products. Traditional hot pasteurisation – used on milk, among other products – is replaced by UV light that, when combined with a patented filter, inactivates bacteria and can extend the shelf-life of foodstuffs.

"Our product could revolutionise the food industry, offering a sustainable solution that can reduce energy consumption in pasteurisation by up to 90 per cent and water consumption by 60 per cent," explains Rasmus Mortensen, CEO and founder of Lyras. "If the global dairy industry alone switched to our technology, we would save the same amount of CO2 annually as the annual electricity consumption of every Copenhagen household."

EKF has been a good partner for both Rasmus Mortensen and his bank.

"I'm really keen for Lyras to grow so we can make a real difference," he says. "And in that respect, it's really useful for us to have EKF supplying collateral for our credit with the bank. The potential for Lyras is huge, but it costs money to grow."

One of EKF's key tasks is to support the potential for growth in businesses such as Lyras by approaches like providing the company's bank with a guarantee.

Per Holm Lynglund, Senior Vice President at EKF's department for small and medium-sized enterprises, is responsible for the work with Lyras:

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"Lyras has big – but realistic – dreams of exporting and creating jobs in Denmark. But even if you have the technology and business to be a game changer in the industry, you may need EKF to take on some of the risk that the market is not initially willing to bear. This benefits the company, but it also helps Denmark and our collective prosperity," says Per Holm Lynglund.

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Climate policy sets new standards for ESG due diligence

EKF applies ESG due diligence to all transactions in order to ensure maximum sustainability on Denmark's behalf. The new climate policy adds an extra tool to the arsenal.

EKF has a social responsibility to ensure maximum sustainability in the transactions in which we are involved. Consideration for people, planet and climate is thus integral to every EKF transaction. Environmental, Social and Governance – also known as ESG – are the basic elements of sustainability.

EKF has undertaken this responsibility for many years in our own transactions and through close international cooperation. Based on the international rules applicable in this domain, we set standards for ourselves, our customers, partners and suppliers. Based on risk management and accountability within ESG, we work with our customers and other stakeholders on joint value creation and future-proofing of the projects in which we are involved.

Climate policy sets net zero target

With an ambitious climate policy, EKF gained even better tools with which to undertake its collective ESG due diligence in 2021.

The climate policy's overall goal is for EKF's complete portfolio to be climate-neutral by 2045 – in other words, we must have net-zero emissions from our transactions as a whole. This will be achieved by an even greater emphasis on green projects, renewable energy and the green transition, but also on phaseout of fossil fuel projects.

Today, a large proportion of EKF's export finance is invested in supporting pro-climate exports. Export credits for clean energy projects account for around 70 per cent of

EKF's ESG due diligence for 2021 highlights the links between social and environmental issues and EKF's transactions, policy and strategy development. EKF applies the international rules on ESG in setting standards for ourselves, Danish exporters, foreign buyers and the financial institutions we cooperate with.

EKF's total transactions. This makes EKF one of the greenest export credit agencies in the world. This is a good starting point given that the global climate crisis represents a substantial risk, and one that also affects EKF's overall risk exposure.

At the same time, the climate crisis represents a unique opportunity for EKF in terms of continuing to support Danish exporters in the green transition.

EKF's climate policy is intended to ensure that:
- EKF operates in accordance with international and national climate action goals.
- EKF demonstrates global leadership for ambitious international frameworks for export finance and climate action.
- Climate-related risk coverage is integral to EKF's business model.
- EKF as a business enterprise supports Danish positions of strength within clean technology together with Danish exporters' ambitions for and contributions to the global green transition.

EKF's climate policy is based on the Paris Agreement's goals of limiting global warming to 1.5 degrees Celsius, Denmark's goal of achieving a 70 percent reduction in greenhouse gas emissions by 2030 relative to 1990, and climate neutrality by 2050. EKF also has a target of providing DKK 200 billion in financing for green projects by 2030.

Public export finance can play a significant role in advancing and supporting the realignment of financing practices in favour of more climate-neutral projects. This type of financing can take the technological and financial risk burden from the projects and, in so doing, advance the green transition.

EKF has extensive experience within pro-climate financing and is helping to safeguard thousands of green Danish jobs. In addition, as Denmark's representative, EKF has substantial influence on international frameworks and rules on climate export finance, and is leading the way in the EU and OECD in establishing international agreements on export finance and climate action.

EKF operates in accordance with the following international standards

- OECD Common Approaches
- The Equator Principles
- OECD Multinational Enterprise Guidelines
- The UN Global Compact and the UN's Guiding Principles on Business and Human Rights to raise standards regarding environmental considerations and social issues
- The Ten Principles of the UN Global Compact

A lot of work on standards lies ahead

As part of the development of its climate policy in 2021, EKF has been particularly active in working with the authorities, agencies, the financial sector and our international policies on developing policies, frameworks and methods for evaluating project climate impacts, climate risk assessments and reporting on climate issues.

In 2021, this has included working closely with the rest of the OECD's Climate Change Expert Group, and setting up an ECA alliance under the Glasgow Financial Alliance for Net Zero (GFANZ), the global coalition of leading financial institutions that have pledged to speed up decarbonisation of the global economy. The ECA NetZero Alliance is a coalition of the four leading ECAs that have pledged to meet net zero objectives. In the coalition, the ECAs work on developing methodology for calculating the climate impact of a portfolio, defining interim goals for reduction and sector-specific carbon reduction paths.

The development of EKF's climate policy and goal of climate neutrality by 2045 have resulted in a major review of and upgrade to our assessment and calculation of the carbon impact for EKF's overall portfolio. We are also working with the international standards to ensure that data for the financial institutions is comparable and consistent.

The first step is to establish a baseline for the EKF portfolio's carbon impact for individual sectors and projects. In connection with this, EKF has worked with the UN Environment Programme (UNEP) to develop a calculation method and data collection procedures. Work on retrieving data from the projects began at the start of 2022. Based on this, EKF will be able to establish yearly reduction targets and a 2030 target.

Projects that may relate to the fossil fuel energy sector are assessed and identified internally at EKF in a new task force that assesses the projects in accordance with EKF's exclusion of fossil fuel energy projects and the exemption provisions. A total of two cases were dealt with in 2021 after the climate policy came into effect in November 2021.

More in-depth analysis of human rights

EKF manages environmental and social risks with the same care and stringency as it does any other risk, and undertakes a robust due diligence process to assess projects and consider the environmental and social risks as part of our decisions on transactions. EKF's transactions primarily involve projects beyond Denmark's borders, where there is a greater risk of local legislation failing to protect human rights and labour rights. To ensure that the projects EKF are involved with do not have adverse impacts on human rights, resulting in negative consequences for both the project and the surrounding world, in 2021 EKF has focused to a greater extent on the domain of human rights.

Basis

The domain of human rights is an important aspect of EKF's ESG policy and is based on internationally recognised standards such as the UN Global Compact, the UN Guiding Principles for Business and Human Rights and the OECD Guidelines for Multinational Enterprises. The guidelines indicate how EKF should continuously deal with potential negative impacts on human rights, and the OECD's Common Approaches and Equator Principles specify how EKF should assess, mitigate and manage environmental and social issues in projects and business transactions. To comply with our responsibility, EKF applies the IFC's Performance Standards and the World Bank's guidelines as the international frameworks with which projects must comply. In practice, this means that during the arrangement phase, projects undergo an impact assessment in regard to environmental and social matters, including human rights. EKF performs thorough due diligence on the impact assessment and sets requirements for improvements and further analyses if the initial assessment is not satisfactory.

Activities and results

Based on greater international emphasis on human rights and business, in 2021 EKF implemented a new tool for scanning projects in respect of human rights. This tool starts with the earliest phases of a project, where it can be used to assess whether a full human rights analysis is required. This is intended to identify and address risks relating to the project early in the process in partnership with the international banks with which EKF works.

The result is a tool that gathers information from the region in which the project is located, while the tool can be used to evaluate any sectoral challenges. With this new systematic approach to identifying any need for more in-depth human rights analysis, EKF is aiming for a better integrated approach to human rights. Three projects were subjected to a full human rights analysis in 2021 based on the outcome of the screening in addition to the other due diligence on social domains such as labour rights, health and safety and stakeholder engagement, covered by the IFC's Performance Standards.

Next steps

The tool was developed by EKF, but it has been an iterative process with contributions and input received from external stakeholders such as the OECD and the Danish Institute for Human Rights. EKF has encouraged other ECAs to use the tool and offer input and suggestions for improvement so that it can be continuously improved. In 2022, EKF will continue to work on gathering experience and use of the tool.

EKF expects work in the domain of human rights to continue to broaden in scope. In particular, EKF expects to focus in 2022 on risks relating to forced labour in supplier chains and expropriation processes that do not comply with international standards.

ESG in the spotlight throughout the customer relationship

Transactions are reviewed systematically to assess their potential impact on people and planet. EKF takes a risk-based approach to the assessment of new projects. This means that not all cases are processed in the same way.

With a risk-based approach to environmental and social due diligence, EKF works to ensure that potential adverse impacts are addressed at an early stage of a transaction life cycle and correspond exactly to the circumstances of the transaction. Throughout that life cycle, EKF works to facilitate the best possible cooperation with our customers and other stakeholders on our transactions, thereby strengthening environmental and social due diligence. The aim is to increase value creation for all parties, including projects, local communities and financial operators.

Small cases involving less than DKK 25 million with a term of less than two years are screened for sector-specific risks, and if the screening does not flag any risks, the exporter signs a declaration regarding compliance with EKF's ESG requirements. Other cases are processed by the ESG department, which performs due diligence on the case and assesses the risk level. The risk assessment is divided into three levels, A, B and C – denoting potentially large, long-term and irreversible impacts and few and insignificant impacts respectively. Projects with a high or medium risk rating (A or B) require many prior analyses of environmental and social matters as well as a close dialogue between EKF, other financial parties and the project to agree on a detailed plan of work. This entails high-level supervision by EKF regarding the project's handling of environmental and social matters throughout its useful life.

In 2021, EKF contributed to the development of a medium-sized wind farm in Vietnam. The case was classified as a category B project, i.e. its risk was rated medium.

Overview of differentiated ESG due diligence adapted to EKF products

	OECD – Full due diligence	ESG company assessment	ESG assessment	Screening and declaration	Share of EKF portfolio (% in exposure)
Financing products > 2-year credit period and DKK 25 million	✓				86%
Financing products < 2-year credit period and DKK 25 million				✓	1%
Insurance products > 2-year credit period and DKK 25 million		✓			0%
Insurance products < 2-year credit period and DKK 25 million				✓	2%
Letters of credit > DKK 80 million			✓		3%
Working capital guarantees > DKK 25 million		✓			0%
Small transactions					7%

Transaction overview
In 2021, EKF issued new export credit guarantees worth DKK 19 billion. EKF performs due diligence in the form of environmental and social impact assessments for our medium/long-term project transactions, of which there were 17 in 2021, for a value of DKK 14 billion.

Of the medium/long-term guarantees issued during the year, 16 had potential negative environmental or social consequences that were rated as high or medium risk. These 16 projects were subjected to a thorough due diligence process, in which EKF charted project risks and determined interventions to ensure that a project would not have a negative impact on the environment or society. EKF establishes plans of work for the projects and continuously checks that these are complied with. EKF also operates as a sparring partner and supervisor during the process. Failure to comply with the plans of work is regarded as failure to comply with the contract and, ultimately, as a breach of contract.

One of the 17 transactions was assessed as having very few or no environmental and/or social impacts (categorised as a C project). EKF also carried out 17 company evaluations on environmental and social management systems and human rights.

EKF's overall contribution to carbon reduction
Around the globe, EKF is involved in co-financing many renewable energy projects which achieve carbon reduction by displacing the more polluting technologies from the power grid.

In 2021, EKF co-financed renewable energy projects that are expected to create overall CO2e displacement of approximately 75 million tonnes of CO2e. Based on EKF's own financing contribution, this is equivalent to EKF's financing from 2021 onwards contributing to a reduction of 12 million tonnes of CO2e. Over the year 2021, ten of these renewable energy projects were reinsured for a value of DKK 1.7 billion under Denmark's Green Future Fund.

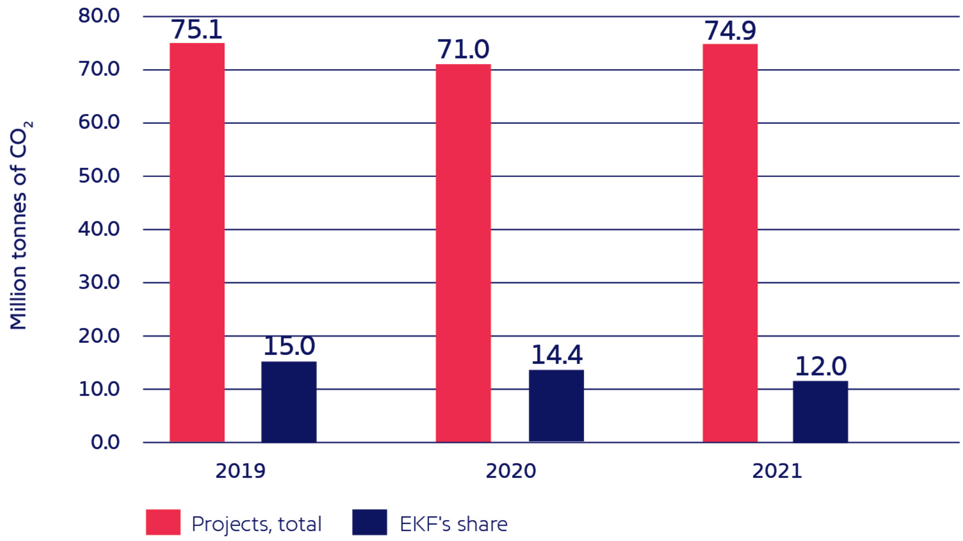
With total guarantee exposure of DKK 7.2 billion for renewable energy projects in 2021, EKF's financing of new renewable energy projects was lower than in the previous year, when guarantee exposure totalled around DKK 9 billion (both amounts stated before reinsurance). However, the total expected CO2e displacement via these projects rose from 71 million tonnes in 2020 to approximately 75 million tonnes in 2021. This increase is due to the fact that several of the large projects that EKF co-financed in 2021 are situated in countries with a high CO2e emissions factor in the power grid – including Taiwan and Poland. EKF also co-financed 12 renewable energy projects in 2021, compared with six in 2020. While EKF's share of total CO2e reduction fell from 14.4 million tonnes to 12 million tonnes, this is because EKF's share of the financing for the really big projects with the biggest potential CO2e displacement was relatively low.

Projects involving carbon impact
Obviously, EKF also contributes to the financing of projects that emit CO2. All projects that emit more than 25,000 tonnes of CO2 per annum are continuously monitored and an annual report is compiled to account for the carbon reduction measures implemented by the projects in that year. In 2021 EKF provided one guarantee with carbon impact on that scale. The project is expected to emit 37,000 tonnes of carbon per annum while in operation.

The EKF organisation's own ESG standards
The ESG policy also directs environmental and labour standards for our own organisation in Denmark, but this is implemented in departments other than the ESG department, such as HR, Legal and our compliance functions as well as general management.

With regard to the EKF organisation's own environmental standards, the ESG department looks at changes in a number of KPIs each year, including waste management, consumption, carbon and impact of resources.

CO2e displacement achieved by EKF-financed projects, 2019–2021



To ensure the highest reliability for our CO_2e reduction figures, these have been included in an auditor's report authored by Deloitte. See the independent auditors' opinion regarding CO_2e data.

Taxonomy

If we are to succeed with the green transition, it is crucial that it is clear when financing is green and contributes to one or more green targets, such as carbon reduction, biodiversity, water resources and climate adaptation. These areas are addressed in the EU's taxonomy for sustainable financing. The taxonomy is a cornerstone of the EU's action plan on sustainability, and marks the first attempt to create a uniform classification system for green investment. The taxonomy provides a framework that can help to improve transparency and eradicate "greenwashing", since an activity must make a substantial contribution to at least one of the EU taxonomy's six environmental objectives, while at the same time not significantly harming any of these objectives and meeting international social safeguards.

The taxonomy does not yet cover all sectors, but it does include, for example, renewable energy sources such as wind and solar power. In 2021, EKF applied the taxonomy when assessing the wind and solar energy projects that were added to Denmark's Green Future Fund. The organisation is focusing on expanding the application of the taxonomy assessment to cover domains other than wind and solar power.

Six climate and environmental objectives

TThe Taxonomy Regulation covers six climate and environmental objectives to which an economic activity may make a significant contribution in order to be classified as sustainable in terms of the climate and environment:

- Climate change mitigation
- Climate change adaptation
- Sustainable use and protection of water and marine resources
- Transition to a circular economy
- Pollution prevention and control
- Protection and restoration of biodiversity and ecosystems

How we quantify CO2e displacement

The independent economic consultancy Copenhagen Economics has developed a model capable of calculating the CO2e displacement value of the renewable energy projects EKF helps to finance, such as wind farms, solar power arrays and other energy sources that displace climate pollutant CO2e energy sources from the electricity grids in various countries. CO2e displacement is quantified as the marginally reduced emissions in a country's power system achieved from the project over the full span of the project's useful life. This means that the CO2e displacement depends on the volume of energy supplied by the given energy technology and the project country's/region's power generation mix and demand.
The figure for marginally reduced emissions is obtained by comparing expected supply and demand for electricity in a given country. The marginally considered most cost-intensive energy technology is displaced by the introduction of increased capacity from new renewable energy sources.

Since electricity generation from wind and solar is variable over any year and 24-hour period, the most accurate figure is obtained from an estimated hourly capacity at country level in the wind and solar model. The forecasted demand is then correspondingly determined per hour per country. In any country, wind, solar and other renewable energy sources will thus displace CO2e at differing intensities per MWh supplied.

EKF's renewables projects reduce CO_2e

Projects co-financed by EKF in 2021 are expected to achieve displacement of

74.9 million tonnes of CO_2e

over the projects' useful life of 25 years.
Of this total, EKF's share is equivalent to 12.0 million tonnes

Poland
18.0
million tonnes

Projects
Banie 3 + Sepopol
Dębnica, Grace
Janikowo, Kujawy-Pomerania

Taiwan
48.1
million tonnes

Projects
Mercury
Zone 29

Vietnam
4.1
million tonnes

Project
Tan Thuan

Germany
3.6
million tonnes

Project
Arcadis Ost 1

Japan
0.4
million tonnes

Project
Obton

Turkey
0.7
million tonnes

Projects
Hacı Bey
Soğanlı

Source: Copenhagen Economics
To ensure the highest reliability for our CO_2e reduction figures, these have been included in an auditor's report authored by Deloitte. See the independent auditors' opinion regarding CO_2e data.

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Close dialogue on the impact of wind turbines on fisheries and fauna

The Tan Thuan wind energy project in Vietnam shows the value of focused ESG due diligence at an early stage.

Vietnam has clear climate objectives – and thus an urgent need to build wind farms – but less specific knowledge of international standards regarding environmental and social standards.

This is precisely why it is important for a close dialogue about ESG due diligence to start early in the process when EKF participates in wind energy projects in Vietnam, as has increasingly occurred over the past couple of years.

In 2021, EKF issued a guarantee for the Tan Thuan wind energy project. This is what is known as a near-shore wind energy project, which is sited immediately off the coast. The project consists of 18 Siemens Gamesa Renewable Energy wind turbines with a total capacity of 75 MW.

Working closely with the commercial track within EKF, the ESG department has worked on the transaction since August 2019.

"This early involvement allows us to explain to the project developer the standards with which the project must comply in order to receive financing, and which consultants EKF has had good experiences of working with on environmental and social standards," says Jakob Majcher of EKF's ESG team

The dialogue with the project developer continued in 2019 and 2020, with EKF speaking directly to the consultants who were working on environmental and social standards for the project.

Once the investigations into environmental and social standards were completed, the material was reviewed by EKF and it was decided that matters regarding biodiversity and social issues, including indigenous people, required further investigation.

”Social matters” refers in particular to local fishermen, who feel that their fisheries will be affected by the project. There are also potential impacts on biodiversity, for which investigations have focused particularly on the project’s impact on mangroves, bats and birds, including wading birds and marine mammals such as the endangered Irrawaddy dolphin.

”One of our requirements is a careful investigation of how we can ensure that the livelihoods of fisher folk are not negatively affected either during the construction phase or the subsequent operational phase,” says Jakob Majcher. ”This means that specific requirements and conditions need to be developed for environmental and social standards in the project management plans. We also require the project area to be monitored so that the project’s actual impacts can be better assessed. Only if the action plans are followed and monitoring is implemented can EKF enter into the transaction.”

The work on environmental and social standards for the project was approved by EKF in September 2021. Project follow-up begins after this, and is expected to last for five years. Follow-up on compliance with environmental and social sustainability requirements is just as important as follow-up on financial arrangements. Accordingly, EKF prioritises both internal resources and consultancy services in order to ensure project compliance with international standards. One step in EKF’s due diligence procedure and monitoring of ongoing projects is that we pay site visits to Category A projects, which are classified as having potentially major and long-term impacts. The visits are conducted with co-lenders.

EKF will continue to focus on the Vietnamese wind energy market going forward, and additional wind energy projects in the pipeline are expected to receive financing from EKF in 2022.

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EKF – an organisation moving in the right direction

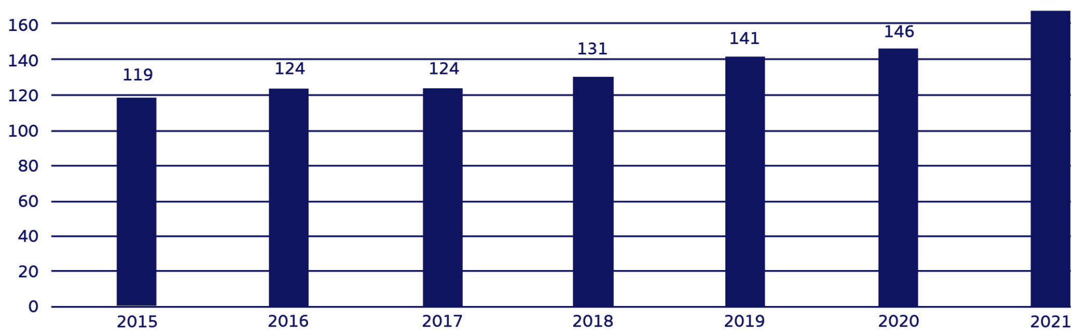
EKF welcomed various new employees – and a new CEO – in 2021, while COVID-19 and working from home once again left a mark on the organisation.

As in previous years, EKF welcomed various new employees in 2021. Since there were several periods in which employees were at home at least some of the time, structured onboarding of new colleagues is still underway. Both in-person and online versions of this process were required, depending on the circumstances.

All employee groups continue to work from home frequently, and based on experience from the COVID-19 lockdowns, EKF has decided to make a certain amount of home working available to anyone, provided that this is reasonable for the performance of employees' specific tasks.

Employees have welcomed these new options, and many appreciate the extra flexibility in day-to-day life. However, we are very aware that the EKF culture and excellent cooperation between departments are best supported by people being in the office to a greater extent than the COVID-19 lockdowns allowed for. It is when interacting with colleagues that we find inspiration, professional sparring and pleasure in our work. So the office remains our primary workplace, and the organisation will continue

Total number of EKF employees (average)



The chart is based on the average number of employees according to the ATP method to focus on supporting and developing the positive EKF culture to benefit all our employees.

In 2021 we also welcomed our new CEO, Peder Lundquist, who replaced Kirstine Damkjær. Deputy CEO Jan Vassard chose to retire in 2021. The Management Group will consist of six people going forward, each representing the various professional areas of EKF. The Management Group is responsible day-to-day operation of EKF.

The Management Group also reflects the modified organisational structure which was introduced in September 2021. The organisation consists of three pillars: Global Markets, Credit and Corporate Functions. There is also the cross-organisational Staff Functions unit.

The organisational structure is designed to place the customer at the centre in order to ensure that processing of the transactions in which EKF is involved is as simple as possible, while enabling the rest of EKF's administrative and support functions to work together across the organisation as efficiently as possible.

Diversity and gender balance in EKF's management

As an independent public company, EKF is subject to the provisions of the Danish Gender Equality Act, which entail that the supreme governing body, EKF's Board of Directors, should have an equal gender balance. EKF's Board of Directors currently consists of eight members, two elected by employees and six appointed by the Minister for Industry, Business and Financial Affairs. The Minister for Industry, Business and Financial Affairs appointed three women and three men, meaning that the gender balance of EKF's Board of Directors is equal and balanced. As a result of this, EKF is not obliged to set targets for the under-represented gender in regard to the Board of Directors.

In the year just gone, EKF has established a Diversity Policy which replaces the previous Policy on Equal Gender Representation in Management. With this policy, EKF aims to promote diversity in the composition of EKF's employees by, among other things, highlighting the objective of increasing the proportion of any under-represented gender in EKF's day-to-day management.

At EKF, we regard diversity as fundamental for our ability as a competent organisation to conduct an efficient and innovative business enterprise for the benefit of our customers. We believe that diversity promotes:

- An attractive workplace for the right people with the right expertise
- Problem-solving and best business performance
- Innovation and progress

We operate with a broad definition of diversity that includes skills, experience, training, age, gender, ethnicity, religion, and so on. We believe that diversity and an inclusive culture are strengths that help EKF access the best talent and develop in a positive direction based on diverse skills, experience and viewpoints.

EKF is therefore committed to promoting cultural diversity within the organisation and supporting interactions characterised by mutual openness and respect both within EKF and externally towards EKF's customers and stakeholders. Similarly, our recruitment procedures and working conditions should support equal opportunities for all staff with the right skills as regards appointments and promotions to new positions.

Gender diversity in day-to-day management is a particular focus area for EKF's diversity agenda, and is consequently subject to specific targets. However, we always operate on the principle that executive positions are to be filled on the basis of the candidate's skills, motivation and personality rather than on the basis of gender alone.

EKF strives to have an equal balance of women and men in overall day-to-day management, which includes Management and the Executive Leadership Team. Equal balance is taken to mean that each gender should be represented by at least 40 percent or the number/percentage that is closest to 40 percent. If one gender accounts for 40 percent, it is no longer construed as being under-represented.

At 31 December 2021, the day-to-day management of EKF consisted of a total of 23 individuals in Management and the Executive Leadership Team, of whom 6 (26 per cent) were women and 17 (74 per cent) were men. The proportion of the under-represented gender in the overall day-to-day management is thus 26 per cent, meaning that we did not fulfil our aim of having an equal gender balance in day-to-day management.

EKF will continue to actively encourage and empower women within EKF to develop leadership potential and pursue a managerial career path, and if external recruitment assistance is employed, we will also strive to ensure that qualified female candidates are presented for managerial roles, provided that the candidates meet the qualification requirements.

Corporate social responsibility within the organisation
EKF's biggest risks and impacts in connection with corporate social responsibility are found in the portfolio and are managed via ESG due diligence. But corporate social responsibility also plays an important role in EKF's own business conduct and is based on international principles and conventions aimed at respecting human rights. In particular, this work at EKF is based on compliance with the Ten Principles of the UN Global Compact. In Denmark, basic human rights and labour rights are governed through regulation, but in internal policies, EKF also focuses strongly on safeguarding staff conditions that set the framework for a good work life, health and wellbeing, equal opportunities and anti-discrimination.

Responsibility for staff conditions is anchored in EKF's Management Group and implemented via EKF's Legal, HR and Compliance department. The main risk areas for EKF's corporate social responsibility in respect of employees revolve around preventing employees from being exposed to risk, ill-health and dissatisfaction or facing discrimination.

Corporate social responsibility within EKF is managed via employee policies, and EKF measures employee perception of wellbeing and conditions in an annual employee satisfaction survey with follow-up discussions in the departments. To safeguard health and safety in the workplace, EKF provides special health-related offers for employees in the form of additional insurance and employee benefits with an emphasis on health. Seniority schemes, the option of working from home and family leave days should ensure that employee working conditions fit individual situations. EKF also performs regular workplace assessments to ensure a good working environment.

Diversity, inclusion and wellbeing are also included as a specific topic in the developmental discussions between managers and employees. Discrimination can furthermore be reported via HR and via EKF's whistleblower portal, which also allows employees to report physical violence, discrimination and sexual harassment.

In the 2021 financial year, work on personnel matters and more has resulted, among other things, in EKF's whistleblower scheme being updated in compliance with new legislation, and all employees have been trained in the scheme. There were no reports to the scheme during the 2021 financial year. In addition, in connection with the annual employee satisfaction survey, EKF established that there were no indications of violence, discrimination or sexual harassment in the workplace. It goes without saying that EKF will work to maintain these excellent results in the coming year.

COVID-19 has challenged our health and wellbeing
In 2021, the COVID-19 situation dominated working life. Workplace health and safety became crucial, and EKF took a number of precautions to ensure that no employee was placed at risk of infection. For long periods, this meant that almost the entire workforce worked from home, which reduced the

risk of infection, but increased the risk of dissatisfaction in the form of isolation and potentially worse workplace conditions, while requiring managers to develop new managerial skills.

A further consequence of COVID-19 was a higher staff turnover at EKF, which increases the need for recruitment in 2022, but will also increase the emphasis on employee wellbeing generally.

To combat the negative consequences of COVID-19, following the most recent employee satisfaction survey, EKF introduced comprehensive follow-up to ensure that the requisite measures were anchored in every department and were realised at employee level. This work will continue to be prioritised in 2022.

EKF also introduced a policy for working from home to the extent that this was relevant to the individual employee and was reasonable for the performance of work. As EKF's offices gradually began to open, EKF ensured an enhanced standard of cleaning, etc. for EKF's in-person premises, and provided COVID-19 tests so that everyone was able to feel comfortable attending larger events.

EKF expects specific COVID-19 measures to be gradually phased out during the first half of 2022, but measures such as the option of working from home are likely to be maintained. Based on the completed employee satisfaction survey, the staff turnover in 2022 is still expected to be lower than in 2021.

Anti-corruption and business integrity

In addition to environmental and social due diligence and risk management procedures, EKF conducts anti-money laundering (AML) and combating the financing of terrorism (CFT) assessments of customers to ensure that we are not complicit in any form of money laundering or financing of terrorism. EKF is subject to the Danish AML/CFT rules and has implemented the OECD's Recommendation of the Council on Bribery and Officially Supported Export Credits. These rules form the basis of the comprehensive Know Your Customer (KYC) procedures which EKF conducts for all customers and – in the event of anti-bribery procedures – other significant counterparties.

EKF also has a risk-based framework for sanctions screening and applies internal guidelines for the assessment of potential tax evasion or tax avoidance in the transactions with which we are involved.

Procedures

EKF imposes comprehensive KYC procedures on all guarantee recipients and borrowers:

- We examine the ownership and control structure and identify and verify the identities of the beneficial owners.
- This assessment is performed on the basis of an overall risk assessment in which EKF reviews and assesses its business model annually for its inherent risk of being exploited for money laundering and/or financing of terrorism.
- Extended customer due diligence is performed when we judge that there is a greater risk of money laundering or financing of terrorism.

Furthermore, we continuously monitor business affairs and use risk classification and further information on customer activities to ensure that we identify and respond to any suspicious activity.

Screening procedures have also been introduced to register any risk of bribery in connection with transactions in which EKF is involved, and these use some of the same data points covered by KYC procedures.

We also screen on a systematic, structured basis for sanctions risk and assess whether transactions carry a risk of potential tax evasion or tax avoidance. We revised our KYC procedures and internal guidelines in 2020 to reflect the additional requirements set out in the Danish implementation of the European Union's Anti-Money Laundering Directive V.

During the 2021 financial year, EKF conducted KYC procedures for all transactions in accordance with EKF's internal rules and obtained anti-bribery declarations from all relevant counterparties. Using a risk-based approach, EKF has thus minimised the risk of being involved in transactions carrying an elevated risk of corruption and bribery.

EKF works actively with risk management before, during and after the granting of export credits and loans. The organisation is adapted for compliance with risk management principles and operates in a stringent control environment. The Board of Directors approves the general framework for a number of policies, and Management is responsible for implementing the risk exposure framework in the business and for ongoing risk management. In close cooperation with the individual heads of department, who make up the first line of defence, Management assesses whether the risks associated with individual business activities should be managed. EKF also makes use of cross-organisational risk coordination units. Risk management and the compliance functions within EKF serve as the second line of defence and provide continuous monitoring for this area. These are independent of the business and report directly to EKF's Management and Board of Directors.

Anti-corruption and bribery within EKF

To protect employees from compromising business integrity, EKF has various internal rules and procedures in place dealing with the work of anti-corruption and bribery within EKF. EKF is involved with a wide range of diverse partners both in Denmark and abroad, and there are both cultural and commercial reasons for EKF to protect employees from any incidence of corruption or bribery.

Among other things, the internal rules cover how EKF should respond to gifts given or received, and attendance at social events and hospitality events. The rules are intended to protect EKF's reputation and emphasise the capability, impartiality and independence of EKF employees in respect of the transactions that they are engaged with. For example, EKF employees may not receive or give gifts or attend social events that are in the nature of a gift – unless these are modest, occasional gifts. There are also set limits for the extent of acceptable hospitality – while in principle EKF always defrays all travel costs associated with the transactions with which EKF is involved.

In the 2021 financial year, Legal, HR & Compliance regularly responded specifically to questions from employees relating to compliance with the internal rules, e.g. in connection with small occasional gifts from customer contacts. Based on this ongoing work, EKF's understands that employees are aware of the content of the internal rules in this area – and that going forward the focus should be on maintaining this excellent level of knowledge.

The internal rules are anchored in the Legal, HR & Compliance department, which is responsible for continuously updating and maintaining the procedures. The Compliance function is also responsible for ongoing training of EKF employees regarding the content of the rules. EKF expects to continue focusing on this area in 2022, particularly as the world opens up again, offering more opportunities for social events and travel.

Data ethics policy

EKF takes work involving data and its use extremely seriously. For this reason, we introduced a Data Ethics policy in 2021 in accordance with provisions regarding this in the Danish Financial Statements Act. The policy outlines the data ethics principles that should be applied in connection with the use of new technology or in the development of new products, and the policy allows for the preparation of a data ethics assessment to combat any negative consequences.

This data ethics assessment will look at how data are used, and the potential consequences of data processing. The assessment will ensure that any new technology has been tested and is fair. It will also look at whether data are retrieved safely and whether only necessary data are retrieved. It will also assess whether any negative data ethics consequences can be avoided or mitigated.

The principles will be particularly relevant should EKF begin using artificial intelligence, machine learning or similar technologies in future. In connection with this, the Compliance function will be responsible for enforcing compliance with the policy and preparation of the necessary data ethics assessments according to the rules.

EKF applies the Danish state ownership policy

As an independent public company, EKF applies the Danish state ownership policy as its corporate governance code. The ownership policy contains a large number of specific recommendations for and expectations of the Danish state's exercise of ownership and the conduct of state-owned companies. EKF aims to comply with all recommendations of the state ownership policy. The state ownership policy is available at the Ministry of Finance website.

Corporate governance

EKF's Board of Directors undertakes the overall and strategic management of EKF and the supervision of Management. The general tasks and responsibilities of the Board of Directors are laid down in its rules of procedure. The Management Group is in charge of the day-to-day management of EKF and must thus comply with the policies, guidelines and instructions provided by the Board of Directors.

The Board of Directors consists of eight members, six appointed by the minister and two elected by the employees. In accordance with Danish state ownership policy and the corporate governance recommendations, as a rule, EKF conducts an annual self-assessment of the Board of Directors. The question framework is based on the latest recommendations of the Corporate Governance Committee.

According to the Act on EKF Denmark's Export Credit Agency, the members of the Board of Directors must between them have the competencies necessary to pursue the objects of the enterprise, including the required professional credit, financial, business, management and economic insights. EKF performs an analysis of the competencies of the Board of Directors in connection with the assessment of the Board of Directors.

According to EKF's articles of association, board meetings must be held at least four times a year. There were 12 board meetings in 2021, of which six were ordinary and six extraordinary. There were also three written consultations. Furthermore, a board seminar was held. The Board of Directors has two sub-committees: the Audit, Risk and Compliance Committee and the Remuneration Committee. In accordance with the Danish state ownership policy, the members of the committees and the committees' terms of reference can be seen on the EKF website at www.ekf.dk.

The Audit, Risk and Compliance Committee held eight meetings and the Remuneration Committee held four meetings. The chairmanship holds quarterly meetings with the Ministry of Industry, Business and Financial Affairs, at which it reports on the organisation's strategic relations and follow-up on EKF's operating results, etc.

For more information on remuneration and fees, see note 6 in the income statement and for other duties of the Board of Directors, see the section entitled "EKF's Board of Directors".

EKF's risk, capital and liquidity management

EKF assumes risk in order to fulfil its mission: to support Danish companies with exporting and internationalisation. Risk management is a crucial and integral part of our business model. A number of requirements and internal risk targets help to ensure that the actual risk profile does not exceed EKF's capacity and appetite for risk.

EKF's business activities entail that we are primarily exposed to credit, market, liquidity and operational risks, including, for example, compliance risks. EKF's overall risk profile must be commensurate with EKF's capital strength to ensure that EKF has ongoing capacity to support Danish exports and the internationalisation of Danish companies.

The organisation is set up to follow the fundamental risk management principles. The Board of Directors determines the risk appetite and the main principles to be applied to risk management in a number of policies. Management is responsible for implementing the risk exposure framework in the business, and the business functions act as risk owners with responsibility for ongoing risk management. EKF's risk management and compliance units monitor EKF's aggregate risk profile.

Credit risk
Credit risk is the risk of losses as a result of debtors with EKF-guaranteed loans, working capital guarantees and direct loans defaulting on their debts.

EKF's objective is to facilitate Danish companies' export and internationalisation opportunities through internationally competitive financing and risk cover. EKF offers export credits, in particular buyer credit guarantees and project financing, to Danish exporters selling their goods abroad, and working capital guarantees to Danish exporters who lack the capital to take on more customers and accept larger orders. In addition, EKF can provide direct loans to Danish exporters' customers in connection with exports. The advantage to the Danish exporters is that EKF's export credit covers the buyer's payment ability and reduces the risk associated with the credit extended to the customer by the exporter or bank. Credit risk is EKF's most significant exposure, and thus consists of the exporter's customer, or the exporter in the context of a guarantee or other form of recourse, not having the opportunity, ability or willingness to pay.

As a result of EKF's role as an export credit agency, our portfolio is largely characterised by large transactions and challenging markets, concentrated in sectors in which Denmark holds a strong position. In relative terms, the single-debtor exposures and sectoral exposures on EKF's books are higher than for other financial institutions.

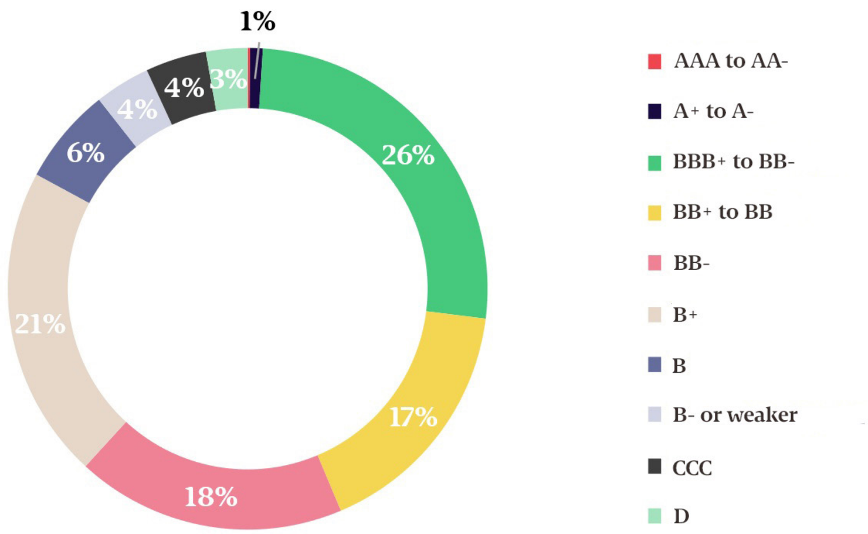
Our decisions – to provide export credits or supply loans if a foreign buyer wishes to buy from a Danish company – are always preceded by extensive and thorough screening. We only assume risk in new transactions after careful consideration and once we understand the risks entailed.

EKF manages credit risk via the framework for its credit rating process defined in the credit policy and product-specific guidelines as well as monitoring a number of internal risk targets for the portfolio. We also work actively to transfer credit risk to others in the form of reinsurance from sources such as the private market and other export credit agencies.

Credit rating
EKF credit-approves all transactions by means of procedures that address the relevant credit risks in each individual case as well as any product-specific acceptance criteria. Depending on the scale and complexity involved, this comprises the requisite due diligence and credit analysis of EKF's counterparties. Counterparties comprise commercial companies, banks and countries. All transactions involving high complexity and scale must be approved by the EKF Credit Committee prior to being granted by the Board of Directors. The Board of Directors makes decisions on granting of loans and export credits at its board meetings or through written consultations. In our assessment of commercial risks we perform stress tests of debtors' payment ability.

If a specific debtor or specific project has not been externally rated, EKF uses internationally recognised tools based on Standard & Poor's methodology for rating foreign debtors and projects. For risk classification of Danish counterparties, we use a model developed by Moody's. EKF operates with a standard approach to rating, which reflects the probability of counterparty debt default. EKF also estimates a Loss Given Default (LGD) for new project financing transactions, which reflects the scale of the exposure EKF is expected to lose in the event of the borrower defaulting on the debt. The LGD estimate is used to test the pricing in major project finance transactions, and is also incorporated as a factor in determining our capital requirement.

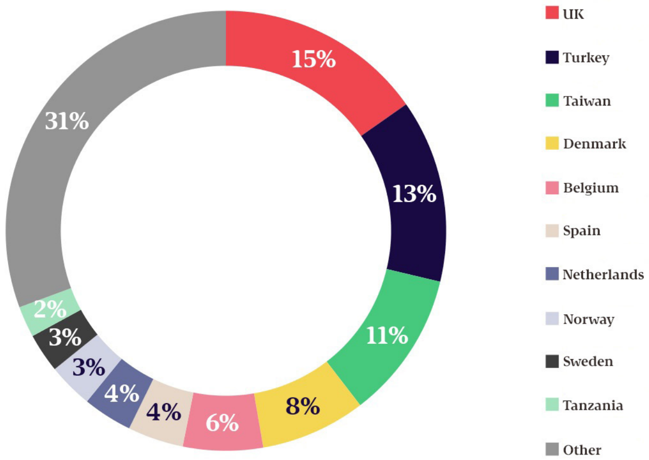
EKF's portfolio distributed by credit rating at year end 2021



Banks are typically involved in EKF's transactions as the guarantee holder, but banks may also act as borrower or guarantor on behalf of a foreign buyer or as counterparty in financial derivative agreements. EKF performs a credit rating of the bank, based either on an external rating from an internationally recognised credit rating agency or based on a full internal credit rating. EKF manages bank risks by, for example, setting a minimum rating requirement and exposure limits for the bank relative to its equity.

EKF applies OECD classifications for country risks. The country classification indicates the risk that a country – and debtors in the country – will not have the opportunity, willingness and ability to meet their payment obligations. In addition to the country classification, EKF applies different terms of cover to public-sector buyers, financial institutions and private-sector businesses. Finally, EKF monitors its aggregate commitment per country and makes use of reinsurance to reduce large concentrations on individual countries.

EKF's portfolio distributed by country at year end 2021



In recent years, EKF has also increased its involvement in Sub-Saharan Africa. Since these transactions are often guaranteed by the state, EKF assesses the risk of these countries getting into problems with debt. Some countries increased their debt during the COVID-19 pandemic, but EKF has not had any problems with payments from these transactions thus far.

Concentrations

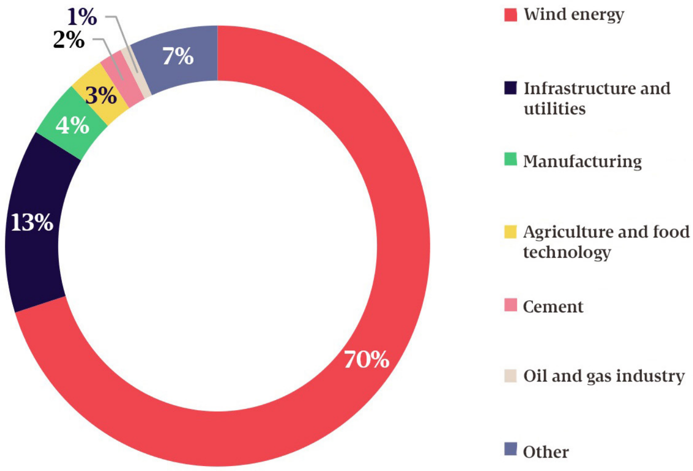
EKF's portfolio is concentrated on the wind energy sector and comprises a number of significant single exposures. EKF may participate in the financing of the construction phase and more long-term financing of completed and operational wind energy projects.

These projects – particularly offshore wind farms – are increasingly large in scale, which results in a tendency towards increasing concentration of EKF's portfolio. At the end of 2021, wind energy transactions accounted for a little over 70 per cent of EKF's guarantee exposure and loans after reinsurance.

There is no global electricity market, since electricity infrastructure does not allow for long-distance transportation of energy. This means that wind energy projects base their production in local markets and, beyond local market prices, are primarily exposed to other local risk factors such as the amount of wind, political issues, maturity of local infrastructure, etc. Having a high concentration of wind energy projects is thus not necessarily a problem for EKF, but a high concentration of wind energy projects in individual countries could be problematic. EKF's internal risk targets limit the risk associated with wind energy projects in individual countries, while EKF's capital requirements reflect the risk concentration of wind energy projects, meaning that capital requirements increase if wind energy projects are concentrated in the same countries or countries with strong economic ties.

In global terms, the wind energy sector is characterised by less generous government subsidies, which have disappeared entirely in some places, and wind energy projects are increasingly basing production on electricity markets at a variable price without fixed price contracts. EKF's risk assessments have thus been strengthened in recent years to incorporate these new challenges. Some non-state-supported projects instead seek to stabilise their earnings via Power Purchase Agreements with major energy-consuming companies. This improves cash flow security.

Sectoral distribution of EKF's portfolio at year end 2021



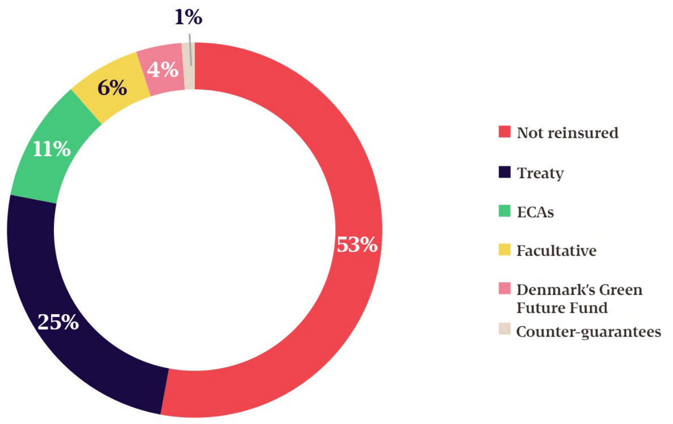
In global terms, the wind energy sector is characterised by less generous government subsidies, which have disappeared entirely in some places, and wind energy projects are increasingly basing production on electricity markets at a variable price without fixed price contracts. EKF's risk assessments have thus been strengthened in recent years to incorporate these new challenges. Some non-state-supported projects instead seek to stabilise their earnings via Power Purchase Agreements with major energy-consuming companies. This improves cash flow security.

Reinsurance

Reinsurance is an integral part of EKF's business model, and EKF uses reinsurance from both the private market and other export credit agencies. The state also provides reinsurance for EKF's larger green projects via Denmark's Green Future Fund. At present, EKF has reinsured approximately 47 per cent of its total portfolio in close cooperation with some 40 reinsurers in the private sector and among export credit agencies in other countries. EKF employs treaty reinsurance to procure capacity in the case of automatic reinsurance of large transactions within constraints determined in an agreement with a panel of reinsurers. EKF's treaty agreement for 2021 secured the automatic reinsurance of 40 percent of large new transactions for up to 20 years. In addition, EKF reinsures individual transactions in order to reduce large concentrations on individual debtors and countries. The reinsurance coverage reflects the private market's confidence in EKF's ability to handle the risks entailed in our transactions.

EKF sets strict requirements for the credit quality of its reinsurers. This is accomplished by, for example, applying a minimum requirement for external rating from an internationally recognised credit rating agency.

EKF's portfolio distributed by counterparty at year end 2021



Monitoring

Risk management includes an updated credit rating of risk exposure on the existing portfolio. EKF runs annual credit rating checks of significant exposures based on the scale of exposure, estimated probability of loss and customer characteristics. All project financing is monitored continuously, and EKF has dedicated resources to ensure that projects are tracked closely, particularly during the construction phase. Monitoring includes ratings of banks to ensure that EKF has an updated credit quality assessment of exposures guaranteed by such banks. EKF regularly monitors country risk and reassesses its cover policy if the circumstances so require. In addition, EKF reviews all regions at least once a year.

Continuous monitoring helps to ensure that we know the portfolio and the overall risk profile and can track its development. Moreover, it enables us to implement loss prevention measures and calibrate provisions and write-downs as and when required. Diversification of risk associated with debtors, countries and regions is a key element in EKF's risk management, and EKF operates with internal credit risk targets. The risk targets monitor the credit quality of the portfolio, concentrations on individual debtors, countries in the lowest OECD country classifications and the wind energy sector in those countries. All credit risk targets were met at the end of 2021.

Provisions and write-downs to cover expected losses

EKF assesses the quality of the portfolio continuously, and any deterioration in credit will result in higher provisions and write-downs. The largest provisions are assessed in the annual commitment review with the Board of Directors. Furthermore, EKF performs statistical calculations of the need for write-downs of loans and premiums receivable in the quarterly financial statements in accordance with the IFRS 9 International Financial Reporting Standard, which sets out the principles for financial assets measurement.

Market risks

Market risk is the risk of loss due to changes in the market value of assets and liabilities attributable to developments in the financial markets. EKF is primarily exposed to interest rate and exchange rate risks. EKF is cautious about taking market risks, and all significant exchange rate and interest rate risks incurred from lending are hedged until maturity from the outset of the loan. Similarly, all accounting positions in currencies other than euros which exceed DKK 50 million are hedged on an ongoing basis. EKF sets and continuously monitors specific interest rate and exchange rate risk targets.

Our capital requirements are affected by exchange rate and interest rate fluctuations through the size of our guarantee exposure and loans. Consequently, our scope for issuing new export credits, working capital guarantees and loans changes when exchange rates appreciate or depreciate.

Interest rate risks

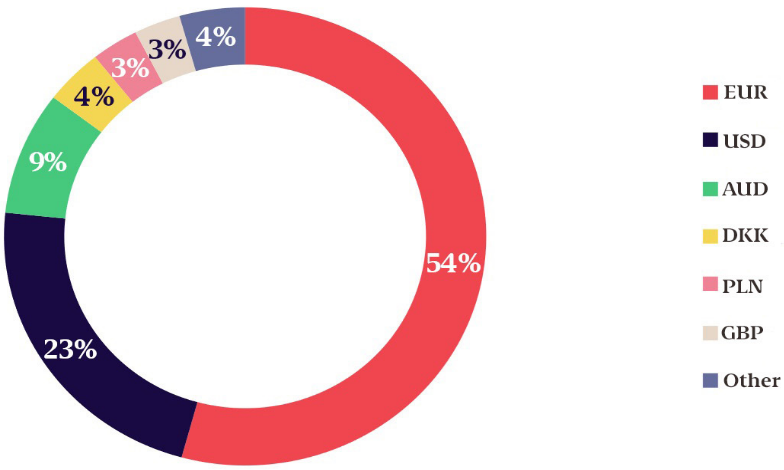
EKF's interest rate risk is incurred primarily from lending and premiums receivable for issued guarantees. EKF performs hedging of interest rate risks from its lending activities. Using interest rate swaps, EKF ensures a link between the raising of loans in Danmarks Nationalbank at a fixed interest rate and lending to customers at a variable interest rate. EKF is sensitive to interest rate changes in its discounting of premiums receivable. EKF performs an annual sensitivity analysis of the impact of an interest rate change on net profit. See note 24.

Exchange rate risks

EKF's transactions result in a number of assets and liabilities in different currencies, in both its lending activities and interest-bearing guarantees. EKF hedges all significant net exposures using currency swaps and forward exchange contracts, thereby minimising the effect of exchange rate fluctuations in its income statement. However, exposures in euros are not hedged, since Denmark's fixed exchange rate policy is regarded as hedging against fluctuations in the euro.

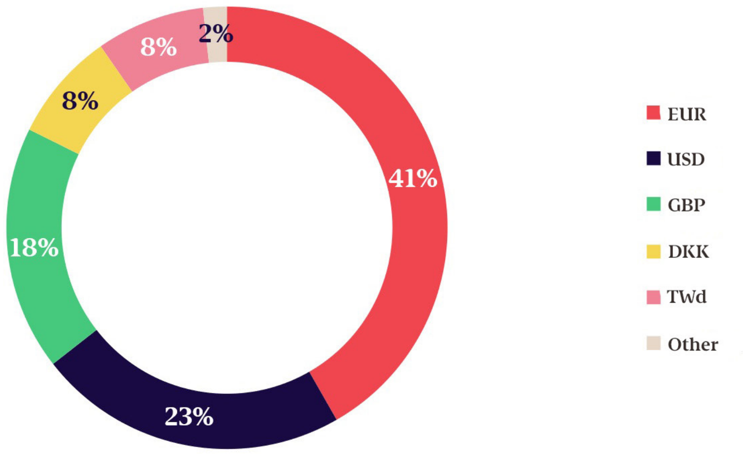
EKF undertakes full hedging of all exchange rate risks on issuance of export loans, except for loans in euros and some in US dollars. Using currency swaps, EKF hedges against the risk of exchange rate changes and ensures a link between the raising of loans in Danish kroner with Danmarks Nationalbank and lending to customers in another currency.

Export loans at year end 2021



EKF issues guarantees in many different currencies, as a result of which it has liabilities and receivables in foreign currencies. We hedge significant net exchange rate exposures by means of forward exchange contracts to ensure that our net profit is not significantly affected by exchange-rate fluctuations.

Guarantee exposure at year end 2021



EKF performs an annual sensitivity analysis of the impact of changes in exchange rates on net profit [and capital requirements]. See note 24 for more information about the sensitivity analysis.

Operational risks

Operational risk is the risk of loss resulting from flawed or deficient internal procedures, human error, system error or external events. EKF accepts that our organisation is associated with operational risk, but we try not to suffer economic losses or reputational damage as a result of operational risk in excess of the anticipated cost of alleviating the specific risk.

EKF encourages employees to report operational incidents so that we can learn from our mistakes, and has implemented systematic registration, categorisation and assessment of operational incidents. Our risk target for operational risk is defined as actual loss arising from operational incidents in the past 12 months. The limit set for the risk target was complied with at the end of 2021.

In 2021 we began implementing a system to identify our most significant operational risks across the organisation as a whole. We also appointed risk and compliance ambassadors in every EKF department to improve our understanding of and focus on operational risk management and compliance risk management, as well as the general culture around risk.

EKF aims to comply with relevant external regulation and, in regard to compliance, performs continuous risk assessment, thereby identifying areas to be monitored in the coming year. We address identified compliance risks and the ensuing follow up on an ongoing basis, and we assess and monitor whether any new risks are being properly addressed.

Liquidity risk

Liquidity risk is the risk that EKF will sustain a loss or incur additional expenses as a result of cash flow problems. At EKF, liquidity risks arise primarily as a result of a temporary mismatch in the balance between EKF's lending and funding and payment obligations in the form of losses and collateral for the derivatives portfolio. However, EKF's liquidity risks are limited, as EKF has access to long-term financing through the Danish Government's on-lending scheme with a facility of DKK 25 billion up to and including 2025, and because EKF is guaranteed by the Danish Government and consequently also has sound options for procuring liquidity, if necessary via the banking or capital markets.

EKF regularly assesses the size of the liquidity buffer relative to the expected liquidity requirement in a stress scenario that includes both greater than expected losses and bigger outflow of cash due to additional collateral being required for derivatives. EKF also calculates and monitors a net stable funding ratio (NSFR) risk target. EKF's liquidity buffer totalled DKK 24 billion at the end of 2021, including an undrawn amount of DKK 16 billion under EKF's on-lending arrangement with the Danish government. The liquidity buffer was adequate and the risk target was complied with at the end of 2021.

Capital requirements

From 2021, EKF is subject to a new, risk-based capital requirement governed by the articles of association. The capital requirement is calculated on the basis of EKF's credit risk, market risk, commercial risk and operational risks. The capital requirement is calculated using an internal Value-at-Risk (VaR) model expressing the risk EKF sustaining loss over a period of 12 months as a result of the above-stated risk factors. The non-restricted equity (meaning equity less reserves related to hedge accounting and any proposed dividend), and calculated in accordance with the IFRS 9 International Financial Reporting Standard, must meet a minimum requirement at all times, which is calculated as EKF's maximum unexpected loss at a 97 percent confidence level plus a buffer requirement. The total capital requirement, i.e. the minimum requirement plus the buffer requirement, is set to EKF's maximum unexpected loss at a 99 percent confidence level.

In addition to the risk-based capital requirement, EKF's leverage ratio must be greater than or equal to three percent at all times. EKF's leverage ratio is calculated as unrestricted equity divided by aggregate exposure (guarantees and loans as well as the value of financial instruments, etc.) less exposure vis-à-vis the Danish state, including reinsurance through Denmark's Green Future Fund and contributions to the balance with the Danish state.

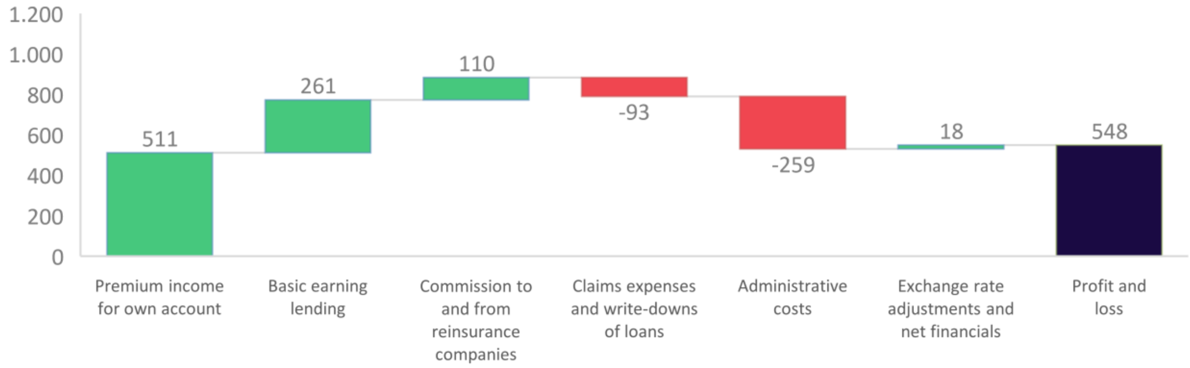
Both capital requirements were met at the end of 2021, and EKF's leverage ratio was 6.7.

Financial review

Income statement

EKF's net profit for 2021 was DKK 548 million. This result is satisfactory given that in the 2020 annual report, EKF predicted a profit in the region of DKK 300–500 million for 2021. The year started sluggishly, partly due to the COVID-19 pandemic and the slowdown in economic activity, but several transactions were finalised in the second half of the year. Total new guarantees issued amounted to DKK 19.2 billion in 2021, compared with DKK 21.1 billion in 2020. The fact that portfolio credit quality was demonstrably strong also contributed positively to the result. Provisions and write-downs of impaired transactions were thus substantially lower than expected. Conversely, fewer new guarantees, for wind energy in particular, means that income from guarantees was lower than expected.

Net profit for 2021



Premium income for own account

In principle, the full gross premium for a guarantee is recognised in as income in the year when it is issued, with 80 per cent of the premium being set aside as a provision at the same time. The provision is recognised in the subsequent year in step with settlement of the underlying loan.

Similarly, the full effect of the reinsurance premiums ceded is recognised as an expense in the year when the reinsurance contract is entered into.

Amounts in DKK million	**2021**	**2020**
Gross premium income	740	2,021
Reversed premiums etc.	-26	-10
Reinsurance premiums paid	-459	-1,454
Change in guarantee provisions	122	-785
Change in the reinsurance share of guarantee provisions	134	860
Total premium income for own account	**511**	**632**

EKF's premium income for own account, i.e. EKF's basic earnings from guarantee activities, amounted to DKK 511 million in 2021, compared with DKK 632 million in 2020.

Gross premiums amounted to DKK 740 million in 2021, compared with DKK 2,021 million in 2020. This should be viewed in the context of the fact that the scope of new guarantees, at just over DKK 11 billion, was 35–40 per cent lower than in 2020. In addition, those transactions that were issued in 2021 were not immediately as lucrative as in 2020. For example, in 2021 EKF was more likely to issue guarantee facilities for wind energy projects, for which the premium is not recognised when issued, but only when the facility is drawn on.

It is normal for EKF’s gross premium income to fluctuate somewhat from one year to the next. These fluctuations are commonly offset to a great extent by reinsurance premiums ceded and changes in guarantee provisions in such a way that the impact of EKF's premium income for own account is more limited. This was also the case in 2021.

The downturn in gross premium income was matched by a substantial reduction in premiums ceded for reinsurance from 2020 to 2021.

Change in guarantee provisions amounted to DKK 122 million in 2021. This reflects the fact that guarantee provisions for guarantees issued in 2021 were less than the amount taken from guarantee provisions from earlier years. In 2020 the change in guarantee provisions represented a cost of DKK 785 million, primarily due to the high level of gross premiums for new guarantees.

Similarly, the change in reinsurance share of guarantee provisions declined between 2020 and 2021. This was primarily a consequence of the reduction in reinsurance premiums ceded.

Basic earnings, lending

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.

Financial income from lending is calculated as the interest income after conversion into currency and interest rate swaps, while financial expenses from lending are calculated as interest rate payments on government on-lending.

Amounts in DKK million	2021	2020
Financial income related to lending	562	612
Financial expenses related to lending	-301	-393
Basic earnings from lending activities	**261**	**220**

Basic earnings from lending activities totalled DKK 261 million in 2021, compared to DKK 220 million in 2020. EKF granted new loans worth just under DKK 8 billion in 2021, while others were prepaid. A large proportion of new loans were not redeemed in 2021, meaning that loans rose from DKK 9.1 billion at the end of 2020 to DKK 9.8 billion at the end of 2021, but the average margin accruing from the loans was lower than in 2020.

The positive change in lending result in 2021 is attributable to an adjustment to the method of recognising interest income so that this tracks loan amortisation. This adjustment produced extraordinary income of DKK 57 million.

Claims expenses and write-downs

Amounts in DKK million	2021	2020
Claims expenses	183	218
Change in the reinsurance share of provisions for claims expenses	-29	-18
Write-downs of loans	-61	75
Total claims expenses and write-downs of loans	**93**	**275**

Claims expenses for guarantees and write-downs of loans amounted to an expense of DKK 93 million in 2021, compared with DKK 275 million in 2020.

Claims expenses on guarantees amounted to an expense of DKK 183 million in 2021, compared with DKK 218 million in 2020. Claims expenses in 2021 were lower than EKF would normally expect. This is demonstrated by the fact that EKF only needed to substantially increase provisions for one new medium-sized project this year. Claims expenses were also increased and decreased for other impaired cases.

Write-downs of loans in 2021 amounted to an income of DKK 61 million, as opposed to an expense of DKK 75 million in 2020. No objective indications of impairment of new loans (OIC) were registered in 2021. This positive change is the result of the repayment of a large loan for which a substantial write-down had previously been performed. In addition, an improved calculation model for write-downs for EKF's project financing transactions resulted in a reduction of earlier write-downs of DKK 35 million.

Commission to and from reinsurance companies

To address credit risk and maintain capacity for new future guarantees, EKF undertakes substantial reinsurance on the portfolio. In connection with this, EKF receives commission for brokering and subsequent administration, etc.

Commission to and from reinsurance companies amounted to an income of DKK 110 million in 2021, compared with DKK 258 million in 2020. The lower amount is primarily due to premium income being lower than in 2020. An improvement to EKF’s commission rate for reinsurance of new transactions offset this to some extent.

Administrative expenses

Net administrative expenses in 2021 totalled DKK 259 million, compared with DKK 228 million in 2020. 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.

Exchange rate adjustments and net financials

In 2021, EKF implemented hedge accounting of loans in accordance with IFRS 9, resulting in cash flow hedges of variable-interest loans and fair value hedges of fixed-interest loans. This hedge accounting will reduce the previous volatility of EKF's value adjustments, which were caused by dissimilar practices for valuation of EKF's loans (amortised cost) and the associated funding (market value).

Amounts in DKK million	**2021**	**2020**
Exchange rate adjustments	81	-114
Financial income	76	195
Financial expenses	-85	-16
Value adjustments, unrealised	-54	75
Exchange rate adjustments and net financials	**18**	**140**

Exchange rate adjustments and net financials amounted to an income of DKK 18 million compared with an income of DKK 140 million in 2020.

Unrealised exchange rate adjustments and value adjustments should be looked at together, and comprised a total income of DKK 27 million, compared with an expense of DKK 39 million in 2020.

This income primarily derives from exchange rate gains, since a number of currencies in which EKF had receivables rose substantially relative to the Danish krone in 2021.

Net financial income and expenses amounted to an overall expense of DKK 9 million. The underlying causes were large increases in interest rates that negatively affected the value of EKF's premiums receivable.

Balance sheet

At 31 December 2021, our assets totalled DKK 26.5 billion, compared with DKK 27.5 billion in the previous year.

Assets

Lending amounted to DKK 9.8 billion at 31 December 2021, DKK 0.7 billion higher than the end of 2020. Disbursement of new loans, including restructuring of a large transaction that was previously part of EKF's guarantee exposure, was thus lower than prepayment of existing loans.

Net claims totalled DKK 1.2 billion at 31 December 2021, which is in line with the end of 2020.

Liabilities

Total equity amounted to DKK 9.4 billion at the end of 2021, up from DKK 8.7 billion at the end of 2020. Changes in equity for the year consisted of net profit for the year of DKK 548 million and the year's distribution to the Danish state of DKK 150 million as well as a capital injection from the state of DKK 230 million earmarked for providing guarantees for new export initiatives and the green transition pursuant to the December 2020 export stimulus package agreement.

In January 2022, the government entered into an agreement with the Socialist People's Party, the Danish Social Liberal Party, the Danish People's Party and the Christian Democrats on "A new reform package for the Danish economy" ("En ny reformpakke for dansk økonomi"). As part of the agreement, EKF's maximum dividend has increased from DKK 100 million to DKK 150 million from 2021. In light of this, EKF has revised its dividend policy, which forms an appendix to the articles of association, in order that EKF can distribute the maximum amount of DKK 150 million for 2021.

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 85.4 billion at the end of 2021, compared with DKK 86.3 billion at the end of 2020. After reinsurance, EKF's exposure totalled DKK 45.8 billion at the end of 2021 compared with DKK 47.7 billion at the end of 2020.

Post balance sheet events

The Russian invasion of Ukraine at the end of February 2022 and the subsequent sanctions imposed on Russia and Belarus may require EKF to make provision for transactions in Ukraine, Russia and Belarus. EKF’s exposure after reinsurance in these three countries amounts to approximately three quarters of a billion Danish kroner, i.e. around 1.5 per cent of EKF's total exposure after reinsurance. When the annual report was completed, little information was available about the impact on transactions. EKF has therefore not yet determined whether additional provisions are required.

Outlook for 2022

The net profit expectations for 2022 are subject to a change in accounting principles, as EKF is switching to IFRS 9 for guarantees from 2022, and will therefore present accounts in accordance with IFRS 9 for the entire business undertakings. This transition will stabilise EKF's premium income from one year to the next, since in future premium income will follow the underlying lending and will only be affected by new guarantees to a limited extent.

EKF's provisions for guarantees and write-downs of loans for impaired transactions have been relatively modest in recent years. Among other things, this reflects the fact that EKF's portfolio is not significantly exposed to sectors that were the worst affected during the COVID-19 pandemic. We know from experience that provisions and write-downs can fluctuate substantially from one year to the next. EKF’s provisions and write-downs are expected to increase in 2022 to a level corresponding to the average for the past decade.

EKF expects net profit for 2022 to be in the DKK 100–300 million range. If there is a need to substantially increase provisions for transactions in Ukraine, Russia and Belarus, this will reduce the expected profit.

Corporate information

EKF Denmark's Export Credit Agency

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Website: www.ekf.dk

E-mail: ekf@ekf.dk

CVR no.: 30 76 37 77

Founded: 19 november 1999

Registered office: Copenhagen

Financial year: January to 31 December

Board of Directors

Christian Frigast, Chair

Dorrit Vanglo, Deputy Chair

Emilie Turunen

Janne Bram Hemphrey

Jørgen Høholt

Niels Jacobsen

Anna Marie Owie, Employee Representative

Morten Wernberg, Employee Representative

Management

Peder Lundquist
Chief Executive Officer

Auditors

PricewaterhouseCoopers
Statsautoriseret
Revisionspartnerselskab
Strandvejen 44
DK-2900 Hellerup

Rigsrevisionen

Landgreven 4
1301 København K

Management statement

Today EKF's Board of Directors and Management considered and approved the Annual Report of EKF Denmark's Export Credit Agency for the financial year 1 January to 31 December 2021.

The Annual 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 and EKF's articles of association.

In our opinion, the financial statements give a true and fair view of EKF Denmark's Export Credit Agency's assets, liabilities and financial position at 31 December 2021 and of the results of EKF Denmark's Export Credit Agency's operations and cash flows for the financial year 1 January to 31 December 2021.

Furthermore, we are of the opinion that the 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 significant risks and uncertainty factors that could impact EKF.

The Annual Report is recommended for approval by the Danish Minister for Industry, Business and Financial Affairs. Copenhagen, 23 March 2022.

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

Morten Wernberg
Employee Representative

The independent auditors' report

TO THE MINISTER OF INDUSTRY, BUSINESS AND FINANCIAL AFFAIRS

Auditors' report on the financial

Statements Opinion

We have audited the financial statements of EKF Denmark's Export Credit Agency for the financial year 1 January to 31 December 2021, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including significant accounting policies. The Annual Report is 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 financial statements give a true and fair view of EKF Denmark's Export Credit Agency's assets, liabilities and financial position at 31 December 2021 and of the results of EKF Denmark's Export Credit Agency's operations and cash flows for the financial year 1 January to 31 December 2021 in accordance with the Danish Financial Statements Act.

Basis of opinion

We have conducted our audit in accordance with International Standards on Auditing and the additional requirements applying in Denmark and in accordance with good public auditing practice, given that the audit is conducted on the basis of the provisions of the Act on EKF Denmark's Export Credit Agency and the Act on Audit of the State Accounts. Our responsibility according to these standards and requirements is described in more detail in the section "Auditors' responsibilities for the audit of the financial statements".

The Auditor General is independent of EKF Denmark's Export Credit Agency, cf. section 1(6) of the Act on Audit of the State Accounts, and the approved auditor is independent of EKF Denmark's Export Credit Agency in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark. We have both complied with our other ethical obligations under these requirements and the IESBA Code.

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

Management's responsibilities for the financial statements

Management is responsible for the preparation and fair presentation of financial statements in accordance with the Danish Financial Statements Act and the Act on EKF Denmark's Export Credit Agency.

These responsibilities include implementing such internal controls that Management determines are necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

When preparing the financial statements, Management is responsible for assessing EKF Denmark's Export Credit Agency's ability to continue as a going concern, for providing information about going concern issues where this is relevant and for preparing the financial statements on the basis of the going concern accounting principle, unless Management plans either to liquidate EKF Denmark's Export Credit Agency or to discontinue operations or has no other realistic alternative than to do so.

Auditors' responsibilities for the audit of the financial statements

Our objective is to obtain a high degree of certainty that the overall financial statements are free from material misstatement, whether due to fraud or error, and to present an auditors' report with an opinion. A high degree of certainty is a high level of certainty, but is not a guarantee that an audit performed in accordance with International Standards on Auditing and the additional requirements applying in Denmark, as well as good public auditing practice (given that the audit was performed on the basis of provisions in the Act on EKF Denmark's Export Credit Agency and the Act on Audit of the State Accounts), will always disclose material misstatements, if any. Misstatements may occur as a result of fraud or error and can be deemed to be material if it can reasonably be expected that they will, individually or jointly, have an impact on the financial decisions made by users on the basis of the financial statements.

As part of an audit performed in accordance with International Standards on Auditing and the additional requirements applying in Denmark, as well as good public auditing practice (given that the audit was performed on the basis of provisions in the Act on EKF Denmark's Export Credit Agency and the Act on Audit of the State Accounts), we perform professional assessments and exercise professional scepticism during the audit.

In addition:

- We identify and assess the risk of material misstatement in the financial statements, whether due to fraud or error, plan and perform audit activities in response to such risk and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not discovering material misstatements is higher for material misstatements resulting from fraud than for material misstatements resulting from error as fraud may include conspiracy, forgery, wilful omissions, misrepresentation or non-observance of internal controls.

- We gain insight into the internal controls of relevance to the audit in order to design audit activities that are appropriate in the circumstances, but not to express an opinion on the effectiveness of EKF Denmark's Export Credit Agency's internal controls.

- We consider whether the significant accounting policies applied by Management are appropriate and whether the accounting estimates made and related information prepared by Management are reasonable.

- We express an opinion as to whether the preparation of the financial statements by Management on the basis of the going concern accounting principle is appropriate and whether, on the basis of the audit evidence obtained, there is material uncertainty linked to events or circumstances that may cause substantial doubt as to EKF Denmark's Export Credit Agency's ability to continue as a going concern. If we reach the conclusion that there is material uncertainty, we must in our auditors' report draw attention to information about this in the financial statements or, if such information is not sufficient, qualify our opinion. Our opinions are based on the audit evidence obtained until the date of our auditors' report. However, future events or circumstances could mean that EKF Denmark's Export Credit Agency is no longer able to continue as a going concern.

- We consider the overall presentation, structure and content of the financial statements, including information in the notes, and whether the financial statements reflect the underlying transactions and events in such a way that they provide a true and fair view thereof.

We communicate with the top management on, inter alia, the planned scope and timing of the audit, as well as material audit observations, including any material shortcomings in the internal controls identified by us during our audit.

Statement on the management's review
Management is responsible for the Management's review.

Our opinion on the financial statements does not include the Management's review, and we do not express any opinion with certainty about the Management's review.

In connection with our audit of the financial statements, it is our responsibility to read the Management's review and in connection with that to consider whether the Management's review is materially inconsistent with the financial statements or with the knowledge we have gained during the audit or otherwise seems to contain any material misstatement. In addition, it is our responsibility to consider whether the Management's review includes the information required under the provisions of the Danish Financial Statements Act and the Act on EKF Denmark's Export Credit Agency.

In our opinion and based on the work performed, the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements in the Danish Financial Statements Act and the Act on EKF Denmark's Export Credit Agency. We have not found any material misstatements in the Management's review.

Statement according to other legislation and regulation

Statement on compliance audit and performance audit
Management is responsible for ensuring that the transactions that are covered by the presentation of the financial statements are in compliance with the funding granted, legislation and other regulations, as well as with agreements made and customary practice, and that the necessary financial considerations have been made in the administration of the funds and operation of the activity covered by the financial statements. In connection with this, Management is responsible for establishing systems and procedures to support the principles of economy, productivity and efficiency.

In connection with our audit of the financial statements, it is our responsibility to select relevant issues for both compliance audit and performance audit in accordance with good public auditing practice. In our compliance audit, we control with a high degree of certainty in terms of the issues selected whether the examined transactions that are covered by the presentation of financial statements are in compliance with relevant provisions in funding granted, legislation and other regulations, as well as with agreements made and customary practice. In our performance audit, we assess with a high degree of certainty whether the systems, processes or transactions examined support the necessary financial considerations in the administration of the funds and operation of the activity covered by the financial statements.

If, based on the work performed, we reach the conclusion that there is cause for material critical remarks, we must report that in this statement.

We have no material critical remarks to report in connection with this.

Copenhagen, 23 March 2022

PricewaterhouseCoopers
Statsautoriseret
Revisionspartnerselskab
CV no. 33 77 12 31

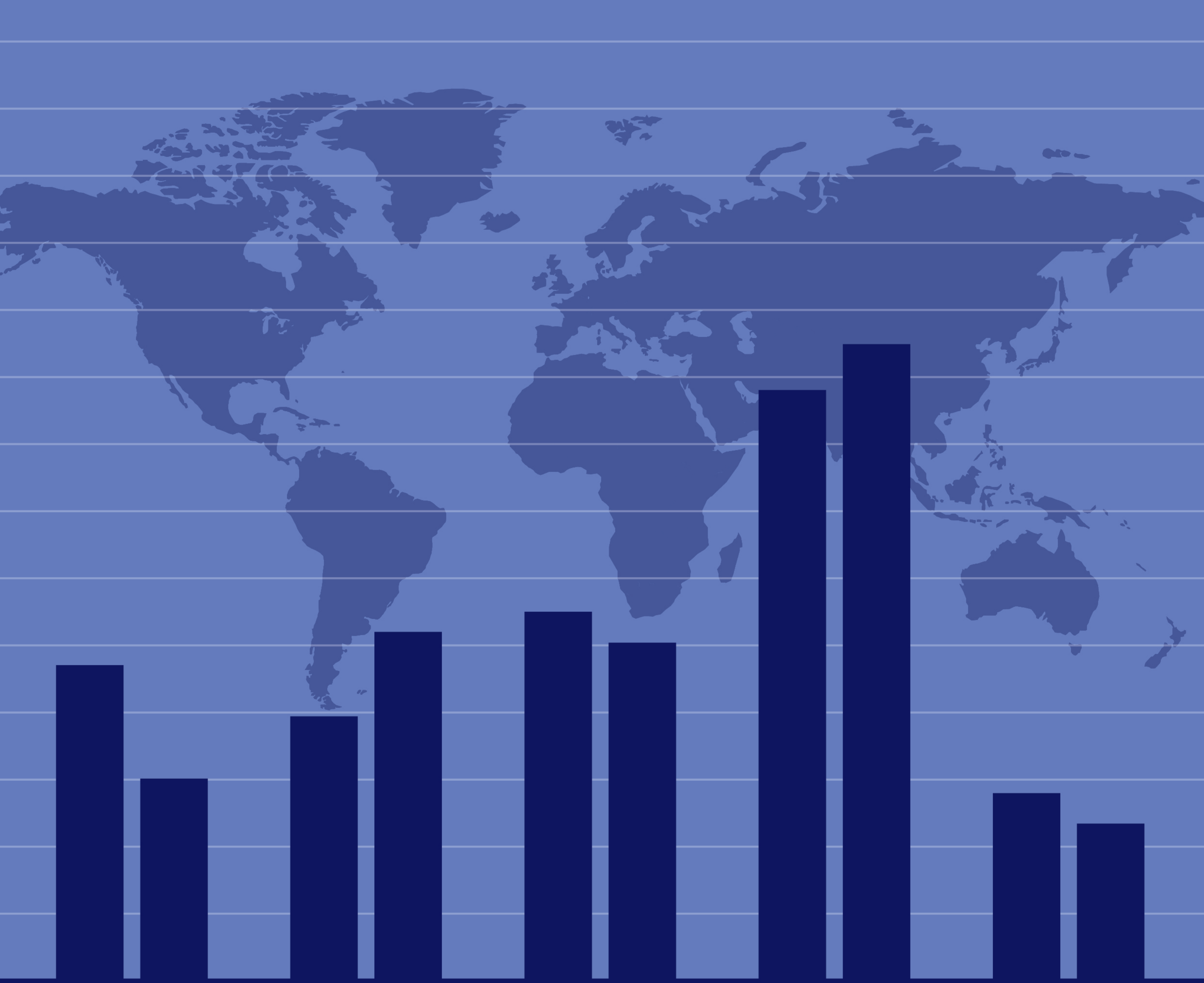
Per Rolf Larssen
State-authorised public accountant
mne24822

Stefan Vastrup
State-authorised public accountant
mne32126

Rigsrevisionen
CVR no 77 80 61 13

Lone Lærke Strøm
Auditor General

Marie Katrine Bisgaard Lindeløv
Director



Financial statements 2021

Income statement for the year

1. January to 31 December

Amounts in DKK million	Note	2021	2020
Gross premium income	1	740	2,021
Reversed premiums etc.	1	-26	-10
Reinsurance premiums paid		-459	-1,454
Change in guarantee provisions	2	122	-785
Change in the reinsurance share of guarantee provisions	3	134	860
Total premium income for own account		**511**	**632**
Claims expenses	4	-183	-218
Change in the reinsurance share of provisions for claims expenses		29	18
Total claims expenses for own account		**-154**	**-200**
Commission to and from reinsurance companies		110	258
Technical result before administrative expenses		**467**	**690**
Financial income related to lending	5	562	612
Financial expenses related to lending	5	-301	-393
Basic earnings from lending activities		**261**	**220**
Write-downs of loans	5	61	-75
Result of lending activities before administrative expenses		**322**	**145**
Total operating income before administrative expenses		**789**	**835**
Administrative expenses, net	6	-259	-228
Total operating income before net financials		**530**	**606**
Exchange rate adjustments	7	81	-114
Financial income	7	76	195
Financial expenses	7	-85	-16
Value adjustments, unrealised	7	-54	75
Net financials		**18**	**140**
Net profit/loss for the year		**548**	**746**

Distribution of profit

Amounts in DKK million	2021	2020
Distributable amount		
Net profit/loss for the year	548	746
For distribution	**548**	**746**
The Board of Directors proposes the following distribution:		
Transfer to restricted equity	0	-279
Transfer to exchange rate adjustment reserve	0	75
Recommended capital transfer to the Danish state	150	100
Transfer to non-restricted equity	398	850
Distributed	**548**	**746**

Balance sheet at 31 December

Assets

Amounts in DKK million	Note	2021	2020
Cash and demand deposits			
Balance with the Danish state		6,676	7,428
Cash		40	1,088
Total cash and demand deposits		6,716	8,516
Loans			
Loans	8	9,779	9,083
Total loans		9,779	9,083
Securities			
Securities	9	822	978
Total securities		822	978
Fixed assets			
Licences, software, etc.	10	21	8
Development projects in progress	10	4	4
Intangible fixed assets		25	12
Other plant and operating equipment	11	1	2
Tangible fixed assets		1	2
Deposit	12	5	4
Investments		5	4
Total fixed assets		31	18
Receivables			
Claims	13	1,240	1,171
Premiums receivable	14	3,865	3,772
Derivative financial instruments	15	710	1,374
Prepaid interest expenses	16	82	56
Interest receivable		22	0
Other receivables		411	28
Total receivables		6,330	6,401
Reinsurance shares			
Reinsurance share of guarantee provisions	17	2,807	2,502
Reinsurance share of provisions for claims expenses	18	11	30
Total reinsurance share		2,818	2,532
Total current assets		9,148	8,933
Total assets		26,496	27,528

Balance sheet at 31 December

Liabilities

Amounts in DKK million	Note	2021	2020
Equity			
Restricted equity		0	2,425
Exchange rate adjustment reserve		0	-74
Proposed dividend		150	100
Change in the cash flow hedges reserve		-5	-
Non-restricted equity		9,219	6,240
Total equity		**9,364**	**8,691**
Payables			
Payables to the Danish state (on-lending)	19	8,985	10,861
Derivative financial instruments	15	391	390
Prepaid interest income	16	273	234
Payables to reinsurers	20	1,714	1,455
Other payables		118	190
Total other payables		**11,481**	**13,130**
Technical provisions			
Guarantee provisions	17	5,116	4,989
Provisions for claims expenses	18	535	716
Total technical provisions		**5,651**	**5,705**
Total equity and liabilities		**26,496**	**27,528**

Statement of changes in equity

Amounts in DKK million	Retained earnings (non-restricted)	Capital transfer to the Danish state	Restricted equity	Exchange rate adjustment reserve	Reserve for cash flow hedges	Total
Equity at 1 January 2020	5,265	640	2,704	-150		8,459
Dividend distributed		-640				-640
Transferred to restricted equity			-279			-279
Proposed dividend		100				100
Capital injection	125					125
Transferred to non-restricted equity	850					850
Change in exchange rate adjustment reserve for the year				76		76
Equity at 1 January 2021	6,240	100	2,425	-74		8,691
Dividend distributed		-100				-100
Capital injection	230					230
Transferred to non-restricted equity	2,351		-2,425	74		0
Change in the cash flow hedges reserve during the period	0				-5	-5
Net profit/loss for the period	548					548
Recommended capital transfer to the Danish state	-150	150				0
Equity at 31 December 2021	9,219	150	0	0	-5	9,364

EKF has the status of an independent public company guaranteed by the Danish state. Losses exceeding technical provisions and non-restricted equity are therefore covered by the Danish state.

Capital adequacy ratio

Amounts in DKK million	2021	2020
Equity, non-restricted (current accounting policies)	9,219	6,240
Equity, non-restricted (future accounting policies)	6,828	6,200
Capital requirements (VaR 99 per cent)	3,570	3,933
Capital adequacy ratio, per cent	191.3	157.6

From 2021, capital adequacy ratio will be calculated as non-restricted equity according to future accounting policies divided by calculated capital requirements (VaR 99%). From 2022 EKF is switching to IFRS 9 for guarantees and will therefore present accounts in accordance with IFRS 9 for the entire business undertakings.

Cash flow statement

Amounts in DKK million	2021	2020
Net profit/loss for the year	548	746
Adjustment of gross premium income, discounting	-81	141
Adjustment of guarantee provisions, discounting	-36	12
Change in guarantee provisions, including reinsurance	-143	-274
Change in provisions for claims expenses, including reinsurance	-162	133
Change in calculation method for loans	-51	-
Change in claims valuation	-58	-288
Recovered claims amounts	113	152
Indemnification payments	-496	-81
Write-off of claims	372	430
Change in operating capital	-209	-85
Change in derivative financial instruments (assets & liabilities)	667	-419
Change in prepaid interest income and expenses	35	-57
Depreciation and amortisation of fixed assets	6	5
Change in loans	-696	356
Change in on-lending	-1,876	270
Change in securities	156	788
Capital injection	230	125
Dividend distributed to the Danish State	-100	-640
Cash flows from primary operation	**-1,782**	**1,314**
Purchase of intangible fixed assets	-17	-5
Cash flows from investments	**-17**	**-5**
Cash flow for the year	**-1,799**	**1,309**
Cash and cash equivalents	1,088	1,237
Balance with the Danish state	7,428	5,968
Cash and cash equivalents, beginning of year	**8,516**	**7,206**
Cash flow for the year	-1,799	1,309
Cash and cash equivalents, end of year	**6,716**	**8,516**
Distributed as follows		
Cash and cash equivalents	40	1,088
Balance with the Danish state	6,676	7,428
Cash and cash equivalents, end of year	**6,716**	**8,516**

Notes

Note 1: Gross premium income after reversed premiums and other adjustments

Amounts in DKK million	2021	2020
Gross premium income before adjustments	698	1,972
Reversed premiums	-26	-10
Write-down of premiums receivable	42	49
Gross premium income after reversed premiums etc.	714	2,011
Gross premium income after reversed premiums and other adjustments is as follows		
Buyer credit	130	1,090
Project financing	452	798
Financing guarantee	3	15
Reinsurance premiums received, short-term reinsurance	3	3
Working capital guarantees	75	67
SME guarantees	6	4
Supplier credit	3	9
Other	42	24
Gross premium income after reversed premiums etc.	714	2,011

Note 2: Change in guarantee provisions

Amounts in DKK million	2021	2020
Addition of new guarantees	-487	-1,411
Changes in guarantees	30	17
Change in country and debtor ratings	-210	-81
Reductions in guarantee provisions	656	598
Reversal of guarantee provisions as a result of potential losses	13	57
Reversal of guarantee provisions as a result of prepayments etc.	120	35
Change in guarantee provisions	122	-785

Note 3: Change in the reinsurance share of guarantee provisions

Amounts in DKK million	2021	2020
New reinsurance agreements	295	1,065
Changes in guarantees	73	8
Change in country and debtor ratings	108	4
Reductions in reinsurance share of guarantee provisions	-282	-207
Reversal of reins. share of guarantee provisions as a result of potential losses	-5	0
Reversal of reins. share of guarantee provisions as a result of prepayments etc.	-55	-11
Change in the reinsurance share of guarantee provisions	134	860

Note 4: Claims expenses

Amounts in DKK million	2021	2020
Change in provisions	193	-158
Change in claims write-down	-1	381
Write-off of claims	-363	-430
Indemnification payments to short-term reinsurance	-9	-3
Transaction expenses	-3	-8
Total claims expenses	-183	-218

Note 5: Information about income, losses and costs related to financial instruments linked to lending activities

Amounts in DKK million	2021	2020
Financial income related to lending		
Financial income loans and financial instruments	546	586
Financial income (commitment fee, upfront fee etc.)	16	27
Total financial income related to lending	562	612
Financial expenses related to lending		
Interest expenses on-lending and financial instruments	-229	-333
Interest expenses reinsurance	-57	-42
Other financial expenses	-15	-18
Total financial expenses related to lending	**-301**	**-393**
Write-down loans		
Write-down, beginning of year	-719	-630
New write-downs	-61	-75
Exchange rate adjustment of write-down	88	-14
Total write-down of loans	**-692**	**-719**

Note 6: Administrative expenses

Amounts in DKK million	2021	2020
Wages and salaries, excluding bonuses	136	117
Bonuses	9	7
Total wages and salaries	**144**	**124**
Pensions	20	15
Other social security expenses	1	1
Education/training and personnel expenses	14	12
Cost of premises	19	16
Travel and transportation expenses	2	2
Remuneration and fees	27	32
Marketing	2	3
Entertainment expenses	0	1
IT expenses	20	21
Other expenses	14	10
Administrative expenses before reimbursement related to administered schemes	**263**	**238**
Reimbursement related to administered schemes	-4	-10
Administrative expenses, net	**259**	**227**

Amounts in DKK thousand		
Remuneration of Management 1	9,707	3,785
Remuneration of the Board of Directors	1,993	2,091

1) Remuneration of Management includes severance pay for former CEO.

Average number of employees	167	146

Members of Management at EKF have a bonus scheme. The maximum CEO bonus is 10 per cent of the salary and is calculated based on the degree of fulfilment of EKF's business plan.

Other duties of the Board of Directors can be seen in the section entitled "EKF's Board of Directors".

Note 7: Net financials

Amounts in DKK million	2021	2020
Exchange rate adjustments		
Exchange rate adjustment loans	-70	-265
Value adjustment on-lending	-6	-172
Exchange rate adjustment derivative financial instruments	118	395
Exchange rate adjustment guarantee provisions	-76	183
Exchange rate adjustment provisions for claims expenses	-11	8
Exchange rate adjustment claims	51	-95
Exchange rate adjustment receivables, payables, banks, etc.	117	-143
Hedging of premiums receivable, provisions, claims, etc.	-7	-25
Exchange rate adjustment, expected losses	-35	0
Total exchange rate adjustments	**81**	**-114**
Financial income		
Interest, claims	31	50
Adjustment of premium discounting	0	141
Adjustment of discounting of reinsurance premiums	36	-12
Interest, investment	9	15
Total financial income	**76**	**195**
Financial expenses		
Interest and fees	0	-1
Adjustment of premium discounting	-81	0
Interest expenses, investment	-4	-16
Total financial expenses	**-85**	**-16**
Value adjustments, unrealised		
Value adjustment, IRS	-295	-154
Value adjustment, on-lending	225	275
Cost of hedging	-4	0
Other adjustments	8	-75
Value adjustment, on-lending	12	29
Value adjustment, operational effect	**-54**	**75**
Total net financials	**18**	**140**

Note 8: Loans

Amounts in DKK million	2021	2020
Beginning of year	9,801	10,069
Additions during the year	3,629	3,999
Repayments during the year	-1,200	-1,086
Prepayments	-1,893	-2,489
Exchange rate adjustments for the year	211	-692
Loans before write-down etc. before hedge accounting	10,548	9,801
Value adjustment, hedge accounting	-77	-
Loans before write-down etc. at 31 December	10,471	9,801
Write-down of loans	-692	-719
Carrying amount loans at 31 December	9,779	9,083
Expected remaining time to maturity of the loans is distributed as follows		
< 1 year	1,416	1,666
1–5 years	4,792	3,409
> 5 years	4,263	4,726
Total	10,471	9,801

Note 9: Securities

Amounts in DKK million	2021	2020
Balance at 1 January	965	1,735
Additions during the year	0	0
Disposals during the year	-150	-770
Nominal value at 31 December	815	965
Premium		
Balance at 1 January	6	17
Additions during the year	0	0
Amortisation during the year	-4	-12
Premium at 31 December	2	6
Discount		
Balance at 1 January	-2	-2
Additions during the year	0	0
Amortisation during the year	0	0
Discount at year-end	-2	-2
Interest receivable	7	9
Carrying amount at 31 December	822	978

Note 10: Intangible fixed assets

Amounts in DKK million	Software licences, etc.	Development projects in progress	Total
Balance at 1 January 2021	57	4	61
Capitalised development projects, prior years	4	0	4
Additions during the year	13	4	17
Disposals during the year	0	-4	-4
Cost at 31 December 2021	**74**	**4**	**78**
Depreciation and write-downs			
Balance at 1 January 2021	-49	0	-49
Depreciation for the year	-4	0	-4
Accumulated depreciation and write-downs of assets disposed of	0	0	0
Depreciation and write-downs at 31 December 2021	**-53**	**0**	**-53**
Carrying amount at 31 December 2021	**21**	**4**	**25**

Note 11: Tangible fixed assets

Amounts in DKK million	**Other plant and operating equipment**	**Total**
Balance at 1 January 2021	6	6
Additions during the year	0	0
Disposals during the year	0	0
Cost at 31 December 2021	**6**	**6**
Depreciation and write-downs		
Balance at 1 January 2021	-4	-4
Depreciation for the year	-1	-1
Accumulated depreciation and write-downs of assets disposed of	0	0
Depreciation and write-downs at 31 December 2021	**-5**	**-5**
Carrying amount at 31 December 2021	**1**	**1**

Note 12: Investments

Amounts in DKK million	2021	2020
Deposit	5	4
Carrying amount at 31 December 2021	5	4

Note 13: Claims

Amounts in DKK million	2021	2020
Claims on countries		
Beginning of year	2	33
Amortisation	-12	-29
Exchange rate adjustment	0	-4
Change in claims valuation	11	1
Claims on countries at 31 December	1	2
Commercial claims		
Beginning of year	1,169	1,352
Indemnification payments	496	81
Repayments	-113	-152
Amortisation	-360	-402
Exchange rate adjustment	95	-124
Change in claims valuation	-48	414
Commercial claims at 31 December	1,239	1,169
Total claims at 31 December	1,240	1,171

Note 14: Premiums receivable

Amounts in DKK million	2021	2020
Current premiums receivable	4,257	4,172
Premiums receivable, short-term	84	18
Discounting	-368	-273
Provisions for bad debts	-108	-146
Total premiums receivable at 31 December	3,865	3,772
Fall due:		
< 1 year	337	217
1–5 years	1,829	1,770
> 5 years	1,699	1,785
Total premiums receivable at 31 December	3,865	3,772

Note 15: Derivative financial instruments

Amounts in DKK million	2021 Principal	2021 Positive fair value	2021 Negative fair value	2020 Principal	2020 Positive fair value	2020 Negative fair value
Interest rate swaps on on-lending	18,060	377	0	10,600	685	0
Currency swaps	14,028	324	-365	9,042	689	-372
FX Swaps	0	0	-1	0	0	-15
Forward contracts	3,694	9	-25	508	0	-3
Total derivative financial instruments	35,782	710	-391	20,150	1,374	-390

Note 16: Prepaid interest expenses and income

Amounts in DKK million	2021	2020
Prepaid interest income, beginning of year	234	278
Additions during the year	148	5
Earned during the year	-109	-49
Prepaid interest income at 31 December	**273**	**234**
Prepaid interest expenses, beginning of year	56	45
Additions during the year	39	0
Charged to the income statement during the year	-13	13
Prepaid interest expenses at 31 December	**82**	**56**

Prepaid interest income concerns a number of loans for which EKF receives the part of the interest margin related to the loan risk as an upfront payment. As interest income is earned over the term of the loan, EKF has accrued interest paid, but not yet earned. A number of these loans are reinsured. In these cases, prepaid interest income was paid to the reinsurer despite the risk margin not having been earned. Interest is recognised as income in line with the repayment profile of the loans.

Prepaid interest expenses cover future reinsurance of the credit risk on loans. The prepayments are recognised at the time of payment and charged to the income statement in line with the repayment profile of the loans.

Note 17: Guarantee provisions

Amounts in DKK million	2021	2020
Guarantee provisions, beginning of year	2,487	2,749
Changes in guarantee provisions	610	1,200
Reductions in guarantee provisions	-656	-598
Change in the reinsurance share of guarantee provisions	-134	-860
Guarantee provisions after reinsurance at 31 December	**2,308**	**2,492**
Guarantee provisions, gross	5,233	5,085
Discounting	-117	-96
Guarantee provisions before reinsurance at 31 December	**5,116**	**4,989**
Reinsurance share of guarantee provisions	-2,807	-2,502
Guarantee provisions at 31 December	**2,308**	**2,487**

Note 18: Provisions for claims expenses

Amounts in DKK million	2021	2020
Provisions for claims expenses, beginning of year	716	566
Provisions for the year	153	194
Incoming reinsurance	-1	-2
Indemnification payments, short-term incoming reinsurance	9	3
Additions of provisions for claims expenses	**161**	**196**
Reversed provisions for claims expenses, short-term incoming reinsurance	-9	-3
Other provisions reversed	91	-38
Reversed in connection with indemnification payments	-424	-4
Disposals of provisions for claims expenses	**-342**	**-46**
Change in provisions for claims expenses	-181	150
Provisions for claims expenses before reinsurance at 31 December	**535**	**716**
Reinsurance share of provisions for claims expenses	-11	-30
Provisions for claims expenses after reinsurance at 31 December	**524**	**686**

Note 19: Payables to the Danish state (on-lending)

Amounts in DKK million	2021	2020
On-lending, beginning of year	10,265	9,808
Additions during the year	0	2,615
Repayments during the year	-888	-1,053
Prepayments and other adjustments	-750	-1,105
Nominal principal of on-lending	**8,627**	**10,265**
Fair value adjustments and premium	346	579
Interest payable	12	18
On-lending at 31 December	**8,985**	**10,861**

Note 20: Payables to reinsurance companies

Amounts in DKK million	2021	2020
Payables to reinsurers	1,793	1,503
Adjustment of reinsurance premium payable	-47	-11
Write-down of payables to reinsurers	-32	-37
Payables to reinsurers at 31 December	1,714	1,455
Fall due (before write-down of payables to reinsurance companies):		
< 1 year	225	212
1–5 years	948	778
> 5 years	573	503
Payables to reinsurance companies at 31 December	1,746	1,493

Note 21: Hedge accounting

As a result of its business model, EKF is exposed to a number of market risks. These are primarily risks for which derivatives are used to reduce risk in respect of interest and exchange rate risk.

EKF's risk management strategy is described in more detail in notes 23–25 and the Management's review on page 41.

Derivatives designed as hedging instruments

Fair value hedges
EKF enters into fair-value hedges to secure fixed-interest export loans against fair-value changes resulting from fluctuations in exchange rates and interest rates. EKF uses currency swaps (cross-currency interest rate swaps), in which EKF pays a fixed rate in the foreign currency and receives a variable rate in DKK.

There is a financial link between the export loan and the currency swap, since both instruments are exposed to the same underlying risk (the currency spot rate and reference interest rate) and have the same qualitative characteristics in terms of principle, term, currency and interest rate. The fair value adjustments of these instruments will therefore move in opposite directions.

The hedge rate is 1:1, meaning the principle for export loans and currency swaps is the same and the risk exposures are identical.

The hedge effectiveness will be analysed from the date of designation, on each reporting date and in the event of significant changes that may affect the hedge effectiveness.

Sources of ineffectiveness may include:

- EKF's export loans and currency swaps were entered into before 1 January 2021 and do not have a fair value of zero on the date of designation.
- Deterioration in the credit risk of EKF, customers or swap counterparties.
- A deviation in the payment pattern compared with the originally agreed amortisation profiles.
- Difference between the fixed rate for the export loan and currency swap.
- [Cross-currency basis spread is included in the currency swap, but not in the loan.]

The impact of the hedging instrument on the balance sheet at 31ecember 2021:

Amounts in DKK million	Nominal value	Carrying amount	Accounting item on balance sheet	Change in fair view for measuring ineffectiveness
Currency swap	2,471	266	Derivative financial instruments	-27

Hedged impact (fixed-rate export loan in foreign currency) in balance sheet at 31 December 2021:

Amounts in DKK million	Nominal value	Carrying amount	Share of carrying amount related to acc. fair value changes	Accounting item on balance sheet	Change in fair view for measuring ineffectiveness for the period
Fixed-rate export loan	2,471	2,444	-77	Loans	-27

Ineffectiveness for the period related to fair value hedges of DKK -55 million is recognised in the income statement under unrealised value adjustments.

Remaining time to maturity distributed across principle for currency swaps designed to hedge fair value for interest rate and exchange rate risk:

Amounts in DKK million		Average hedged exchange rate and interest rate	Principal	Maturity < 1 year	Maturity 1-5 year	Maturity > 5 years
Currency swap						
USD/DKK	FX	6.008	1,516	149	629	737
	Interest rate	3.19				
EUR/DKK	FX	7.447	956	64	238	653
	Interest rate	1.82				

Cash flow hedges

EKF enters into cash flow hedges to reduce variability of variable-interest export loans resulting from fluctuations in spot exchange rates. EKF uses currency swaps in which EKF pays a variable rate in the foreign currency and receives a variable rate in DKK.

There is a financial link between the export loan and the currency swap, since both instruments are exposed to the same underlying risk (the spot exchange rate) and have the same qualitative characteristics in terms of principle, term and currency. The fair value adjustments of these instruments will therefore move in opposite directions.

The hedge rate is 1:1, meaning the principle for export loans and currency swaps is the same and the risk exposures are identical.

The hedge effectiveness will be analysed from the start of the hedge, on each reporting date and in the event of significant changes that may affect the hedge effectiveness.

Sources of ineffectiveness may be due to:

- EKF's hedges were entered into before 1 January 2021 and do not have a fair value of zero on the date of designation.
- Deterioration in the credit risk of EKF, customers or swap counterparties.
- A deviation in the payment pattern compared with the originally agreed amortisation profiles.
- [Cross-currency basis spread is included in the currency swap, but not in the

  loan.]

EKF has the following currency swap contracts:

Amounts in DKK million		Average hedged exchange rate and interest rate	Principal	Maturity < 1 year	1-5 years	> 5 years
Currency swap						
USD/DKK	FX	6.008	1,516	149	629	737
	Interest rate	3.19				
EUR/DKK	FX	7.447	956	64	238	653
	Interest rate	1.82				

The impact of the hedging instrument on the balance sheet at 31 December 2021:

Amounts in DKK million	Nominal value	Carrying amount	Accounting item on balance sheet	Change in fair view for measuring ineffectiveness
Valutaswap (cross currency interest rate swap)	3.687	-104	Derivative financial instruments	62

Hedged impact (variable-rate export loan in foreign currency) in balance sheet at 31 December 2021:

Amounts in DKK million	Nominal value	Amounts in DKK million	Nominal value	Amounts in DKK million
Variable-rate export loan	3,604	3,604	Loans	-61

Impact on equity as a result of cash flow hedges and cost of hedging:

Amounts in DKK million	Cash flow hedges reserve including cost of hedging	"Cost of hedging" reserve for fair value hedges	Total
At 1 January 2021	-	-	-
Effective part of unrealised value adjustment	0.2	-10.1	-9.8
Amount transferred to unrealised value adjustments income statement	-1.4	5.7	4.3
At 31 December 2021	**-1.2**	**-4.3**	**-5.5**

Note 22: Overview of financial instruments

EKF uses only the accounting categories financial assets at fair value, financial liabilities measured at fair value and loans and receivables measured at amortised cost. Financial instruments are specified as follows:

Amounts in DKK million	Fair value	Amortised cost price
Financial assets		
Balance with the Danish state		6,676
Cash		40
Loans		9,779
Securities		822
Deposit		5
Reinsurance share of provisions for claims expenses		11
Claims		1,240
Premiums receivable		3,865
Derivative financial instruments	710	
Prepaid interest expenses		82
Other receivables		411
Total financial assets 2021	**710**	**22,930**
Total financial assets 2020	**1,374**	**23,637**

Amounts in DKK million	Fair value	Amortised cost price
Financial liabilities		
Payables to the Danish state (on-lending)	8,985	
Derivative financial instruments	391	
Payables to reinsurers		1,714
Prepaid interest income		273
Other payables		118
Provisions for claims expenses		535
Total financial liabilities 2021	**9,377**	**2,639**
Total financial liabilities 2020	**11,251**	**2,596**

Note 23: Information about credit risks

Credit risk is the risk that EKF will incur a financial loss due to non-payment by a counterparty. Credit risk is EKF's most significant exposure and derives mainly from its guarantee and lending activities, but also includes credit and counterparty risk from reinsurance and treasury activities, such as derivative agreements and investment of liquidity. Default can be both the inability and the unwillingness to pay.

EKF's object is to facilitate Danish companies' export and internationalisation opportunities, participation in the global value chain and cultivation of new markets through internationally competitive finance and risk cover. EKF can only provide finance and risk cover where risks of the relevant nature or extent are not customarily underwritten by the private, commercial insurance and capital market. EKF therefore assumes risks exceeding the risk appetite and exposure capacity of commercial insurers, up to a predefined limit, but only after having carefully considered and understood the risks.

The risk management framework is determined by the Board of Directors. EKF has drawn up a number of policies, guidelines and procedures describing EKF's business objectives and risk management thereof. The Risk and Capital Management Policy describes the overall framework, while the Credit Policy lays down the framework for EKF's guarantee and credit facilities. The policies are determined and regularly reassessed by the Board of Directors. EKF works with credit quality limits and procedures in terms of amount sizes and geographical restrictions. Guarantees and loans are subject to the same criteria as credit facilities with each transaction being given an internal rating. If the counterparty has a rating from external rating agencies, that rating is used.

The table below shows EKF's maximum credit risk broken down by guarantee and loan exposure and financial credit risk, respectively. The table takes into account both EKF's on-balance sheet credit risk and off-balance sheet items.

Amounts in DKK million	**2021**	**2020**
Credit exposure loans and guarantees		
On-balance sheet items		
Loans after write-downs	9,779	9,083
Prepaid interest expenses	82	56
Claims	1,240	1,171
Premiums receivable	3,865	3,772
Other receivables	411	28
Off-balance sheet items		
Export credits and working capital guarantees after reinsurance	45,818	47,688
Reinsured export credits and working capital guarantees	39,600	38,591
Reinsured loans	7,512	2,634
Conditional loan offers	4,365	20
Loans granted, but not yet paid	1,019	1,078
Total credit exposure guarantees and loans	**113,691**	**104,120**
Financial credit risk		
On-balance sheet items		
Balance with the Danish state	6,676	7,428
Cash	40	1,088
Securities	822	978
Deposit	4	4
Positive fair value of derivative financial instruments	710	1,374

Total credit exposure financial credit risk	**8,251**	**10,871**
Total maximum credit exposure	**121,942**	**114,991**

The table above shows that EKF's maximum credit exposure is primarily attributable to issuance of guarantees and lending. As a state-controlled export credit agency, EKF is subject to a number of international rules where OECD premium adjustments determine the framework for the premium rate. The OECD determines minimum rates that all EKF's transactions and projects must comply with. EKF also uses the market price as a benchmark for transactions in country risk category 0, comprising mainly the OECD countries in which the financial and political risks are low, and for project financing transactions.

EKF’s risk management also entails exposure limits in countries, relevant banks and reinsurers. EKF also has a number of risk targets that limit the overall exposure for low-rated transactions, low-rated countries, risk concentration and limits for exposure to individual debtors. EKF’s risk targets are set out in the Risk and Capital Management Policy, while limits for exposure in countries, banks and reinsurers are managed via the Cover Policy for Countries and Risk Assessment of Banks and Similar Financial Institutions.

EKF applies and actively participates in the OECD's classification of countries, which is based on overall payment experience and credit ratings of member countries. EKF places banks in the OECD’s commercial risk categories by comparing an internal risk assessment with the OECD’s country risk classification.

Day-to-day credit management is conducted in EKF's customer-oriented departments and in our credit and customer administration. The approval structure for guarantees and loans is in accordance with EKF's authorisations, under which transactions are approved by the Credit Committee or Board of Directors, depending on the nature and amount size.

EKF's credit risks are continuously monitored and reviewed through annual commitment follow-up, which checks and thus controls developments in the credit quality of commitments selected on the basis of certain financial parameters. In the commitment follow-up for 2021, commitments covered approximately 71 per cent of EKF’s net exposure, i.e. exposure after reduction due to reinsurance. EKF’s existing portfolio is continuously monitored based on a number of focus areas such as sector, market, country, buyer and exporter. This includes relevant material from the guarantor and exporter as part of the guarantee and loan agreement.

EKF's Risk department is responsible for overall monitoring of credit risk. The Risk department monitors the risk targets and capital requirements set out in the Risk and Capital Management Policy and also manages credit risk in EKF's six-monthly risk reports. The Risk department also conducts focused analyses and stress-testing of areas in which this is deemed necessary.

Reinsurance is included as a significant factor in mitigating EKF’s credit risk concentration. The counterparty risk on reinsurers is governed by the minimum rating requirement from external rating agencies and limits to counterparty concentration. EKF uses a credit portfolio model to calculate capital ratio requirements. The model calculates limits for the maximum loss at 97% and 99% probabilities and sets capital ratio requirements relative to these.

EKF’s credit risk is also managed via a strong underwriting process and a number of requirements for individual transactions. For large issues in countries where the risk is deemed to be particularly high, EKF requires a sovereign guarantee in most cases, cf. the ‘cover subject to sovereign guarantee’ term. Sovereign guarantees are normally the relatively best credit risk of the country rather than the financial sector, and they have access to collective bargaining through international institutions in the event of payment default. Collateral plays an active part in EKF’s risk management and loss-reducing processes.

The existence of collateral entails that the bank and thereby EKF rank pari passu with the asset provided as collateral. Collateral is usually relevant if and when a loan accelerates and may also in certain circumstances be used as a tool to aid the negotiation process in a default situation. Collateral is included in EKF's risk management together with loss-reducing elements such as covenants, waivers and conditions precedent.

Write-downs according to IFRS 9

For *Loans* and *Premiums receivable*, expected credit losses are calculated according to IFRS 9. Each asset is divided into stage 1, 2 or 3 and the division into stages is described in accounting policies. EKF calculates write-downs according to IFRS 9 using a proprietary PD-based model describing the process in a business procedure. The business procedure contains guidance on running the PD model and a description of the manual processes related to the model.

EKF prepares an annual validation report concerning the PD model. By means of validation and monitoring, EKF is also able to continuously assess developments in credit risks for loans and guarantees with premiums receivable. The validation process is described in a business procedure, which includes processing control, review of discounting methods, reconciliation of input data and criteria for significant credit risk development (staging). The following tables show the financial assets for loans and premiums receivable, respectively:

- Changes in financial assets from the beginning to the end of the year before write-downs and any reinsurance, by stages 1–3.
- Changes in financial assets before write-downs and any reinsurance, by country risk categories and stages 1–3.
- Financial assets before write-downs and any reinsurance, by debtor rating and stages 1–3.
- Changes in write-downs from the beginning to the end of the year, by stages 1–3.

Loans, principal

Amounts in DKK million	Stage 1	Stage 2	Stage 3	Total
Loans, principal – changes during the year				
Loans, beginning of year	7,705	1,446	650	9,801
Changes from stage 1 to stage 2	0	0	0	0
Changes from stage 2 to stage 1	0	0	0	0
Changes from stage 2 to stage 3	0	0	0	0
Changes from stage 1 to stage 3	0	0	0	0
Additions during the year, new guarantees	2,549	1,081	0	3,629
Depreciation	-1,285	-608	0	-1,893
Exchange rate adjustments	90	72	49	211
Changes in the model	0	0	0	0
Repayments on loans, excluding depreciation	-1,031	-169	0	-1,200
Other changes	0	0	0	0
Loans at year-end	**8,027**	**1,821**	**699**	**10,548**

Amounts in DKK million	Stage 1	Stage 2	Stage 3	Total
Loans, principal, by country risk category at 31 December 2021				
Country risk category 0-1	5,385	1,227	0	6,612
Country risk category 2	0	0	0	0
Country risk category 3	493	0	0	493
Country risk category 4	0	0	0	0
Country risk category 5	1,438	355	0	1,793
Country risk category 6	58	0	0	58
Country risk category 7	652	240	699	1,592
Total	**8,027**	**1,821**	**699**	**10,548**

Amounts in DKK million	Stage 1	Stage 2	Stage 3	Total
Loans, principal, by country risk category at 31 December 2020				
Country risk category 0–1	5,258	815	0	6,073
Country risk category 2	0	0	0	0
Country risk category 3	559	0	0	559
Country risk category 4	39	0	0	39
Country risk category 5	1,135	392	0	1,527
Country risk category 6	64	0	0	64
Country risk category 7	650	239	650	1,539
Total	**7,705**	**1,446**	**650**	**9,801**

Amounts in DKK million	Stage 1	Stage 2	Stage 3	Total
Loans, principal, by debtor rating at 31 December 2021				
AAA – A	194	0	0	194
BBB+ – BBB-	1,966	0	0	1,966
BB+ – BB-	3,176	15	0	3,191
B+ – B-	2,691	1,425	0	4,116
CCC or weaker	0	381	699	1,081
Total	**8,027**	**1,821**	**699**	**10,548**

Amounts in DKK million	Stage 1	Stage 2	Stage 3	Total
Loans, principal, by debtor rating at 31 December 2020				
AAA – A	250	0	0	250
BBB+ – BBB-	2,632	0	0	2,632
BB+ – BB-	2,583	23	0	2,606
B+ – B-	2,239	557	0	2,796
CCC or weaker	0	866	650	1,516
Total	**7,705**	**1,446**	**650**	**9,801**

Amounts in DKK million	Stage 1	Stage 2	Stage 3	Total
Write-down of loans				
Write-downs, beginning of year	33	202	485	719
Changes from stage 1 to stage 2	0	0	0	0
Changes from stage 2 to stage 1	0	0	0	0
Changes from stage 2 to stage 3	0	0	0	0
Changes from stage 1 to stage 3	0	0	0	0
Changes in the reinsurance share of write-downs	-23	5	-11	-29
New write-downs in case of new guarantees	45	56	0	101
Depreciation	-7	-134	0	-141
Exchange rate adjustments	0	1	44	45
Impact of repayments on loans, excluding depreciation	-4	-17	0	-21
Effect of changed ratings and other changes	-14	-37	68	17
Write-downs, end of year	**30**	**76**	**586**	**692**

Premiums receivable

Amounts in DKK million	Stage 1	Stage 2	Stage 3	Total
Premiums receivable – changes during the year				
Premiums receivable, beginning of year	3,822	268	81	4,172
Changes from stage 1 to stage 2	-86	86	0	0
Changes from stage 2 to stage 1	46	-46	0	0
Changes from stage 2 to stage 3	0	0	0	0
Changes from stage 1 to stage 3	-15	0	15	0
Additions during the year, new premiums receivable	789	0	0	789
Depreciation	-405	-22	-76	-503
Exchange rate adjustments	192	9	1	202
Changes in the model	0	0	0	0
Repayments on loans, excluding depreciation	-357	-47	1	-403
Other changes	0	0	0	0
Premiums receivable, end of year	**3,986**	**249**	**23**	**4,257**

Amounts in DKK million	Stage 1	Stage 2	Stage 3	Total
Premiums receivable by country risk category at 31 December 2021				
Country risk category 0–1	3,797	24	23	3,843
Country risk category 2	37	0	0	37
Country risk category 3	69	47	0	116
Country risk category 4	0	0	0	0
Country risk category 5	65	0	0	65
Country risk category 6	0	91	0	91
Country risk category 7	18	87	0	106
Total	**3,986**	**249**	**23**	**4,257**

Amounts in DKK million	Stage 1	Stage 2	Stage 3	Total
Premiums receivable by country risk category at 31 December 2020				
Country risk category 0–1	3,535	53	81	3,670
Country risk category 2	29	0	0	29
Country risk category 3	141	0	0	141
Country risk category 4	1	0	0	1
Country risk category 5	77	0	0	77
Country risk category 6	13	116	0	128
Country risk category 7	26	100	0	126
Total	**3,822**	**268**	**81**	**4,172**

Amounts in DKK million	Stage 1	Stage 2	Stage 3	Total
Premiums receivable by debtor rating at 31 December 2021				
AAA – A	11	0	0	11
BBB+ – BBB-	737	0	0	737
BB+ – BB-	2,117	1	0	2,118
B+ – B-	1,103	161	0	1,263
CCC or weaker	18	87	23	128
Total	**3,986**	**249**	**23**	**4,257**

Amounts in DKK million	Stage 1	Stage 2	Stage 3	Total
Premiums receivable by debtor rating at 31 December 2020				
AAA – A	13	0	0	13
BBB+ – BBB-	820	0	0	820
BB+ – BB-	2,043	1	0	2,044
B+ – B-	923	162	0	1,085
CCC or weaker	23	105	81	210
Total	**3,822**	**268**	**81**	**4,172**

Amounts in DKK million	Stage 1	Stage 2	Stage 3	Total
Write-downs of premiums receivable from the beginning to the end of the year				
Write-downs, beginning of year	45	71	33	149
Changes from stage 1 to stage 2	-2	11	0	9
Changes from stage 2 to stage 1	2	-7	0	-5
Changes from stage 2 to stage 3	0	0	0	0
Changes from stage 1 to stage 3	0	0	0	0
New write-downs in case of new guarantees	5	0	0	5
Depreciation	-3	-8	-26	-37
Exchange rate adjustments	3	3	0	6
Changes in the model	0	0	0	0
Impact of repayments on loans, excluding depreciation	-4	-9	0	-13
Effect of changed ratings and other changes	4	-6	-2	-5
Write-downs, end of year	**49**	**54**	**5**	**108**

Guarantee exposure

EKF provides guarantees for loans with export transactions. Guarantee exposure is not registered in the balance sheet for EKF, but is a contingent liability.

Guarantee exposure comprises the largest possible exposure in cases that include both commercial and political exposure. The exposure is regularly written down during the guarantee period on the basis of the repayment profile defined when the guarantee is issued. The amounts stated for guarantees include future interest payments on the guaranteed loan.

Guarantee exposure before reinsurance

Engagement før genforsikring for garantier	**2021**	**2020**
EKF's guarantees by country risk category		
Country risk category 0–1	55,616	54,481
Country risk category 2	2,336	655
Country risk category 3	2,525	3,427
Country risk category 4	1,224	1,637
Country risk category 5	10,551	11,177
Country risk category 6	9,260	10,528
Country risk category 7	3,905	4,375
Total	**85,418**	**86,279**
EKF's guarantees by debtor rating		
AAA – A	3,923	442
BBB+ – BBB-	16,785	18,805
BB+ – BB-	30,479	32,802
B+ – B-	28,983	29,026
CCC or weaker	5,248	5,205
Not rated	0	0
Total	**85,418**	**86,279**

Guarantee exposure after reinsurance

Amounts in DKK million	2021	2020
EKF's guarantees by country risk category		
Country risk category 0–1	28,668	29,405
Country risk category 2	1,781	447
Country risk category 3	1,964	2,809
Country risk category 4	769	1,418
Country risk category 5	7,940	8,350
Country risk category 6	3,043	3,429
Country risk category 7	1,654	1,829
Total	**45,818**	**47,688**
EKF's guarantees by debtor rating		
AAA – A	2,268	155
BBB+ – BBB-	10,253	11,691
BB+ – BB-	16,517	18,766
B+ – B-	13,828	13,896
CCC or weaker	2,951	3,180
Not rated	0	0
Total	**45,818**	**47,688**

For guarantee exposure after reinsurance, reinsurance shares are deducted in the country risk categories or debtor ratings in which the debtor is placed, i.e. independently of the reinsurer's rating

Guarantee exposure to potential losses/claims plus impaired loans

Provisions for claims expenses on guarantees

Where the probability that EKF could incur a loss on a transaction exceeding the usual guarantee provisions is deemed to be high, provisions for claims expenses are made.

The risk of loss is assessed on the basis of objective evidence and determined on a case-by-case basis. EKF performs individual write-down based on a trade-off between three scenarios: a best-case scenario, a base-case scenario and a worst-case scenario.

The current impairment is assessed as a write-down ratio and determined on the basis of available information, thus constituting a specific assessment of the risk of loss. The write-down ratio is fixed until new significant changes are reported and a reassessment is made.

Furthermore, the write-down ratio of large loans will be reassessed at the end of the year.

Write-down of impaired loans

If a loan is deemed to be credit-impaired (stage 3), the asset is written down by an amount corresponding to the expected credit loss during the remaining term of the asset. Loans for which EKF has observable data on events indicating that the asset is credit-impaired are written down individually. EKF performs individual write-down based on a trade-off between three scenarios: a best-case scenario, a base-case scenario and a worst-case scenario. The current impairment is assessed as a write-down ratio and determined on the basis of available information, thus constituting a specific assessment of the risk of loss. The write-down ratio is fixed until new significant changes are reported and a reassessment is made. Furthermore, the write-down ratio of large loans will be reassessed at the end of the year. The process to assess the impaired asset starts with a screening of the loan based on a report received or other observations. It is important for EKF to spot and act effectively on indications of loss risk as early as possible.

Hence, the impaired financial assets are assessed on the basis of a specific assessment of the current loss risk. The assessment emphasises the status of on-going negotiations, macroeconomic conditions and the evolution of market indicators, among other factors.

Guarantee exposure to potential losses/claims plus impaired loans

Amounts in DKK million	2021	2020
Guarantee exposure to potential losses/claims		
Exposure to potential losses or claims, gross	912	1,381
Reinsurance share	-36	-81
Provisions for claims expenses	-535	-716
Reinsurance share of provisions for claims expenses	11	30
Exposure after provisions/write-down	**352**	**615**
Impaired loans (stage 3)		
Principal of impaired loans	699	650
Reinsurance shares	-83	-80
Individual write-down	-586	-485
Exposure after write-down and reinsurance	**31**	**86**
Carrying amount of impaired loans	114	166
Reinsurance share	-83	-80
Exposure after write-down and reinsurance	**31**	**86**

Counterparty risks in financial agreements

Credit risk also arises in connection with EKF's treasury activities, as a result of use of financial instruments and investment of liquidity. Credit risks on financial counterparties are managed by minimum rating requirements from external rating agencies, limits to counterparty concentration, and conclusion of the international ISDA/CSA framework agreements for financial contracts and GMRA/RSA agreements for repo transactions, which minimise the risk of loss by requiring collateral in the form of high credit-quality bonds. Requirements for managing counterparty risk are set out in the Policy for Market Risk and the Policy for Liquidity Management. EKF has concluded derivative financial instruments with a number of financial counterparties. All financial counterparties have a rating ranging between BBB and AA-.

Positive and negative fair values of financial instruments are included in separate balance-sheet items, and positive and negative values are set off only when EKF is entitled and intends to settle several financial instruments, net.

Derivative financial instruments subject to ISDA/CSA agreements (DKK millions)

	Gross carrying amount	Set-off	Net carrying amount	Right of set-off	Collateral	Net value
2021						
Assets	710	0	710	-345	-476	111
Liabilities	391	0	391	-345	87	41
Net	318	0	318	0	389	-72
2020						
Assets	1,374	0	1,374	-356	-1,068	-50
Liabilities	390	0	390	-356	36	69
Net	**985**	**0**	**985**	**0**	**1,032**	**-47**

Note 24: Information about market risks

Market risk is the risk of loss due to changes in the present value of assets and liabilities attributable to developments in the financial markets. EKF is primarily exposed to interest rate and exchange rate risks. The Policy for Market Risk sets limits for EKF's risk appetite and management. EKF is cautious in taking on market risks and limits the amount of interest rate and exchange rate exposure. All significant exchange rate and interest rate risks are hedged continuously to comply with risk targets.

EKF's interest rate risk is the risk that EKF will sustain an economic loss or incur additional expenses due to changes in market rates. Interest rate risk arises in connection with lending, funding, derivatives and placement of liquidity in fixed-interest instruments. EKF continuously hedges interest rate risks.

EKF's exchange rate risk is the risk that EKF will sustain an economic loss or incur additional expenses due to changes in exchange rates. EKF's currency risk arises as a result of lending, guarantees, provisions and write-downs, equity investments, derivatives and placement of liquidity in a currency other than Danish kroner. EKF hedges currency risk at cash flow and balance sheet level. The hedging required for the balance position is calculated as the overall net position for each currency that exceeds the approved limits of 2 billion for EUR and DKK 50 million for all other currencies.

Interest rate changes will have an effect on discounted values of premium income receivable and payables to reinsurers. The effect is calculated by raising the discount rate by 1 percentage point. Interest rate changes will also have an effect on provisions for claims expenses on guarantees with underlying variable interest rates. The effect was calculated by raising the underlying variable interest rate by 1 per cent.

There may also be an effect on the result of lending activities due to an increase in interest rates. This effect is attributable to the fact that, despite full financial hedging of the interest rate risk, EKF may experience fluctuations in the result due to an accounting mismatch between loans, which are measured at amortised cost, and interest-rate hedging, which is measured at fair value. These fluctuations are collected in the exchange rate adjustment reserve under equity. The introduction of hedge accounting will remove most of this effect. The fluctuations will be eliminated over the period until maturity and ultimately reach zero. Since this is purely a technical accounting effect without real financial meaning, these effects are not incorporated into the analyses.

Sensitivity analysis in DKK million

	Effect on profit/loss in DKK million	
	2021	2020
Increase in interest rates of 1 percentage point	-130	-123
Increase in exchange rate of 10 per cent (USD)	0	0
Increase in exchange rate of 10 per cent (AUD)	0	0
Increase in exchange rate of 10 per cent (GBP)	0	0
Increase in exchange rate of 10 per cent (TWD)	0	0

The effect on equity corresponds to the effect on the profit/loss for the year and is not stated separately.

Note 25: Information about liquidity risks

Liquidity risk is the risk that EKF will sustain a loss or incur additional expenses from cash flow problems. Liquidity risk is divided into liquidity risk for funding, which is the risk of rising funding costs, and market liquidity risk, which is the risk of EKF incurring losses when liquidity is retrieved from the liquidity reserve. In liquidity terms, EKF as an agency has low liquidity risk partly due to support from the Danish government, which supports access to funding even in difficult market conditions.

In general, EKF aims to minimise both funding and market liquidity risk. A liquidity reserve that is inherently sufficient in a stress scenario and access to funding even in difficult market conditions help to minimise short-term and long-term funding liquidity risk, while placement of liquidity in liquid instruments that are high quality in liquidity terms reduces market liquidity risk.

Amounts in DKK million	Carrying amount	Sum of maturity	< 1 year	1 - 5 years	> 5 years
Financial liabilities by maturity					
2021					
Payables to the Danish state (on-lending)	8,985	8,627	2,491	2,587	3,550
Derivative financial instruments with negative market value	391	365	49	163	153
Prepaid interest income	273	273	41	148	84
Payables to reinsurers	1,714	1,746	225	948	573
Provisions for claims expenses	535	535	535	0	0
Payments on concluded loans	0	1.186	1.035	151	0
Loan commitments	0	4.365	4.365	0	0
Total	**11,898**	**17,097**	**8,741**	**3,997**	**4,360**
2020					
Payables to the Danish state (on-lending)	10.861	10.265	1.507	4.544	4.213
Derivative financial instruments with negative market value	390	372	31	124	217
Prepaid interest income	234	234	37	96	100
Payables to reinsurers	1.455	1.493	212	778	503
Provisions for claims expenses	716	716	716	0	0
Payments on concluded loans	0	987	944	43	0
Loan commitments	0	20	20	0	0
Total	**13,655**	**14,085**	**3,467**	**5,585**	**5,033**

In addition to this, EKF has outstanding guarantee exposure before reinsurance of DKK 85.4 billion. The guarantee exposure is treated as a contingent liability until the recognition criteria are met. EKF sets aside provisions for claims expenses for guarantees corresponding to the expected loss. These guarantees typically have long maturities.

EKF's restructuring and recovery process may extend over several years and it is not possible to estimate the cash flow for these transactions. Therefore, it is not possible to present a fair maturity analysis. For this reason, the maturity of provisions for claims expenses is entered as a short-term liability.

Note 26: Fair value by fair value hierarchy

Amounts in DKK million	Level 1	Level 2	Level 3	Total
2021				
Financial assets				
Derivative financial instruments	0	621	89	710
Total financial assets	**0**	**621**	**89**	**710**
Financial liabilities				
Derivative financial instruments	0	391	0	391
On-lending	0	8,985	0	8,985
Total financial liabilities	**0**	**9,376**	**0**	**9,376**
2020				
Financial assets				
Derivative financial instruments	0	1,258	116	1,374
Total financial assets	**0**	**1,258**	**116**	**1,374**
Financial liabilities				
Derivative financial instruments	0	390	0	390
On-lending	0	10,861	0	10,861
Total financial liabilities	**0**	**11,251**	**0**	**11,251**

Fair value hierarchy

Level 1: Fair values measured on the basis of unadjusted quoted prices in an active market.
Level 2: Fair values measured using valuation methods and observable market data.
Level 3: Fair values measured using valuation methods and observable and significant non-observable market data.

Level 2 – Derivative financial instruments

Derivative financial instruments at level 2 are used to hedge interest rate and exchange rate risks related to export loans and to hedge both assets and liabilities.

The fair value is calculated by discounting future cash flows based on observable market data. The fair value is determined as a settlement price, so the value is not adjusted for credit risks.

The valuation methods for interest rate and exchange rate instruments are identical. A fair value is calculated for both legs of the instrument. For financial instruments with floating rates, an expected yield curve is used on the current index based on observable market data. The expected yield curve is used to estimate the future cash flows. The future cash flows are subsequently discounted by a discount rate. The discount curve on the interest rate instruments is generated on the basis of the zero-coupon rates. The discount curve on the exchange rate instrument is based on the CSA curve (EUR) as defined in the ISDA/CSA agreement.

Level 2 – Payables to the Danish state (re-lending)

Payables to the Danish state comprise loans concluded under the Danish state's re-lending scheme (Statens Genudlånsordning) and match EKF's total loans receivable. The on-lending portfolio comprises serial loans raised at par and bullet loans raised at the current rate.

The fair value is calculated by discounting future cash flows based on observable market data.

The fair value is determined as a settlement price, so the value is not adjusted for credit risks.

The on-lending structure of interest rates is fixed, so the future interest rates are known. The fair value is calculated by discounting the future cash flows using a discount curve generated on the basis of the zero-coupon rates.

No change is made to the fair value of EKF's payables to the Danish state resulting from changes in EKF's credit risk. The reason is that EKF has a guarantee from the Danish state, cf. section 10 of the Act on EKF Denmark's Export Credit Agency.

Level 3 – Derivative financial instruments

Derivative financial instruments at level 3 comprise hedging of exchange rate risk related to export loans and are used to hedge assets. For hedging in currencies subject to restrictions so they cannot be traded freely, an offshore market is used to determine fair values. The fair value is calculated by discounting the future cash flows based on our own valuation model.

The fair value calculation method is identical with level 2, as it calculates a discounted value based on the future cash flows. Financial instruments at level 3 differ in that the underlying conventions, indices and discount curves are not based on observable market data. EKF's internal model converts the cash flows of the instrument to US dollars in order to estimate the future cash flows using a USD forward curve. The fair value is then calculated by discounting the financial instrument using an estimated discount curve in US dollars.

Fair value calculations at level 3 are checked against market valuations from the counterparties.

Note 27: Fair value of financial assets measured at amortised cost

Amounts in DKK million	Carrying amount	Fair value
2021		
Loans	9,779	11,239
Securities	822	839
Total financial assets measured at amortised cost	**10,601**	**12,078**
2020		
Loans	9,083	7,374
Securities	978	1,482
Total financial assets measured at amortised cost	**10,061**	**8,857**

The fair value of EKF's loans is estimated based on an assessment of the development in the future cash flows and market risks and an adjustment taking the current value of the loan into account.
The fair value calculation is made at level 3 of the fair value hierarchy.

The fair value of EKF's securities is estimated on the basis of the security market value plus accrued interest.

With respect to other financial instruments measured at amortised cost, cf. Note 21, amortised cost is deemed to be an approximation of the fair value.

Note 28: Contingent assets and liabilities

Amounts in DKK million	2021	2020
Contingent liabilities		
Guarantee exposure before reinsurance	85,418	86,279
Provisions for claims expenses related to potential losses and claims	-535	-716
Contingent liabilities related to the provision of guarantees	**84,883**	**85,563**
Contingent assets		
Reinsured guarantee exposure+	39,600	38,591
Reinsurance share of provisions for claims expenses related to potential losses and claims	-11	-30
Contingent assets related to the provision of guarantees	**39,589**	**38,561**
Tenancy commitment	14	14
Tenancy commitment	**14**	**14**

+ *Reinsurance is related solely to guarantee exposure. In addition, EKF has reinsured a share of the portfolio of loans.*

EKF provides guarantees for loans in connection with export transactions. To the extent that the guarantee becomes a potential loss or claim, provisions are made for claims expenses. Part of the guarantee exposure may be regarded as a contingent liability if net provisions for claims expenses were not made for own account and thus not recognised in the balance sheet.

Note 29: Related parties

In 2021, EKF had transactions with the Danish State as well as other related parties. The balance with the Danish State is determined by agreement with the Danish Ministry of Industry, Business and Financial Affairs. Transactions with other related parties are administration fees for administered schemes. Settlement is on market terms according to actual consumption.

In 2021, EKF distributed DKK 100 million in dividend for 2020 to the Danish state, and expects to distribute DKK 150 million for 2021.

The administration of the Danish Trade Fund and the CIRR scheme is vested in EKF by the Ministry of Industry, Business and Financial Affairs. EKF manages EKF A/S CVR no. 20895470 (Slotsholmsgade 10, DK-1216 Copenhagen) on behalf of the Danish state in accordance with Finance Committee Document no. 30 of 27 October 1999. Administration of EKF A/S is charged at an hourly rate. EKF is also responsible for administration of three schemes to mitigate the consequences of COVID-19 pandemic. This pertains to

- Parliamentary Finance Committee Document 115, *authorising EKF to offer the Liquidity Guarantee product aimed at small and medium enterprises with cash flow challenges as a result of COVID-19,* adopted by the Parliamentary Finance Committee on 23 March 2020.
- Parliamentary Finance Committee Document 134, *establishing a guarantee scheme for large exporters and their biggest sub-suppliers,* adopted by the Parliamentary Finance Committee on 2 April 2020.
- Parliamentary Finance Committee Document 163, *establishing state guarantee cover under the auspices of EKF Denmark's Export Credit Agency for insurance of companies' trade with Danish and foreign buyers,* adopted by the Parliamentary Finance Committee on 11 May 2020.

EKF has entered into a cooperation agreement with Danida Business Finance (DBF) on the administration of the Mixed Credit Programme. The basis of the agreement is Parliamentary Finance Committee Document no. 106 of 24 May 2016 concerning the distribution basis for Danida Business Finance. The arrangement with DBF entails that DBF bears all losses and costs in connection with the provision of guarantees, so that EKF is exempt from paying costs. EKF receives a standard amount from DBF for each guarantee transaction. The total amount for 2021 is set out in note 6.
EKF also administers the Danish Ministry of Foreign Affairs' investment guarantees for developing countries.

Note 30: EKF's auditors' fee

Amounts in DKK thousand	2021	2020
Statutory audit		
PricewaterhouseCoopers	934	806
Rigsrevisionen	0	0
Total auditing services	**934**	**806**
Other services	510	565
Total fees	**1,444**	**1,371**

Note 31: Significant accounting policies

General

The Annual Report of EKF Denmark's Export Credit Agency (EKF) was prepared in accordance with the provisions of the Danish Financial Statements Act for reporting class D, subject to the necessary exemptions and adjustments required as a consequence of EKF's special position as an independent public company, cf. the Act on EKF Denmark's Export Credit Agency, and EKF's articles of association. In addition, policies applied to private non-life insurance companies and banks are taken into consideration.

The policies applied from the requirements for non-life insurance companies as established by the Danish Executive Order on Financial Reporting for Insurance Companies and Multi-Employer Occupational Pension Funds (Danish Executive Order on the Presentation of Financial Statements for Insurance Companies) relate to recognition and measurement of EKF's insurance-like activities. These requirements comprise premiums, guarantee exposures, indemnification payments and provisions for claims expenses as well as the reinsurance share of these items.
The policies applied from the requirements for banks as established by the Danish Executive Order on Financial Reporting for Credit Institutions etc. (Danish Executive Order on the Presentation of Financial Statements for Credit Institutions etc.) relate to recognition and measurement of EKF's bank-like activities. This includes state lending and on-lending.

The presentation of the income statement and balance sheet chosen is believed to provide the fairest presentation of EKF's activities. Against that backdrop, the format requirements of the Danish Financial Statements Act have been departed from.

From 1 January 2021, EKF has implemented hedge accounting of lending in accordance with IFRS 9, resulting in cash flow hedges of variable-interest lending and fair value hedges of fixed-interest lending. The overall effect of implementation was a value adjustment representing an expense of DKK 65 million, of which DKK 53 million is attributable to adjustment of loans due to fair value hedges, and DKK 12 million is attributable to cash flow hedges.

From 1 January 2021, EKF has switched to a new capital model. EKF uses an "Economic Capital" approach to determine requirements for non-restricted equity. EKF's equity requirement is calculated using an internal Value-at-Risk (VaR) model based on EKF's credit risk, market risk, commercial risk and operational risks.

The accounting policies are otherwise unchanged from the previous year.

The policies for recognition and measurement are described in more detail below.

The financial statements present all amounts in whole DKK millions. Each figure is rounded separately, possibly leading to minor differences between the totals stated and the sum of the underlying figures.

Recognition and measurement in general

The Annual Report is presented in accordance with a number of concepts and definitions as described below.

Premium income and related income are recognised in the *income statement* as earned. The income date for premium income is the date on which the cover under the guarantee commences, and in the case of related income the time from which the income can be considered to be sufficiently certain.

Interest income is recognised as earned, and interest expenses are correspondingly reported as accruals. Other income and value adjustments of financial assets and liabilities are recognised in the income statement as earned. Similarly, all expenses, including depreciation, amortisation and write-downs, are recognised in the income statement in the period in which the activity has taken place.
Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to EKF and the asset can be reliably measured. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from EKF and the value of the liability can be reliably measured. Assets and liabilities are measured at cost on initial recognition. Subsequently, assets and liabilities are measured as described for each accounting item.
Certain *financial assets and liabilities* are measured at amortised cost, recognising a constant effective interest rate over the maturity period.

Amortised cost is determined as the original cost less any repayments plus addition/deduction of the accumulated amortisation of the difference between the cost and nominal amount.

On initial recognition, transactions in foreign currency are measured at the exchange rate on the transaction date. Exchange differences occurring between the exchange rate on the transaction date and the exchange rate on the payment date are recognised in the income statement as an item under financial income and expenses, net.
On the balance sheet date, monetary assets and liabilities in foreign exchange are recognised at the exchange rate on that date. The difference between the exchange rate on the balance sheet date and the exchange rate on the date the receivables or payables were incurred or recognised in the financial statements of the previous year, are recognised in the income statement under financial income and expenses and under result of lending activities to the extent that it is attributable to EKF's loans or hedging thereof.

Income statement

Premium income for own account

Gross premium income comprises premiums on export credit and working capital guarantees issued for the year, including any returned premium amounts etc. Moreover, upfront and commitment fees are included. Write-down of the expected loss on premiums receivable are set off in gross premiums according to IFRS 9. Premiums paid over more than one year are discounted and recognised at present value. Premiums are recognised when cover under the guarantee commences or when the policy is issued. The share of premiums received on current contracts that concern future risks is reported as accruals via provisions for guarantees on the balance sheet date.

Reversed premiums comprise reversals or adjustments of gross premiums recognised in previous years. Reversals or adjustments arise as a result of prepayments, refinancing or other changes in the agreement leading to an adjustment of the original gross premium on issuance.
Reinsurance premiums paid are the share of the gross premium income for the year ceded to other insurance companies due to reinsurance cover.

Change in guarantee provisions describes the change in provisions for guarantees and is included under *Premium income for own account* as EKF's recognition of premium accruals. Change in guarantee provisions includes reductions in guarantee provisions that express provisions for guarantees recognised as income as underlying loans are repaid. In addition, the accounting item includes additions resulting from new issues, change in the assessment of countries and debtors etc.
Change in the reinsurance share of guarantee provisions states the shift in the share of provisions for guarantees that EKF has reinsured with foreign export credit agencies or private reinsurance companies.

Claims expenses for own account

Claims expenses includes the loss assessment of indemnification payments and changes in commercial and political claims as a result of additions and disposals of provisions for claims expenses and potential losses. In addition, *claims expenses* include depreciation and value adjustment of claims.

Change in the reinsurance share of provisions for claims expenses comprises additions and disposals related to the reinsurance share of EKF's provisions for claims expenses and potential losses.

Commission to and from reinsurance companies

Commission to and from reinsurance companies is the administration fee that EKF receives or pays in connection with reinsurance agreements.

Result of lending activities before administrative expenses

Financial income related to lending comprises interest income for the year from loans, derivative financial instruments, repos and upfront and commitment fees received.

Financial expenses related to loans comprise interest expenses for the year for on-lending and derivative financial instruments. The item also includes fees to Danmarks Nationalbank calculated based on the nominal value of on-lending.

Write-downs of loans comprise write-downs for the year and changes in write-downs of loans. Write-downs of loans are made according to IFRS 9. See *loans*.

Administration

Administration expenses, net comprises expenses on administration of EKF and schemes administered by EKF on behalf of the Danish Ministry of Industry, Business and Financial Affairs or other ministries.
Administrative expenses have been reduced by income received by EKF in connection with the administration of various schemes on behalf of the Danish Ministry of Industry, Business and Financial Affairs or other ministries. These schemes are normally invoiced at agreed hourly rates for the actual number of hours spent by EKF. In addition, large direct expense items related to the individual scheme are invoiced.

Net financials

Financial income and expenses comprises interest received in connection with claims, interest and exchange rate adjustment of bank deposits, guarantee provisions and claims, investment income from securities and claims. The item also includes adjustment of discounting of premiums receivable and guarantee provisions as well as reinsurance premiums payable. Due to the general uncertainty surrounding claims, the related interest is recognised only when payment is made, apart from any recognised capitalised interest. Prepaid interest is, however, recognised in the year in which it falls due.

Exchange rate adjustments comprises positive and negative realised exchange rate adjustments of loans, derivative financial instruments and exchange rate accounts for the year. The item also includes positive and negative value adjustments of loans, on-lending and derivative financial instruments for the year. In addition, the item includes exchange rate adjustment of the guarantee provisions, provisions for claims expenses and claims. Exchange rate adjustment from receivables and payables and gains/losses on hedging of the exposure in foreign currency are also included in this item.

Value adjustments, unrealised comprise unrealised fair value adjustments of on-lending, derivative financial instruments, unrealised exchange rate adjustments of loans and exchange rate adjustments of repo transactions concerning unpaid loans.

Balance sheet

Cash and demand deposits

The balance with the Danish state comprises EKF's liquidity placed in an intermediate account with the Danish state. As from 1 July 2016, interest is no longer applied to EKF's balance.

Cash comprises cash at bank and repo/reverse transactions.

Loans

Loans are measured at amortised cost using the effective interest method. The difference between the value on first recognition and the redemption value is amortised over the remaining time to maturity and recognised under financial interest income.

Hedge accounting for derivative financial instruments was implemented according to the following principles:

The changes in the fair value of derivative financial instruments which are classified as and meet the conditions for fair value hedging of a recognised asset or a recognised liability (fair value hedges) are recognised in the income statement together with changes to the value of the hedged asset and the hedged liability. For existing loans where the hedge accounting was first started after entering into the hedge contracts, the fair value of the hedge contract is transferred to the income statement over the term of the hedge instrument via an add-on to the discount curve.

Changes to the fair value of derivative financial instruments classified as and meeting the conditions for effective hedging of future transactions are recognised directly in equity (cash flow hedges). The ineffective part is recognised directly in the income statement. When the hedged transactions are performed, the accumulated changes are recognised as part of the cost price for the respective transactions.

Changes in the fair value of cross-currency basis spread on the hedge instruments is recognised directly in equity and is recognised as an expense via the income statement in connection with the settlement of cross-currency basis spread via the ongoing payments on swaps (costs for cash flow hedges). The value of cross-currency basis spread when switching to hedge accounting is amortised linearly to the income statement across the term of the hedge instrument.

Loans 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.

Loans 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 share 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). Because EKF uses a PD model, the following principle is applied to assess 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 asset is deemed to be credit-impaired (stage 3), the asset is written down by an amount corresponding to the expected credit loss during the remaining term of the asset. Loans for which EKF has observable data on events indicating that the asset is credit-impaired are written down individually. EKF performs individual write-down based on a trade-off between three scenarios: a best-case scenario, a base-case scenario and a worst-case scenario.

Securities

Securities are classified as "held to maturity" assets and recognised at fair value corresponding to cost price. The securities are subsequently measured at amortised cost plus interest receivable. Premium and discount are reported as accruals over the maturity period and recognised under net financials.

Fixed assets

Intangible fixed assets relate to software acquisitions and are recognised at cost less accumulated amortisation and write-downs. Cost includes expenses directly linked to acquisition and implementation, up to the date when the asset can be commissioned. Intangible fixed assets are amortised on a straight-line basis over the expected useful lives of the assets of three to five years from the date of commissioning.

Development projects in progress relate to software acquisitions that are clearly defined and identifiable. Development

expenses are determined as direct expenses incurred.
An impairment test is carried out for acquired intangible fixed assets if there are indications of impairment. Additionally, every year an impairment test is carried out on development projects in progress. The impairment test is carried out for each asset. The assets are written down to the higher of the asset's value in use and net selling price (recoverable amount), if this is lower than the carrying amount.

Tangible fixed assets relating to hardware, fixtures and fittings and refurbishing of leased premises are measured at cost less accumulated depreciation and write-downs. Cost includes the purchase price and expenses directly related to the acquisition. Cost is depreciated on a straight-line basis over the expected useful lives of the assets at a residual value of DKK 0. The expected useful lives of the assets are deemed to be as follows:

- IT hardware 3–5 years
- Other plant and operating equipment 3–5 years
- Refurbishing of leased premises 5 years

An impairment test is carried out for tangible fixed assets if there are indications of impairment. The impairment test is carried out for each asset. The assets are written down to the higher of the asset's value in use and net selling price (recoverable amount), if this is lower than the carrying amount.
Deposits concern deposits from rent, etc. Deposits are recognised at cost with subsequent indexation.

Reinsurance shares

Reinsurance share of guarantee provisions comprises the reinsurers' share of EKF's guarantee provisions. The share is adjusted for EKF's counterparty risk on the reinsurance companies. *Reinsurance share of provisions for claims expenses* comprises the reinsurers' share of EKF's provisions for claims expenses. The share is adjusted for EKF's counterparty risk on the reinsurance companies.

Receivables

Claims consist of commercial claims and claims on countries.

Where an agreement exists with the counterparty, commercial claims are recognised at cost and subsequently assessed so that the value of the claim corresponds to the expected repayment. Where no agreement exists with the counterparty, which is the general rule, the value of claims is assessed taking into account the debtors' ability and willingness to pay.
Gross claims comprise indemnification payments with addition of the recognised capitalised interest less recovered amounts, adjusted at the exchange rate on the balance sheet date. Net claims are reduced by actual write-downs to offset losses.

Claims on countries relate to receivables from countries resulting from indemnification payments, capitalised interest and purchase of the uninsured part of the political risks, or purchase of claims by EKF. Claims on countries are recognised at cost and subsequently assessed at fair value, so that the value of the claim corresponds to the expected repayment and the exchange rate on the balance sheet date, taking into account the countries' ability and willingness to pay.

Claims on countries are recognised at the value of the indemnification paid, with addition of the recognised capitalised interest. Recognised capitalised interest is interest accrued on the claim prior to the conclusion of the rescheduling agreement and recognised by the debtor country. The capitalised interest thus becomes part of the new principal of the rescheduling agreement. A rescheduling agreement is an agreement between an individual creditor country and debtor country. The rescheduling agreement is negotiated under the auspices of the Paris Club.

Premiums receivable are measured at the present value of receivables at the date of recognition. Subsequently, current recalculation of present values is performed on the balance sheet date. Premiums receivable with a maturity of more than one year are discounted by a CIRR rate in the currency of the receivable concerned.
Premiums receivable 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.

Premiums receivable 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 share 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).
Because EKF uses a PD model, the following principle is applied to assess 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 asset is deemed to be credit-impaired (stage 3), the asset is written down by an amount corresponding to the expected credit loss during the remaining term of the asset. Premiums receivable for which EKF has observable data on events indicating that the asset is credit-impaired are written down individually. EKF performs individual write-down based on a trade-off between three scenarios: a best-case scenario, a base-case scenario and a worst-case scenario.

Derivative financial instruments are recognised from the trading date and measured in the balance sheet at fair value. Positive and negative fair values of derivative financial instruments are included on separate lines in the balance sheet, and positive and negative values are set off only when the enterprise is entitled and intends to settle several derivative financial instruments, net. Fair values of derivative financial instruments are determined on the basis of current market data and recognised valuation methods.

Prepaid interest expenses comprise prepayments to reinsurers. The prepayments cover contracts with reinsurance of the credit risk on loans. The prepayments are charged to the income statement as a financial expense under result for lending activities in line with the repayment profile of the loan.
Other receivables comprise interest related to export loans and other receivables and are measured at amortised cost, usually equivalent to nominal value. The value is reduced by write-downs to offset expected losses.

Equity and capital ratio

Equity is divided into a cash flow hedges reserve, proposed dividend and non-restricted equity.

Proposed dividend to the Danish State is shown as a separate item under equity. Proposed dividend is recognised as a liability on the date the Minister for Industry, Business and Financial Affairs approves the proposed dividend.
The cash flow hedges reserve comprises the effective hedging of future transactions at fair value estimation of derivative financial instruments.

Non-restricted equity comprises the remaining reserve after calculation of the proposed dividend and the cash flow hedges reserve.

EKF uses an "Economic Capital" approach for determining requirements for non-restricted capital. EKF's equity requirement is calculated on the basis of EKF's credit risk, market risk, commercial risk and operational risks. The calculation is performed on the basis of an internal Value-at-Risk (VaR) model, which makes the calculation, for a given probability, of the maximum unexpected loss across a timeframe of one year resulting from the indicated risk types. Capital add-on is defined for each risk type, where the total equity requirement is the sum of the capital add-on.

The minimum requirement for the non-restricted equity is the unexpected losses, cf. EKF's VaR model for a confidence level of 97 per cent and the total capital requirement, i.e. the minimum requirement plus the buffer requirement, set at the unexpected loss for a confidence level of 99 per cent. If EKF meets the total capital requirement, EKF will, with 99 per cent certainty, have adequate equity to resist losses caused by EKF's credit risk, market risk, commercial risk and operational risks over the next 12 months.

Payables

Payables to the Danish state (on-lending) via Danmarks Nationalbank are recognised initially at the proceeds received. In subsequent periods, on-lending is measured at fair value. The fair value is calculated as the exchange rate on discounting to net present value of future cash flows at the relevant discount rates determined on the basis of current market data.

Derivative financial instruments are initially recognised in the balance sheet at cost and subsequently measured at fair value. The fair value is calculated as the exchange rate on discounting to net present value of future cash flows at the relevant discount rates determined on the basis of current market data.

Prepaid interest income comprises prepayments received from borrowers. The prepayments cover future interest income on loans. The prepayments are recognised as income in line with the repayment profile of the loan.

Payables to reinsurance companies are recognised at the present value on the date of recognition. Subsequently, current recalculation of present values is performed on the balance sheet date. Payables with a maturity of more than one year are discounted by a CIRR rate in the currency in which the receivable concerned was raised. Payables to reinsurers are written down according to the same principles as premiums receivable. See the section on premiums receivable.

Other payables are measured at amortised cost, essentially equivalent to nominal value.

Technical provisions

Guarantee provisions are measured on the basis of the risk assessment carried out when the premium is set. Provisions for guarantees are made when cover under the guarantee commences. The individual guarantee provisions are calculated continuously based on the classification of the buyer country and the guaranteed buyer or bank into eight risk categories. Based on these country (political risk) and buyer (commercial risk) classifications, the risk of loss on the guarantee exposure is calculated.

The tenor of the guarantees is also included in the risk calculation. The guarantee exposure and guarantee provisions for individual transactions are regularly written down on the basis of a repayment profile that is defined when the guarantee is established and matches the payment plan provided by the lender to the borrower.
The individual rate applied to the guarantee provision expresses the risk of loss on the individual guarantee.

On initial recognition, provisions of 80 per cent of the premium are usually made. The remaining 20 per cent of the premium is considered as coverage for administrative expenses, cf. international procedures agreed within the OECD. No provisions are made for upfront and commitment fees.

Subsequent provisions are measured based on the current recalculated present value of the premium. Provisions are recognised on an ongoing basis, taking into account the individual risk profile and the remaining tenor of the guarantee. For some of EKF's products, provisions of a different percentage of the premium are made. For working capital transactions, provisions are made for 100 per cent of the premium. In case of significantly increased risk on a guarantee, a specific assessment of the guarantee provision will be made.
Provisions for claims expenses are amounts allocated to cover payments on commercial claims and political claims received or potential commercial and political claims. Provisions for claims expenses also include expenses related to the prevention and assessment of claims. In the event of a potential loss on a guarantee, a specific assessment and measurement of the expected loss on the guarantee will be made.

When provisions are made for claims expenses, the provision for the guarantee will be reversed.

Cash flow statement

The cash flow statement based on the indirect method shows the cash flows from the operating, investment and financing activities during the year. The impact of these cash flows on liquidity at the end of the year is also shown. Liquidity at the end of the year comprises the items *Balance with the Danish state* and *Cash and cash equivalents*.

Assessment of guarantee exposure and conditional offers

From 1 January 2021, the method for calculating guarantee exposure has been changed. Previously, all future expected interest amounts which were not yet added or accrued were recognised.

Guarantee exposure comprises the largest possible exposure less reinsurance in cases that include both commercial and political exposure. The exposure is regularly written down during the guarantee period on the basis of the repayment profile defined when the guarantee is issued.

Conditional offers comprises the largest possible guarantee exposure in cases that include both commercial and political exposure. Conditional offers are either converted to a guarantee or the transaction is completed on the expiry date.

Conditional offers comprise the largest possible exposure in cases that include both commercial and political exposure. Conditional offers are either converted to a guarantee or the transaction is completed on the expiry date.

Note 31: Definitions of financial highlights and ratios

Equity ratio

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

Provisioning ratio for guarantees

$$\left(\frac{\text{Technical provisions}}{\text{Guarantee exposure for EKF}} \right) \times 100$$

Return on equity

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

Capital ratio

$$\left(\frac{\text{Non-restricted equity}}{\text{Adjusted guarantee and loan exposure}} \right) \times 100$$

Write-down ratio for loans

$$\left(\frac{\text{Write-downs of loans}}{\text{Loans before write-downs}} \right)$$

EKF's Management

Peder Lundquist
Chief Executive Officer

Management positions:
Eksport Kredit Finansiering A/S

Board positions:
Postnord, member of Audit and Risk Committee

Board Leadership Society, member
Evida, member

Christian Ølgaard
Chief Financial Officer

Board positions:
P/F Fønix, Tórshavn, member

Morten Lykke
Chief Credit Officer

No other positions

Peter Boeskov
Chief Commercial Officer
Global Wind & Structured Finance

No other positions

Thomas Hovard
Chief Commercial Officer
Corporates & Institutions

No other positions

Tine Lønborg
Chief Risk Officer

No other positions

EKF's Board of Directors

Christian Frigast

Formand for EKF, formand for aflønningsudvalg, medlem af revisions-, risiko- og complianceudvalget

Management positions:

Frigast A/S

Board positions:

Board Leadership Society, Chair

Danmarks Skibskredit Holding A/S, Chair

AX IV HoldCo P/S, Chair

Axcel Management A/S, Chair

Industry Association for Active Owners in Denmark, Chair

Eksport Kredit Finansiering A/S, Chair

PostNord, Deputy Chair

Pandora A/S, Deputy Chair

Axcel Fonden, Member (including executive positions within 7 companies)

AX V Nissens II ApS, member (including Board positions with 2 companies) Danmarks Skibskredit A/S, member

Frigast A/S, member

Associate Professor at Copenhagen Business School

Dorrit Vanglo

Næstformand for EKF, medlem afaflønningsudvalg

Management positions:

LD Fonde

Board positions:

KAPITALFORENINGEN LD, Chair

Det Danske Hedeselskab, Deputy Chair

Eksport Kredit Finansiering A/S, Deputy Chair

Dalgas Group, Deputy Chair, Bikuben Foundation, member

Emilie Turunen

Medlem af revisions-, risiko- og complianceudvalget

Board positions:

Eksport Kredit Finansiering A/S, member

Janne Bram Hemphrey

Bestyrelseshverv:

Copenhagen Institute for Futures Studies, member
Eksport Kredit Finansiering A/S, member
NDUNA, member

Jørgen Høholt

Medlem af revisions-, risiko- og complianceudvalget

Management positions:
JH Financial Advisory

Bestyrelseshverv:
DKT Holding A/S,

Deputy Chair DKT Finance

ApS, Deputy Chair DKT Telekommunikation ApS, Deputy Chair

Nykredit A/S, member (Chair of Audit Committee, member of Risk Committee)

Nykredit Realkredit A/S, member

TDC A/S, member

Eksport Kredit Finansiering

A/S, member

Kirk Kapital Advisory Board, member

ATP Ejendomme A/S, member

ATP Real Estate Partners I K/S, member

Norsad Finance Limited, member

Niels Jacobsen

Management positions:
William Demant Invest A/S

Bestyrelseshverv:

Founders A/S, Chair

Jeudan A/S, Chair

Nissens A/S, Chair

Thomas B. Thriges Fond, Chair

Vision RT ltd., Chair

Össur hf., Chair

Demant A/S, Deputy Chair

ABOUT YOU Holding GmbH, Deputy Chair

KIRKBI A/S. Deputy Chair

Boston Holding A/S, member

Eksport Kredit Finansiering A/S, member

Anna Marie Owie

Medarbejdervalgt
No other positions

Morten Wernberg

Medarbejdervalgt

No other positions

Resource consumption and carbon emissions

Resource consumption

Waste and recycling	2021	2020	2019
Total (tonnes)	19	13	18
Per employee (kg)	104	80	130
Recycled paper (tonnes)	1*	4	5
Resource consumption	**2021**	**2020**	**2019**
Electricity consumption			
Total (MWh)	222	225	245
Per employee (kWh)	1,226	1,583	1,727
Per area (kWh/m$_2$)	22	22	24
Heat consumption			
Total (MWh)	215*	215	202
Per employee (kWh)	1,470*	1,470	1,426
Per area (kWh/m$_2$)	32*	32	30
Water consumption			
Total (m3)	959*	959	1,215
Per employee (m$_3$)	6.57*	6.57	8.56
Per area (m$_3$)	0.09*	0.09	0.12

*Note that heating and water consumption figures are not available until April. The figures for 2021 are therefore estimates based on consumption in 2020. In 2021 EKF has only received information from Divello/one of the paper recycling companies.

In general, there were no significant changes in EKF's consumption of resources in the period from 2019 to 2021. Heat consumption has increased slightly, but water and electricity consumption have both decreased. Waste consumption has increased slightly, but recycled paper decreased in 2021.

Carbon emissions from resource consumption

Total carbon emissions based on EKF's resource consumption and transportation	2021	2020	2019
Total emissions (tonnes)	90	320	1,040
Emissions per employee (kg)	500	2,300	7,300
Of which Scope 2 carbon emissions (electricity and heat)	42*	69	75
Emissions from electricity consumption (tonnes)	31.5	53.0	57.9
Emissions from heat consumption (tonnes)	10.7	16.2	17.8
Of which Scope 3 carbon emissions (all other indirect emissions)	45*	254	960
Emissions from air travel (tonnes)	40.2	248.4	943.6
Emissions from car travel (cars and taxis) (tonnes)	4.4	5.8	17.9
Emissions from courier services (tonnes)	0.03	0.01	0.01

*Note that heating and water consumption figures are not available until April. The figures for 2021 are therefore reported on the basis of consumption in 2020.

EKF's overall emissions decreased substantially in 2021. The change in Scope 2 emissions is primarily due to the fact that society in general has got better at producing electricity and heat. The main reason for lower Scope 3 carbon emissions was primarily that EKF flew overseas much less, since these long-haul routes are the worst for emissions.

The independent auditors' opinion regarding CO_2e data

The independent auditors' opinion regarding CO_2e data

To the Management and stakeholders of EKF Denmark's Export Credit Agency
We have audited EKF's data on CO2e displacement from renewable energy projects, as presented in the table "Total expected CO2e displacement achieved by EKF-financed projects 2019–2021" in EKF's Annual Report 2021 ("the report") with a view to arriving at a high degree of certainty. Data concern CO2e displacement over the standard useful life from all projects financed by EKF (74.9 million tonnes of CO2e) and EKF's share of the total (12.0 million tonnes of CO2e) in 2021.

Our audit was conducted to determine whether the reported data were obtained in compliance with EKF's method of calculating the aggregate CO2e displacement from all the renewable energy projects co-financed by EKF. The method is described in general terms in the report.

We express an opinion with a high degree of certainty.

Management's responsibility

EKF's management is responsible for gathering, calculating and presenting these data in the report. This responsibility also includes implementing such internal controls that the management determines are necessary for preparation of the report that is free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is based on our undertaking to express an opinion with a high degree of certainty concerning the data on CO2e displacement from renewable energy projects, as presented in the figure "Total expected CO2e displacement achieved by EKF-financed projects" in the report. We have organised and performed our undertaking in compliance with ISAE 3000, other statements with certainty other than audit or review of historical financial data, and additional requirements ensuing from Danish auditing legislation with a view to obtaining a high level of certainty for our opinion. We have assessed the data based on the criteria of completeness, reliability, relevance, neutrality and understandability in accordance with ISAE 3000.

A high degree of certainty is a high level of certainty, but is not a guarantee that an audit performed in accordance with International Standards on Auditing and the additional requirements applying in Denmark and in accordance with good public auditing practice will always disclose material misstatements, if any. Misstatements may occur as a result of fraud or error and can be deemed to be material if it can reasonably be expected that they will, individually or jointly, have an impact on the financial decisions made by any party on the basis of the reported data.

Deloitte Statsautoriseret Revisionspartnerselskab is subject to the International Standard on Quality Control (ISQC) 1 and thus employs a comprehensive system of quality assurance, including documented policies and procedures pertaining to compliance with ethical requirements, professional standards and applicable requirements in law and other legislation.

We have complied with the requirements for impartiality and other ethical requirements in the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (IESBA Code), which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional conduct, as well as ethical requirements applicable in Denmark.

We have performed our undertaking with a view to arriving at a high degree of certainty that EKF's data on CO2e displacement from renewable energy projects are presented fairly, in all material respects. Based on an assessment of the risk of material misstatement, we have planned and performed our undertaking with a view to obtaining every information and explanation necessary for supporting our opinion.

We carried out our work activities in February and March 2022. Our work involved auditing the fundamental procedures, calculations and input data in the calculation model for Marginal Emission Factors, which covers 39 specific countries and a generic country. We have random sampled Marginal Emission Factor values based on energy emission factors, capacity factors, energy requirements and capacity data. We have interviewed the developer of the Marginal Emission Factor model and reviewed documentation to verify key assumptions in the model. We have performed analytical tests, including validation of calculations by means of random samples, and have audited the internal checks of collection and calculation of the data concerned. We have conducted interviews and sampled data on demand and supply of electricity per country from source data and have validated assumptions concerning the growth of same from 2040 to 2050. We have conducted online interviews with process and data owners within EKF and have reviewed documentation for project data pertinent to the calculations, such as the projects' MW, dates for credit draw-down and credit facility amount and the country in which the project is sited. We have verified that all relevant projects have been included in the calculation and that the CO2e displacement has been accurately calculated.

We have not audited project financing data extracts from EKF's accounting system, which have already been audited by EKF's financial auditor.

Opinion

Based on our audit, it is our opinion that EKF's data on CO2e displacement over standard useful life from all renewable energy projects financed by EKF (74.9 million tonnes of CO2e) and EKF's share of that total (12.0 million tonnes of CO2e) in EKF's Annual Report 2021 are presented fairly, in all material respects.

Copenhagen, 14 March 2022

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR no. 33 96 35 56
Morten Egelund
State-authorised public accountant
MNE no. 21411
Helena Barton
Lead Reviewer

HEBA/ABP
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