EKF
Half-Year Report 2021

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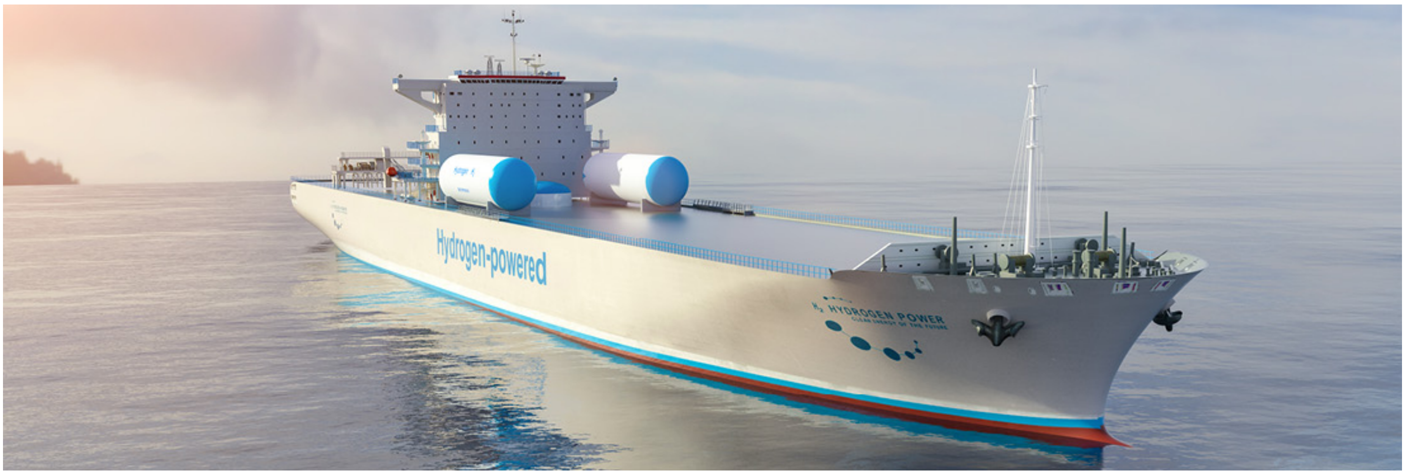
Financial highlights and ratios for the first half of 2021

Amounts in DKK million	First half of 2021	First half of 2020	Year 2020
Net profit/loss for the period	143	486	746
Equity	8,976	8,305	8,691
Balance sheet total	27,061	29,226	27,528
Guarantee exposure and loans, before reinsurance *1,2	97,904	101,323	97,158
Reinsured guarantee exposure and loans *1,2	43,191	38,835	41,225
Guarantee exposure and loans, after reinsurance *1,2	54,713	62,488	55,933
Conditional offers exposure	5,518	9,812	8,588
Total portfolio before reinsurance (incl. offers)*1,2	103,421	111,135	105,746
New export credits, working capital guarantees and loans*1,2	8,009	16,578	23,000
Return on equity, per cent	1.7	5.9	8.7
Capital ratio, per cent *3	-	8.8	10.7
Capital ratio *3	169.5	-	157.6

**1 Loans include granted loans and equity investments undertaken. For definitions of financial highlights and ratios, see note 6.*

**2 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. Comparative figures have not been adjusted.*

**3 From 1 January 2021, EKF has switched to new capital management. Previously, management was based on a capital ratio percentage which was calculated as non-restricted equity measured in relation to adjusted guarantee exposure. From 2021, capital ratio will be calculated as non-restricted equity according to future accounting policies divided by calculated capital requirements (VaR 99%). In accordance with future accounting policies, from 1 January 2022 guarantees will be recognised according to IFRS9 – in the same way as the current practices for loans.*



Management's review

A mixed six months with an optimistic outlook

The first half of 2021 was characterised by positive developments in the economy, but EKF experienced a somewhat slower build-up of the portfolio than expected. COVID-19 continued to generate some uncertainty, but we expect that the re-opening of society will gradually be implemented from the second half of 2021.

These six months produced a profit of DKK 143 million. New guarantees reached DKK 8 billion. This is lower than the expected level for the half year, but there are prospects for increased activity in the second half of the year, when large infrastructure projects around the world are expected to the resumed or initiated.

It is particularly within wind that the activity has been lower than expected, but we see good tendencies in the second half of the year, particularly in Europe and Asia. In other areas, financing activity has largely corresponded to what was expected, although it was lower than the first half year of 2020, where a single very large transaction pushed up the value of the new guarantees. The number of customers was stable throughout the six months and totalled nearly 700 at the end of June. The government financing schemes established during the COVID-19 crisis and a greater appetite for risk in the market for the small and medium-sized enterprises was evident in EKF's activities, where the scope of activities declined.

EKF's portfolio continued to experience no significant negative impact from COVID-19. During the first half year of 2021, EKF had one large transaction which, after prolonged attempts at restructuring, was sold off and resulted in a significant loss.

First half year involved a replacement of the CEO. Kirstine Damkjær stepped down as CEO of EKF on 15 March. Deputy CEO Peder Lundquist stepped in as interim CEO, and on 16 June, Peder Lundquist was named CEO of EKF.

Increased efforts to mitigate climate effects

In April, Denmark's Minister for Industry, Business and Financial Affairs, Simon Kollerup, signed an agreement on behalf of Denmark with six other European countries, which will increase the efforts to mitigate climate effects within export credit financing.

Inter alia, the agreement requires the six countries to stop export financing for coal, an initiative that Denmark implemented as early as the summer of 2020. In addition, the countries agree to collaborate on a long-term strategy for how to best promote the green transition and gradually phase out export financing for fossil fuels.

EKF is already one of the world's greenest export credit institutions, and we focus greatly on supporting the involvement of the Danish business community in the green transition worldwide. In particular, we do this from our position of strength within wind and a strategic initiative within the Power-to-X area, where within a short timeframe, we have established a significant pipeline of promising projects with which we will continue to work in the coming years. Going forward, EKF will focus on all sustainable energy technologies and involve Danish companies and investors in this regard.

Our ambition is to further extend our role in the Danish and global green transition, so that new and scalable Danish climate technology has the best conditions for breaking into the international markets.

In May, we therefore announced that EKF will open two new offices in Singapore and New York in the autumn. The aim is to support the Danish Government's ambitions for increased green Danish exports by operating in closer proximity to potential importers of Danish products and services.

New schemes take effect

The first half of 2021 also involved new government initiatives that would further support the export and internationalisation of Danish companies. EKF administrates several of these, including the market maturation programme Green Accelerator, where the first projects have been approved and where the second round within the application process includes a number of sound green projects.

Reinsurance scheme with the private sector is reintroduced

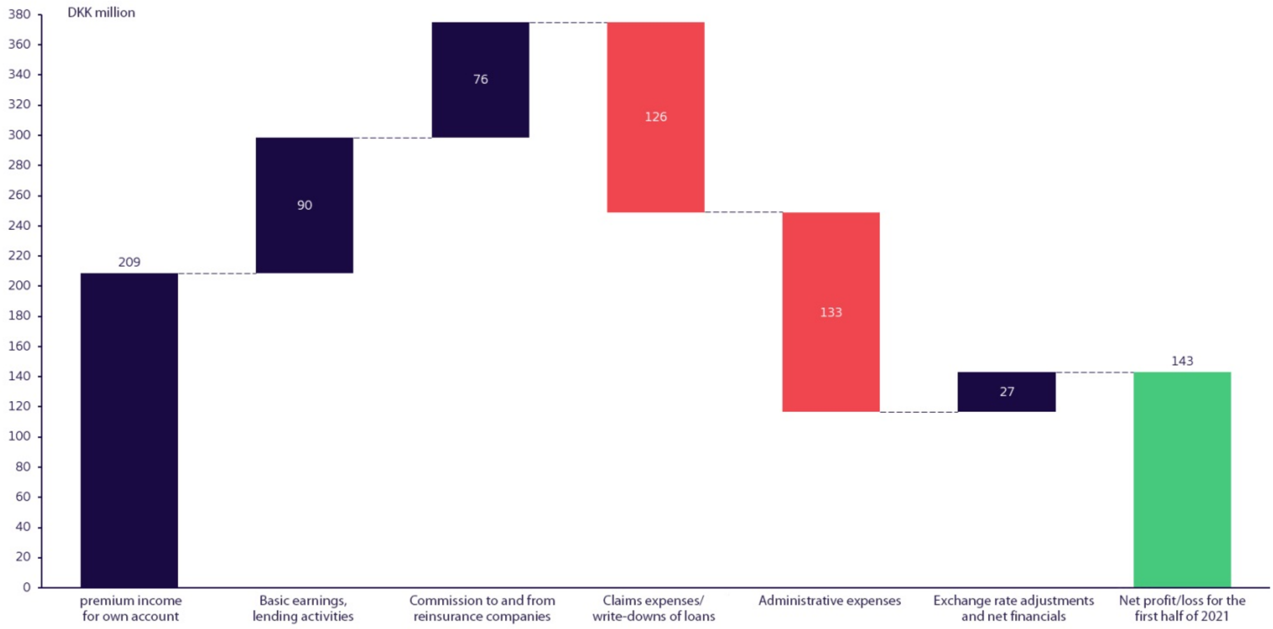
Over the course of the first six months of the year, we have seen the international trading markets normalise after the COVID-19 crisis. This meant that the government short-term reinsurance scheme, which was introduced in the spring of 2020, was phased out as of 30 June 2021. As part of the scheme, the government has reinsured the majority of the private short-term credit insurance market, where Danish companies cover short-term payment risks, in particular associated with export businesses. The private market can now again assume the risks of the great majority of transactions. At the same time, EKF's reinsurance scheme with the private credit insurance companies Atradius, Coface, Euler Hermes and Tryg Garanti, which handles particularly challenging risks, has been reactivated.

Management's detailed comments

New guarantees in the first half of 2021 constituted DKK 8.0 billion. Claims expenses and write-downs were a little higher than in previous years, but were not significantly affected by the COVID-19 crisis. The net profit for the first half of 2021 amounted to DKK 143 million.

Net profit/loss for the six months

The net profit/loss for the first half of 2021 was a surplus of DKK 143 million, compared with a surplus of DKK 486 million in the first half of 2020.



The result reflects, inter alia, lower income from new guarantees. The new guarantees in the first half of 2021 constituted DKK 8.0 billion, compared with DKK 16.6 billion in the first half of 2020.

Premium income from guarantees

Premium income for own account amounted to DKK 209 million in the first half of 2021. In the same period last year, the figure was DKK 429 million.

Amounts in DKK million	2021	2020
Gross premium income	500	1,682
Reversed premiums etc.	-106	-8
Reinsurance premiums paid	-280	-1,021
Change in guarantee provisions	-52	-884
Change in the reinsurance share of guarantee provisions	147	659
Total premium income for own account	**209**	**429**

Gross premiums in the first six months of the year of DKK 500 million constitute less than 1/3 of the historically high level for the same period last year. The reduction is due first and foremost to a drop in new guarantees, from DKK 14.8 billion in the first half of 2020 to 6.0 billion during the same period this year, since EKF generally recognises 20 per cent of the premiums in the year they were issued. In addition, the gross premium income is affected by a guarantee premium that is lower on average in the first half of 2021.

EKF reinsures a large proportion of the newly issued transactions, in part in the private market and in part through Danmarks Grønne Fremtidsfond. EKF thus cedes a large proportion of the gross premiums. However, this does not change the fact that lower premium income from new guarantees is the primary reason for the reduction in premium income for own account.

During the first half of 2021, EKF was able to recognise DKK 172 million as income in the run-off result (after reinsurance) on previous years' provisions for guarantees, which is lower than the first half of 2020, where the run-off results constituted DKK 195 million. The drop is due to significantly increased reinsurance activities, where a large share of the run-off income from can be attributed to the reinsurance companies.

A downward adjustment of the creditworthiness of selected debtors led to extra guarantee provisions of DKK 42 million for the first half of 2021. By comparison, the amount was close to DKK 0 for the same period last year.

Claims expenses concerning guarantees

The claims costs for own account constituted DKK 120 million in the first half of 2021 against a cost of DKK 77 million for the first half of 2020. The claims costs for the first half year of 2021 are particularly affected by a large case in the UK, where EKF paid a claim. This involved a cost of DKK 103 million. The loss is unrelated to the COVID-19 crisis.

The other individual provisions for losses in the first half of 2021 were low. EKF thus had no new non-performing guarantees in the first half of 2021.

Basic earnings from lending activities

Basic earnings from lending activities in the first half of 2021 amounted to earnings of DKK 90 million, which is 15 million lower than in the first half of 2020. The decline in basic earnings is due to EKF's loan portfolio being lower in the first half of 2021 than during the same period last year. New loans in the first half year of 2021 of DKK 2.1 billion is a higher figure than the same period last year, but the prepayments reduced EKF's total loan portfolio.

Amounts in DKK million	2021	2020
Financial income related to lending	256	307
Financial expenses related to loans	-166	-202
Basic earnings from lending activities	**90**	**105**

Write-downs of loans

Write-downs of loans amounted to a cost of DKK 6 million in the first half of 2021, compared with an income of DKK 27 million in the corresponding period for 2020. EKF's portfolio still contains only one non-performing loan.

EKF did not have any major loans in the first half of 2021 for which objective indications of impairment were registered, or for which it was necessary to make further write-downs for expected losses.

Administrative expenses

Administrative expenses represented an expense of DKK 133 million in the first half of 2021, compared with DKK 111 million in the first half of 2020. This increase is primarily due to the employment of staff with different competences and one-time costs.

Net financials

Net financials represented an income of DKK 27 million in the first half of 2021, compared with an expense of DKK 48 million in the same period last year.

The financial income for the period primarily consists of interest income of DKK 19 million from claims.

EKF implemented the use of hedge accounting since 1 January 2021. The implementation of hedge accounting provided accounting security and resulted in a negative value regulation of DKK 53 million. This corresponds to a similarly positive value adjustment from EKF's swap portfolio, which is not an expression of actual financial gain, cf. the next section.

Early execution of a swap resulted in a significant gain, which for accounting purposes was offset by a significant negative value adjustment. Exchange rate adjustment and value adjustment, unrealised, overall constituted an income of DKK 10 million for the first half of 2021.

Change in accounting policies

From the first half of 2021, EKF chose to implement hedge accounting of loans in accordance with IFRS9, where cash flow hedges of variable-interest loans and fair value hedges of fixed-interest loans took place. This hedge accounting will reduce the 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). For a more detailed description and the effects on the amounts, see note 5 on hedge accounting.

From 1 January 2021, EKF has switched to a new capital model. EFK uses an "Economic Capital" approach to determine requirements for non-restricted equity. EKF's equity requirement is calculated on the basis of EKF's credit risk, market risk, commercial risk and operational risks. For a further description, see note 6 on definitions of financial highlights and ratios.

As a consequence of a new capital model and the implementation of hedge accounting from 1 January 2021, a new calculation of the equity has been prepared. The restricted equity and exchange rate adjustment reserve has been transferred to non-restricted equity from 1 January 2021. Due to the implementation of hedge accounting, a new reserve has been implemented for cash flow hedges in equity.

Outlook

There are better prospects for the second half of 2021, in line with the re-opening of the economies. The total level of new guarantees for 2021 is expected to be DKK 15-20 billion, compared with DKK 23 billion in 2020. EKF's portfolio before reinsurance will thus grow by 3-9 per cent, excluding exchange rate adjustment.

EKF's portfolio does not have significant exposure towards the industries that have been most exposed during the crisis, and EKF has not suffered large losses in relation to COVID-19. EKF has seen an improvement in most markets, but it is still difficult to assess the risk of increased provisions and write-downs in the second half of the year.

For 2021, EKF expects a positive result between DKK 150-350 million.

Corporate information

EKF Denmark's Export Credit Agency

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Fax: 35 46 26 11

Website: www.ekf.dk

E-mail: ekf@ekf.dk

CVR no. (company registration no.):
30 76 37 77

Founded: 19. November 1999

Registered office: Copenhagen

Accounting period: 1. January – 30 June

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Strandvejen 44

DK-2900 Hellerup

Rigsrevisionen

Landgreven 4

DK-1301 Copenhagen

Board of Directors

Christian Frigast, Chairman

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

Management statement

Today the Board of Directors and the Management considered and approved the Half-Year Report for 1 January – 30 June 2021 for EKF Denmark's Export Credit Agency.

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

In our opinion the half-year report provides a true and fair view of EKF Denmark's Export Credit Agency's assets, liabilities and financial position at 30 June 2021 and of the results of EKF's operations for the period between 1 January and 30 June 2021.

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

Management

Peder Lundquist

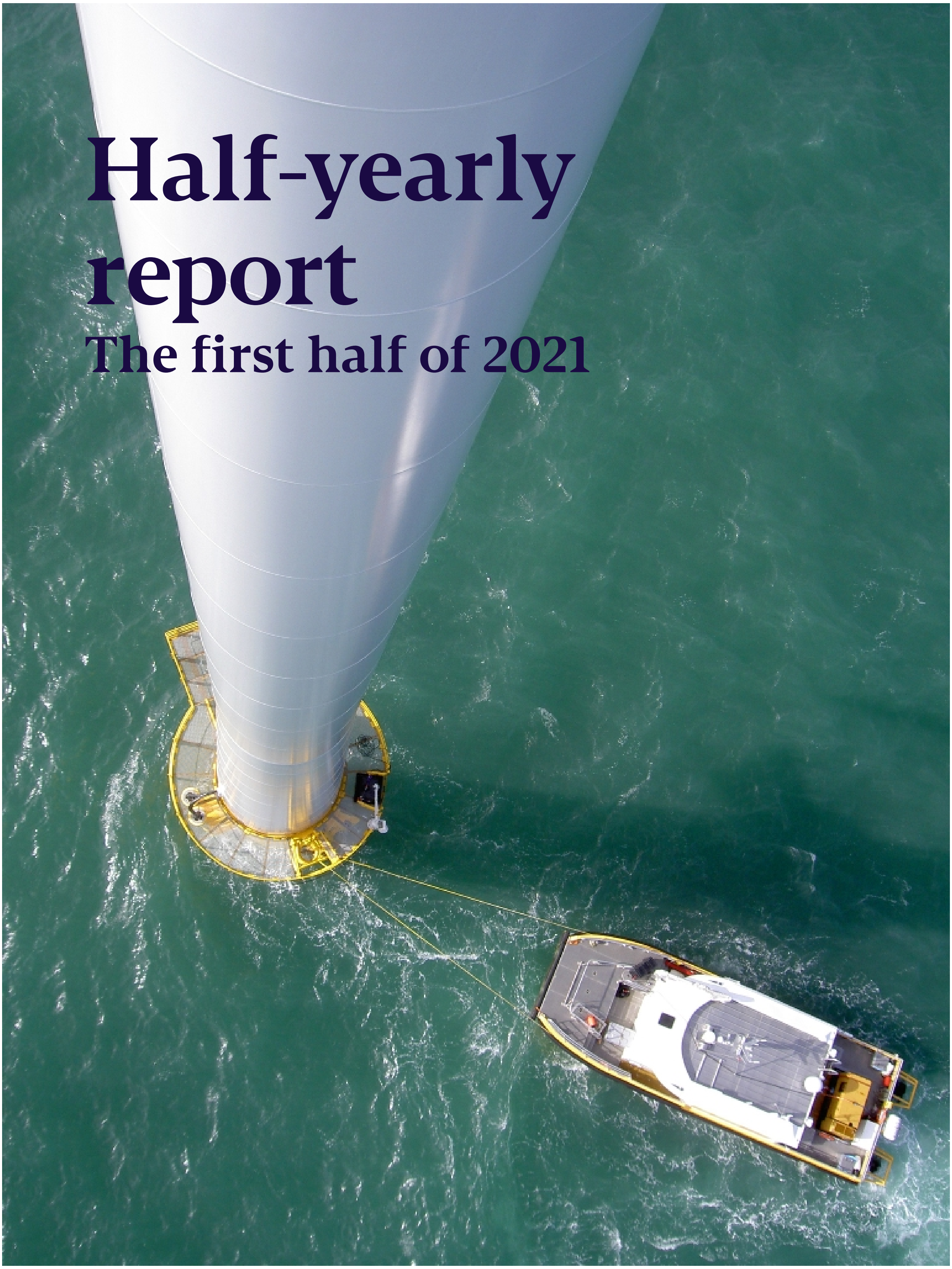
Chief Executive Officer

Board of Directors

Christian Frigast Chairman	Dorrit Vanglo Deputy Chair	Janne Bram Hemphrey
Jørgen Høholt	Niels Jacobsen	Emilie Turunen
Anna Marie Owie Employee Representative	Morten Wernberg Employee Representative	

Half-yearly report

The first half of 2021



Income statement for 1 January – 30 June, 2021

Amounts in DKK million	Note	First half of 2021	First half of 2020	Year 2020
Gross premium income		394	1,674	2,011
Reinsurance premiums paid		-280	-1,020	-1,454
Change in guarantee provisions	1	-52	-884	-785
Change in the reinsurance share of guarantee provisions		147	659	860
Total premium income for own account		**209**	**429**	**632**
Claims expenses	2	-147	-77	-218
Change in the reinsurance share of provisions for claims expenses		27	0	18
Total claims expenses for own account		**-120**	**-77**	**-200**
Commission to and from reinsurance companies		76	161	258
Technical result before administrative expenses		**165**	**513**	**690**
Financial income related to lending		256	307	612
Financial expenses related to loans		-166	-202	-393
Basic earnings from lending activities		**90**	**105**	**220**
Write-downs of loans		-6	27	-75
Result of lending activities before administrative expenses		**84**	**132**	**145**
Total operating income before administrative expenses		**249**	**645**	**835**
Administrative expenses, net		-133	-111	-228
Total operating income before net financials		**117**	**534**	**606**
Exchange rate adjustments		84	16	-114
Financial income		18	127	195
Financial expenses		-2	-9	-16
Value adjustments, unrealised		-74	-182	75
Investment income		**27**	**-48**	**140**
Net profit/loss for the year		**143**	**486**	**746**

Balance sheet

Amounts in DKK million	30. June 2021	30. June 2020	Year 2020
Assets			
Cash and demand deposits	6,816	6,801	8,516
Loans	9,856	11,546	9,083
Securities	870	1,452	978
Fixed assets	33	16	18
Receivables	6,753	7,020	6,401
Reinsurance shares	2,735	2,391	2,532
Total current assets	9,487	9,411	8,533
Assets	**27,061**	**29,226**	**27,528**
Liabilities			
Equity	8,976	8,305	8,691
Other payables	12,371	15,050	13,132
Technical provisions	5,713	5,871	5,705
Liabilities	**27,061**	**29,226**	**27,528**
Guarantee exposure after reinsurance	45,849	51,887	55,933
Conditional offers exposure	5,518	9,812	8,588

Statement of changes in equity

Amounts in DKK million	Retained earnings	Capital transfer to the Danish state	Restricted equity (tied up)	Exchange rate adjustment reserve	Reserve for cash flow hedges	Total
Equity at 1 January 2020	**5,265**	**640**	**2,704**	**-150**		**8,460**
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		75
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					12	12
Net profit/loss for the period	143					143
Equity at 30 June 2021	**8,964**	**0**	**0**	**0**	**12**	**8,976**

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

From 2021, equity is divided into non-restricted equity, proposed dividend as well as cash hedges reserve.

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

In 2020, EKF distributed the maximum amount of DKK 100 million from the profit for the year. In 2021, EKF will distribute half of the profit, though at most DKK 100 million. Proposed dividend to the Danish state is shown as a separate entry 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 reserve for cash flow hedges includes gains and losses on the derivative financial instruments which are classified as and meet the conditions for effective hedging of future transactions. The reserve is dissolved as the derivative financial instruments are realised or reversed.

Notes

Note 1: Change in guarantee provisions

Amounts in DKK million	30. June 2021	30. June 2020	Year 2020
Addition of new guarantees	-422	-1,206	-1,411
Changes in guarantees	61	-15	17
Change in country and debtor ratings	-145	4	-81
Reductions in guarantee provisions	310	294	598
Reversal of guarantee provisions as a result of potential losses	11	4	57
Reversal of guarantee provisions as a result of prepayments etc.	134	35	35
Change in guarantee provisions	**-52**	**-884**	**-785**

Note 2: Claims expenses

Amounts in DKK million.	30. June 2021	30. June 2020	Year 2020
Change in provisions	160	-55	-158
Change in claims write-down	38	-18	381
Write-off of claims	-339	0	-430
Indemnification payments to short-term reinsurance	-5	-3	-3
Transaction expenses	-1	-1	-8
Claims expenses	**-147**	**-77**	**-218**

Note 3: Capital ratio

Amounts in DKK million	30. June 2021	30. June 2020	Year 2020
Equity, non-restricted (current accounting policies)*1	8,964	5,803	6,240
Equity, non-restricted (future accounting policies)*2	6,525	-	6,200
Capital requirements (VaR 99 per cent)	3,849	-	3,933
Capital ratio, per cent*3	**169.5**	-	**157.6**

**1 Non-restricted equity according to current accounting policies is inclusive of the restricted equity and the exchange rate adjustment reserve. Restricted equity and exchange rate adjustment reserve are included in non-restricted equity due to a switch to a new capital model as of 1 January 2021. Comparative figures have been adjusted.*

**2 Non-restricted equity has been adapted to future accounting policies. Since this calculation includes estimates, a prudential buffer of DKK 600 million was deducted when calculating non-restricted equity according to future accounting policies. According to future accounting policies, the guarantees are recognised pursuant to IFRS9, in the same way as the current practice for loans.*

**3 From 1 January 2021, EKF has switched to new capital management. Previously, management was based on a capital ratio percentage, which was calculated as non-restricted equity measured in relation to adjusted guarantee exposure. From 2021, capital ratio will be calculated as non-restricted equity according to future accounting policies divided by calculated capital requirements (VaR 99%). No comparative figures have been calculated for 30 June 2020.*

Note 4: Significant accounting policies

Since presentation of the annual report for 2020, EKF has chosen to implement hedge accounting in accordance with IFRS9 on export loans and associated financial instruments. In addition, the accounting policies used in the half-year report were unchanged in relation to the annual report for 2020. The effect of the implementation is indicated in note 5.

A derived effect of EKF's new capital model is that the presentation of equity is adjusted. With the transition to a new capital model, the restricted equity and exchange rate adjustment reserve were transferred to non-restricted equity.

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.

The Half-Year Report is not audited.

Note 5: Hedge accounting

Due to the implementation of hedge accounting on 1 January 2021, the half-year report was affected by a number of entries that would not have existed if hedge accounting was not used. Overall, the half year was affected by costs of DKK 65 million, of which DKK 53 million could be attributed to adjustment of loans due to fair value hedges, and DKK 12 million can be attributed to cashflow hedges.

The implementation of hedge accounting was done 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 profit/loss 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 immediately in the profit/loss. 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 in connection with the settlement of Cross currency basis spread via the ongoing payments on swaps (costs for cashflow 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.

Note 6: Definitions of financial highlights and ratios

Return on equity

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

Capital ratio

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

Non-restricted equity has been adapted to future accounting policies. According to future accounting policies, the guarantees are recognised pursuant to IFRS9, in the same way as the current practice for loans.

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 calculates the maximum unexpected loss for a given probability across a timeframe of a year resulting from the indicated risk types. Capital add-on is defined for each risk type, and 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.