EKF
Annual Report 2020

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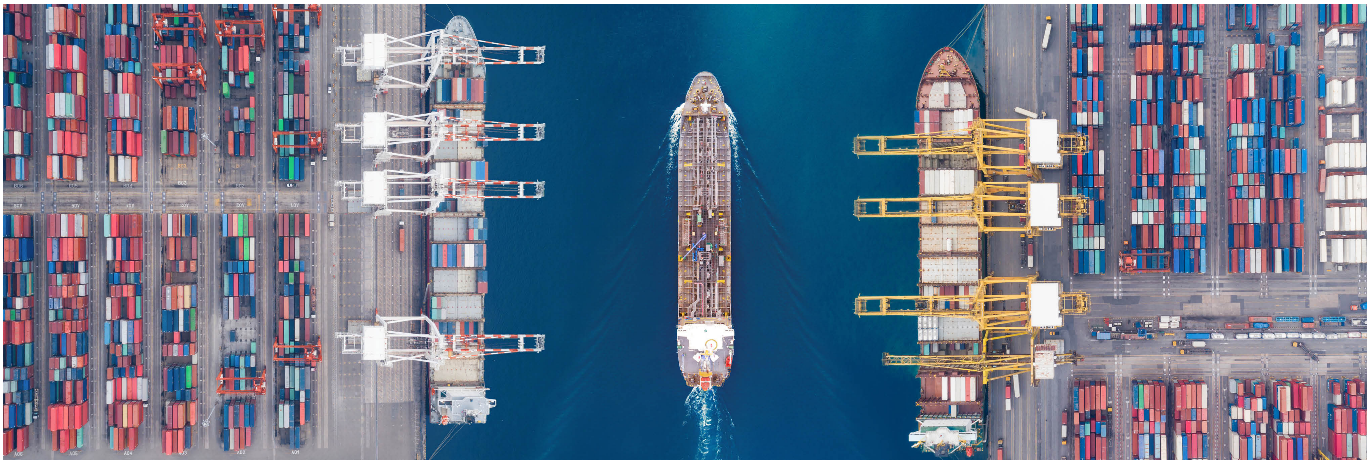


Social responsibility and sustained growth in a time of crisis

2020 was a difficult and challenging year for everyone. The coronavirus pandemic shut down both societies and borders, causing great uncertainty for Danish exporters.

As a small open economy, Denmark depends on the ability of its companies to do transnational business. This is why EKF took early action in the spring of 2020 to facilitate cash support, guarantees and advice to enable Danish companies to continue their investments, production and exports. We are continuing to provide that service, while succeeding in retaining our position of strength in the clean energy transition and supporting the globalisation of green Danish solutions.

In 2020, EKF generated a surplus of DKK 746 million, and issued new guarantees worth DKK 23 billion. This is one result of EKF's ability, even during the pandemic, to sustain recent years' positive moves to support exports by Danish businesses.

As part of the Danish Parliament's relief packages for Danish trade and industry, at EKF we exercised our social responsibility by extending financial assistance to Danish exporters during a difficult time. We helped many Danish businesses with liquidity and export credit, and the extended guarantee limits for private trade credit insurance kept transactions worth more than DKK 230 billion afloat. We pulled out all the stops to rapidly give our customers, small and large, peace of mind for doing business.

At year-end, we conducted our customary survey of customer satisfaction with EKF, and we are proud to see a significant improvement in our performance ratings with customers given the challenges of 2020. This strengthens our conviction that we have achieved our ambition to be there for our customers whenever they need us.

> **Our customers range from large corporates to small enterprises, and they operate nationwide in Denmark and in the Danish Realm; from Western Jutland to Bornholm in the East, from Nuuk in Greenland to Nakskov, Lolland.**

EKF's special mission is to support large, small and medium-sized export enterprises alike. Our ambition is to serve these enterprises as their financial partner and to create value for them so that they may retain investments, jobs and production for the benefit of Denmark. Small and medium-sized enterprises taken as one account for more than eight in ten EKF customers, and in the wake of the crisis, their need for expert and credible advice has only increased.

However, EKF's efforts are not dependent on either size or where in Denmark or the wider world a business operates. Our customers range from large corporates to small enterprises, and they operate nationwide in Denmark and in the Danish Realm; from Western Jutland to Bornholm in the East, from Nuuk in Greenland to Nakskov, Lolland. EKF is equally essential for large corporates, which we assist in financing their investments and exports. Our portfolio contains a great many of Denmark's largest companies. Our knowledge of industries and sectors is wide-ranging, and our ambition is to serve all sectors and all export companies who conduct business for the benefit of Denmark.

Crisis must not stand in the way of the clean energy transition

When crisis strikes, suspending all development and innovation to play it safe with well-established solutions so as reduce uncertainty is the easiest course of action. But the easiest course is not always the right one, and at EKF, we have maintained commitment to advancing clean energy solutions despite the crisis and travel restrictions. The Danish Government has high ambitions for climate action, which we support with our knowledge, experience and financial strength in the international markets. EKF partners with those businesses, banks and investors worldwide who are committed to engaging in the energy transition, but lack the experience and know-how to do so.

Under the 2020 National Budget, EKF was granted up to DKK 14 billion through Denmark's Green Future Fund. The Fund's mandate is to promote the energy transition, reduce global CO_2e emissions and boost exports of Danish climate technologies. In 2020, in association with Denmark's Green Future Fund, EKF financed seven new clean energy projects beyond Denmark's borders worth a total of DKK 8.4 billion, of which Denmark's Green Future fund has guaranteed DKK 2.3 billion. Of these projects, the main contributors to substantial reductions in CO_2e emissions are those entailing financing of onshore and, increasingly, offshore wind farms.

> **We are committed to proactively supporting the development of new, scalable climate technologies, and to backing even more clean energy projects undertaken by small and medium-sized export enterprises.**

And it doesn't stop there. Under the 2021 Danish National Budget, EKF has gained promising new tasks to accomplish within clean energy. We will be proactive in supporting the development of new scalable climate technologies such as Power-to-X (storage and conversion of clean energy into hydrogen), and will also be doing even more to back clean energy projects within small and medium-sized enterprises. Going forward, this means that we will be prioritising ventures posing a higher risk in that they involve more recent, non-mature technologies.

EKF is seeking to extend its role in the energy transition nationally and internationally, and in 2021 will be surveying how this can be achieved in partnership with businesses and financial actors. Based on the outcome of the survey, the EKF Board will discuss the options for setting new energy transition targets.

A more unstable world

With the closure of society and national borders, the coronavirus crisis has fanned what was already a protectionist flame worldwide. EKF is in constant competition with other countries and export credit agencies, and it is therefore in Denmark's and EKF's interest to have international rules in place to guarantee best practices and fair and equal competition among countries.

We believe that cooperation and international trade are key to bringing Denmark and the rest of the world out of the crisis. To that end, EKF's express aim is to play a role in advancing equitable competition and to be instrumental in guiding it in a greener, more climate-friendly direction. Growth and the energy transition are not contradictions in terms - they go hand in hand for the benefit of businesses, citizens and society, and EKF is there every step of the way.

Christian Frigast

Chair of the EKF Board of Directors

EKF in figures

Net profit for the year

DKK

746 m

Portfolio

DKK

106 bn

New guarantees

DKK

23 bn

Number of customers

689

5-year overview

Amounts in DKK million	2020	2019	2018	2017	2016
Net profit for the year	746	743	618	598	467
New export credits, working capital guarantees and loans	23,000	17,839	33,683	11,507	13,885
Premium income for own account	632	375	566	550	596
Basic earnings from lending activities	220	258	291	275	317
Proposed dividend +	100	640	140	140	125
Technical provisions, net (year-end)	5,705	5,050	5,005	3,800	4,991
Write-downs of loans (year-end)	719	630	620	340	385
Equity	8,691	8,459	7,856	7,612	7,140
Balance sheet total	27,528	26,634	28,037	26,834	30,099
Average number of employees	146	141	131	124	124
Portfolio					
Guarantee exposure and loans, before reinsurance ++	97,158	92,219	86,697	63,936	69,160
Reinsured guarantee exposure and loans	41,225	32,985	20,506	15,069	15,351
Guarantee exposure and loans, after reinsurance	55,933	59,234	66,192	48,867	53,809
Conditional offers exposure	8,588	6,964	5,253	7,453	14,952
Total portfolio before reinsurance (incl. offers)	105,746	99,183	91,950	71,389	84,112
Ratios, percent					
Equity ratio	31.6	31.8	28.0	28.4	23.7
Provisioning ratio for guarantees	12.0	10.3	9.2	.9.9	12.0
Write-down ratio for loans	7.3	6.3	5.5	2.6	2.7
Return on equity	8.7	9.1	8.0	8.1	6.8
Capital ratio	10.7	8.7	7.7	9.4	6.9

+ Proposed dividend is approved by the Minister for Industry, Business and Financial Affairs on presentation of the Annual Report and the distribution of profit at the company meeting. Dividend can then be paid to our owner.

++ Loans include granted loans and equity investments undertaken. Write-down by expected loss according to IFRS 9 has not been adjusted to the comparative figures from 2015-2017.

For definitions of financial highlights and ratios, see note 31.

EKF's value to Denmark

GDP contribution
DKK
7.9 bn

Dividend distributed to the Danish State
DKK
100 m

Export contracts worth
DKK
21 bn

Tax contribution
DKK
2.6 bn

Number of jobs created or retained
8,900

EKF exercises its social responsibility

2020 was a difficult and extraordinary year for everyone – not least for Danish exporters who faced increasingly uncertain prospects as the months went by. For EKF, the coronavirus crisis meant an escalation in activities.

Only a few days after the national lockdown, we were ready to help both new and existing customers navigate the uncertainties with new working capital guarantees and export credits. This meant that the companies were able to sustain their activities and in so doing retain many Danish jobs.

The break-out of the pandemic in 2020 plunged many Danish businesses into great uncertainty. However, a number of relief measures agreed on by a wide majority of parties represented in Parliament kept Danish exporters afloat as they saw the orders ebbing away in the wake of lockdowns worldwide, while a large government-backed guarantee facility ensured that they could obtain private trade credit insurance.

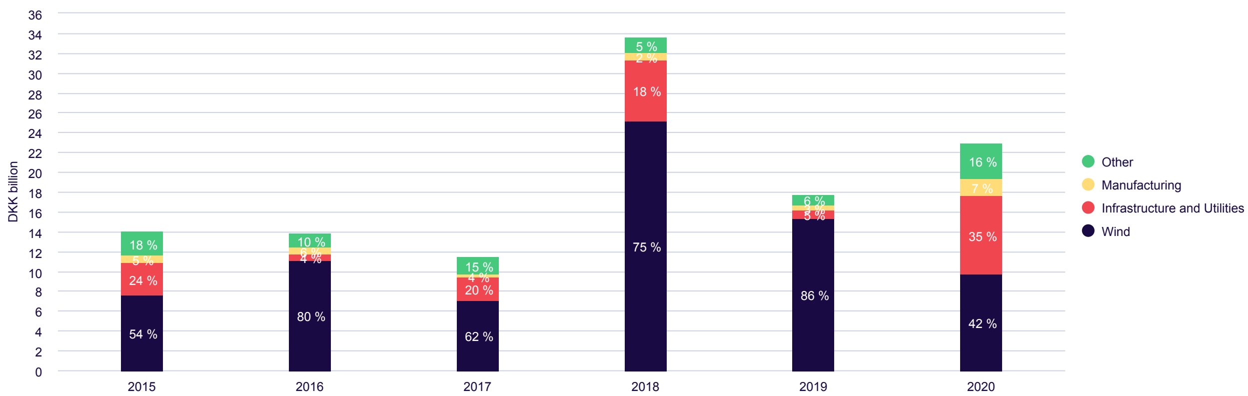
In 2020, some 700 Danish exporters had either export credits, working capital guarantees, conditional offers or loans in hand from EKF as backing for realising their international ambitions. More than 125 companies were granted the new liquidity guarantees during the pandemic, allowing them to maintain their business. Under this liquidity guarantee, EKF guarantees up to 90 percent of the loan, as opposed to the customary 80 percent, which makes it easier to gain liquidity with the bank. The government-backed guarantee facility, which is also administered by EKF, backed almost 3,000 companies' private trade credit insurance of exports worth more than DKK 230 billion. This meant that overseas consumers could continue to enjoy both Lurpak and Danish Bacon, and the major Danish exporters could keep up their production.

Concurrently with our administration of the new COVID-19 relief measures, EKF maintained a high level of activity in our core business areas. This was one reason why we were able to achieve a satisfactory net profit of DKK 746 million for 2020. Aside from reflecting EKF's high level of activity, this positive result also reflects our sustained commitment to supporting 'green' development. In 2020, the level of new issuances was equally satisfactory at DKK 23 billion, and the high level of activity means that we extended our aggregate lending and guarantee exposure to more than DKK 100 billion.

Throughout the coronavirus crisis, EKF ensured that companies applying for a guarantee or additional liquidity did not have long to wait for EKF's answer, so that business as usual and production could continue. EKF took swift and efficient action to live up to the corporate social responsibility we exercise under our public ownership. Our performance is reflected in our customer satisfaction ratings, which increased significantly in 2020 from what was already a high level. We take this as proof that the extra effort we put in during the crisis is appreciated by the companies we exist to serve.

This is a responsibility we take very seriously, and a responsibility that we will also find new ways of exercising so that Danish international businesses can globalise their products, solutions and expertise.

Trend in new issuances 2015-2020



Because when we take a world view, there is no doubt that countries are tending to become more protectionist and more economically nationalistic. Other countries are stepping up their efforts to get their own domestic companies' products sold on the global market, and this trend is unlikely to just disappear once COVID-19 vaccination has been realised and people and goods can once again move freely. Instead, the trend is set to continue, which means that EKF also has to be ready to seek new directions and make an extra effort for Danish international companies.

A broad majority in the Danish Parliament has allocated additional funds to EKF in order to increase our risk appetite and the number of solutions we offer. This means that going forward, we will be offering additional venture capital, while also increasing our risk appetite in a number of countries where we were formerly more risk-averse.

In addition, by December 2020 we had already launched EKF Green Accelerator, a market accelerator programme, designed to back Danish international companies who have plans for a climate-friendly export venture, but have encountered barriers to its realisation. These companies can now apply for a subsidy from EKF Green Accelerator to finance activities such as feasibility studies, market research, legal advice, ESG compliance analysis, advice on patent applications and the like.

In terms of number, small and medium-sized enterprises accounted for the lion's share of new guarantees, while the highest percentage of total financing benefited large-scale wind ventures in Taiwan, the UK and the Netherlands, where Danish expertise within both wind technology and wind venture financing is in great demand.

CASE: SOLARLAB

Sustainable buildings succeed abroad

The clean-energy transition is opening up new opportunities for exporting green solutions, and this holds growth potential for companies offering innovative and sustainable solutions.

For the Danish company SolarLab, which makes building facades with built-in solar panels, this meant a doubling in revenue since 2016. By 2020, SolarLab duly received the Børsen Gazelle award as an elite growth business.

Since its first project for Copenhagen International School in 2016, SolarLab's facade solution has also caught the attention of international architects and resulted in projects in countries such as the Netherlands, Norway and Canada.

> **"We offer our clients a means of generating low-cost electricity while visibly demonstrating their climate-friendly commitment."**

- KRISTIN RØDDER, CEO i SolarLab

"We have developed a ventilated facade cladding integrating solar panels and rainscreens in a lightweight cladding material, so the entire building front can generate electricity with an architecturally appealing design," explains Kristin Rødder, CEO of SolarLab, adding: "The aesthetic appeal of the facades is a market driver, but they also cater for environmental concerns. Especially now that cities are starting to reclaim rooftops for green gardens and roof terraces, where solar arrays used to be installed. But the vertical faces of the buildings are still not being exploited," explains Kristin Rødder.

As a small-scale innovation firm operating in a global market, every now and then you need backing to finance green projects. "When undertaking international contracts, the financing often poses a challenge. But that's where solutions from EKF have been a great help in enabling SolarLab to undertake large-scale projects abroad. Which is important in order for us to keep up our growth," Kristin Rødder explains.

EKF maintains wide-ranging presence in Danish business and industry

Danish business and industry is wide-ranging and diversified with large and small enterprises operating across the entire Realm, from Nuuk, Greenland in the north to Nakskov, Lolland in the south. The same is true of EKF's portfolio.

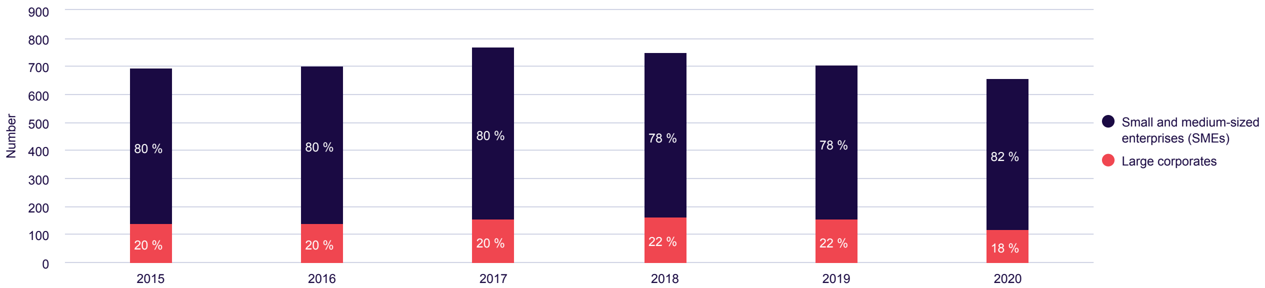
In 2020, for instance, we co-financed a new fishing vessel for halibut and other catch, for a Greenlandic fishing enterprise, and our customer AB Inventech, a sub-supplier to the wind turbine industry, was voted Gazelle of the Year in Central Denmark Region.

Although these are distinct cases, their common denominator – and for all EKF customers – is that they generate growth and jobs in Denmark. Our financing solutions enable companies to expand their production, hire more staff and contribute even more to Danish society.

Growth and jobs have always been a key part of EKF's mission. In 2020, we helped to facilitate contracts for Danish exporters totalling DKK 21 billion, with the increased activity within the companies creating or retaining 8,900 jobs in Denmark. At the same time, via Danish exporters, we contributed DKK 7.9 billion to Danish GDP, and the companies generated DKK 2.6 billion in taxes through corporate and employee taxation and value-added tax.

80 percent of our customers are small and medium-sized enterprises, which is why we are well versed in the challenges and potentials that ensue from being a small business with big ambitions. Because we know that recent small-scale start-ups are typically least well-placed to secure financing for their international ambitions. They are typically also the ventures that are hardest hit by any failures in export markets. This is why EKF has highly specialised staff with long-standing experience in supporting Danish businesses in achieving their international ambitions. We have in-depth insights into our customers, and we are there when they need us, whether in Tønder or in Taiwan.

Breakdown of customers 2015-2020



In November 2020, we launched a new scheme for small enterprises to gain financing. We signed an agreement with Flex Funding and Lendino, two of Denmark's largest crowdlending platforms, so that Danish export businesses applying for loans through these platforms will be able to secure as much as half of the funds from EKF. Consisting of direct loans as opposed to working capital guarantees and export credits, this arrangement gives small and medium-sized enterprises access to even more financing options through EKF.

While the majority of our customers are small to medium-sized, naturally, the large corporates account for the highest percentage of our volume. The largest share of our loans and export credits benefited large-scale projects such as wind farms in Taiwan, the Netherlands and the UK as well as infrastructure projects in Tanzania and Ethiopia where EKF's expertise and extensive experience in these large ventures serve to attract other investors.

As an additional advantage, the financing we facilitate for large-scale projects outside Denmark, has a positive ripple effect on smaller Danish export businesses. The large Danish exporters form a large ecosystem of businesses, whose success is propagated to a seedbed of Danish sub-suppliers. Increased employment in these businesses allows more employees to spend money with other businesses, and in this way, the value spreads outwards in concentric rings.

We work in partnerships with both domestic and foreign authorities to promote Danish exports. This means that we can advise them on framework conditions and Partnering with Denmark arrangements in the various markets.

In 2020, we concluded a formal partnership agreement with the Danish Energy Agency with the aim of disseminating Danish experience of decarbonising the energy sector and thereby accelerating the global energy transition and improving the competitiveness of Danish solutions against solutions from other countries.

By combining EKF's experience of starting up and financing clean-energy projects with the Danish Energy Agency's expertise in how the authorities can facilitate the energy transition, Danish companies will be in an even better position to contribute towards the reduction of global CO_2e emissions.

CASE: AB INVENTECH

Sub-supplier to the wind industry receives Gazelle award

Exemplifying the positive ripple effect. The global energy transition sets the blades turning at the leading wind turbine manufacturers, but further along the line is a vast hotbed of sub-suppliers, who play an equally significant role in powering the large turbine blades and the energy transition. And when the order books of the major players fill up, this rubs off on the smaller ones.

One of the many sub-suppliers is AB Inventech, an automation company that develops and manufactures custom plant for industry. The customers are large multinationals operating mainly in the wind turbine industry and renewable energy.

So far, AB Inventech has come out of the pandemic well, due not least to the fact that the wind sector has not been as heavily impacted by order losses and delays.

"We achieved double-digit percentage growth over the past four to five years," says managing director Niels Kirkegaard, who also sees the future as bright:

> **There's every indication that the trend in the wind turbine industry is set to stay relatively strong.**

– NIELS KIRKEGAARD, Managing Director, AB Inventech

This small industrial business from provincial Ikast has regularly applied to EKF in its expansion for both operating credits and credits for projects and up-front payments.

"One thing we really appreciate is EKF's ability to act fast. We need that agility when we are in the process of negotiating substantial projects. It's impressive," says Niels Kirkegaard.

In 2020, AB Inventech was recognised as a Børsen Gazelle.

EKF is an attractive partner for Denmark's climate action

Although 2020 was largely dominated by the effects of the pandemic, it was also the year in which the debate on Denmark's energy transition was translated into specific action. In Denmark, the Government and a number of the parties in the Danish Parliament seized the opportunity for using the crisis period to advance the energy transition and action on climate change.

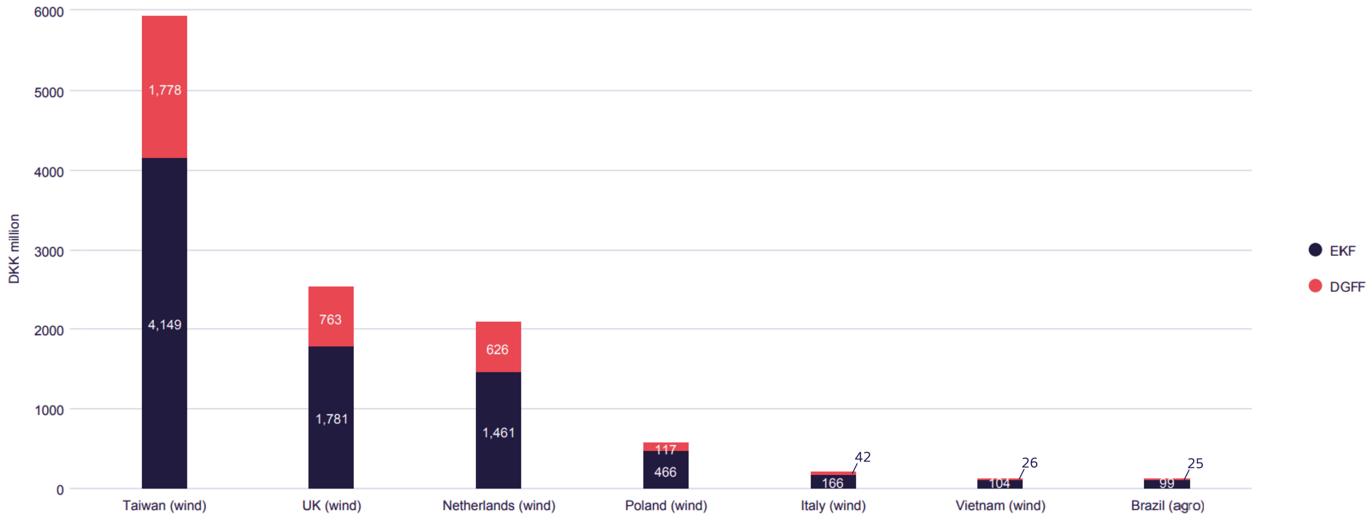
One step was the launch in September of Denmark's Green Future Fund, which will be investing in green solutions and technologies. Of the Fund's DKK 25 billion, DKK 14 billion was allocated to EKF, DKK 6 billion to the independent state loan fund, Danish Green Investment Fund, DKK 4 billion to Vaekstfonden, the Danish sovereign investment fund, and DKK 1 billion to IFU - Investment Fund for Developing Countries.

EKF is an obvious choice of governmental partner because we are capable of assisting with the immense task of bringing Danish climate technology solutions beyond Denmark's borders. Each time EKF participates in a renewable energy venture, the renewable energy displaces the more pollutant energy sources in a national grid. In this way, EKF and the Danish companies are helping to drive the global energy transition.

As early as in 2020, EKF allocated DKK 2.3 billion of the DKK 14 billion to green growth, and by early 2021, an additional DKK 1 billion had been drawn from the fund.

One example is the Changhua 1 offshore wind farm in Taiwan which is virtually "made in Denmark". The wind farm was designed by the Denmark-based multinational renewable energy company Ørsted A/S, while Siemens Gamesa is supplying the turbines and EKF and Denmark's Green Future Fund are responsible for financing worth a total of DKK 3.5 billion. This project is part of Taiwan's transition from coal to clean energy, where the ambition is for 20 percent of the country's electricity to be generated by renewable energy sources by 2025.

EKF within Denmark's Green Future Fund



The chart shows EKF's total commitment to projects under Denmark's Green Future Fund, and is based on figures from 2020 and early 2021 up to the publication of the Annual Report.

Increased risk appetite to reboot Danish exports

In autumn 2020, EKF was on two occasions allocated additional funds earmarked for enabling EKF to increase its risk appetite and support for green Danish companies with international potential. The first instalment was in October, when a broad party majority reached consensus on the "Agreement on rebooting Danish exports", which allocated EKF DKK 125 million in equity for increased risk appetite and DKK 60 million for a dedicated market accelerator programme.

This meant that by December we launched the market accelerator programme designed to lower barriers to green export ventures by means of advice and expert assistance, and in January 2021, we increased our risk exposure capacity in a number of countries where we had formerly been more risk averse. Both of these actions were taken as a consequence of the first part of the agreement on rebooting Danish exports.

Under the second part of the agreement, EKF will receive a capital injection of DKK 620 million over the period 2021-2023, which is earmarked additional financing of up to DKK 3.5 billion for green Danish export projects. These funds come with a requirement for increased risk exposure capacity and new financing solutions for those green projects that are potentially scalable for application in solving climate challenges anywhere in the world.

EKF within Denmark's Green Future Fund

Denmark's Green Future Fund was created in 2020 by the Danish Government and the parties behind the national budget. The purpose of the Fund is to advance the national and global energy transition, including 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, especially within the wind energy segment. At the same time, the Fund was established to solve the challenges posed by climate change and a growing global population such as food shortages and water scarcity. Investments by the Fund will comply with the UN guiding principles on business and human rights to ensure that the funded projects, for example, respect the rights of workers, and that the companies invested in meet their tax obligations under international agreements and national rules.

Denmark's Green Future Fund has a total capital commitment of DKK 25 billion distributed across four state-owned funds: EKF Denmark's Export Credit Agency, Investment Fund for Developing Countries (IFU), Danish Green Investment Fund (DGIF) and Vaekstfonden, the Danish sovereign investment fund (VF).

CASE: GEA PROCESS ENGINEERING A/S

Enhanced ESG processes secure orders for Denmark

In autumn 2019, EKF was contacted by GEA Process Engineering A/S, a Danish exporter looking to sell a new freeze drying plant to Cocam, the Brazilian instant coffee manufacturer. Cocam was looking to replace old equipment with a state-of-the-art plant.

Informed by our internal Environmental, Social and Governance (ESG) standards, EKF had a number of requirements and suggestions for improving Cocam's occupational safety and control processes. This included sub-supplier control.

EKF consequently partnered with Cocam on improving those processes.

> **"EKF contacting us became an opportunity to raise our corporate standards of sustainability and social responsibility."**

– *MARCOS MURARI, CEO of Cocam*

Cocam took EKF's ESG advice seriously and ensured that it was integrated in its organisation, and as a result, in 2020, EKF was able to issue a guarantee for financing of the new plant. 20 percent of the guarantee is covered by Denmark's Green Future Fund.

The financing meant that the order was awarded to GEA rather than to their foreign competitor.

Marcos Murari, CEO of Cocam comments as follows on their interaction with EKF:

"We started the process because we were looking to expand our business, but EKF contacting us also made it an opportunity to raise our standards of corporate sustainability and social responsibility. We are expecting to cultivate long-term cooperation between Cocam and EKF."

EKF's renewables projects displace CO_2e

Projects co-financed by EKF in 2020 are expected to achieve displacement of

71 m tonnes of CO_2e

over the projects' useful lifes of 25 years. Of this total, EKF's share is equivalent to 14 million tonnes.

16.9 m tonnes UK

9.3 m tonnes Netherlands

6.6 m tonnes Poland

34.5 m tonnes Taiwan

2.2 m tonnes Italy

1.6 m tonnes Vietnam

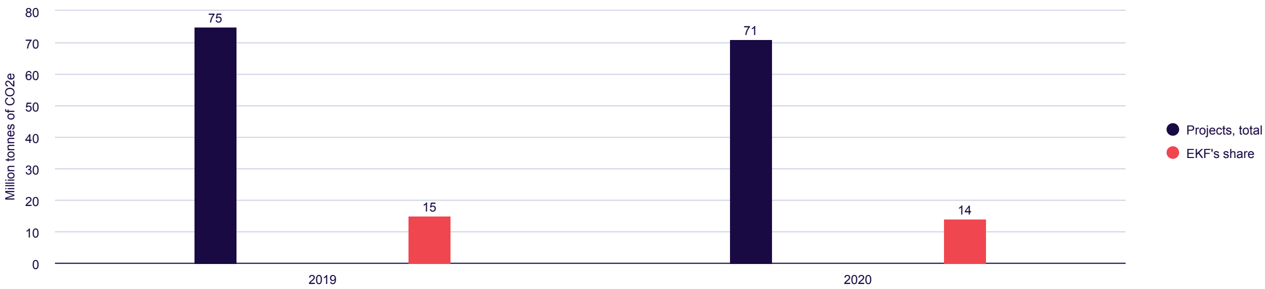
Source: Copenhagen Economics
To ensure the highest reliability for our CO_2e displacement figures, these have been included in a Deloitte auditor's report; see the independent auditors' opinion on CO_2e data.

Our efforts displace total global CO_2e emissions

The renewable energy projects EKF was involved in financing in 2020 are of great significance. Over their service life, they are expected to achieve a total CO_2e displacement of 71 million tonnes of CO_2e. Based on EKF's own share of their financing, this is equivalent to EKF's financing in 2020 contributing, going forward, to a reduction of 14 million tonnes of CO_2e. For comparison, Denmark's total annual displacement value is 47 million tonnes of CO_2e.

EKF's figures stem from a calculation model from the independent economic consultancy Copenhagen Economics, which translates the somewhat vague concept of "energy transition" into objective numbers.

Total expected CO_2e displacement achieved by EKF-financed projects



To ensure the highest reliability for our CO_2e displacement figures, these have been included in a Deloitte auditor's report; see the independent auditors' opinion on CO_2e data.

EKF is the leading export credit agency within wind energy financing. Our many projects over the years mean that we have the experience and insight to provide the financing that has the effect of reassuring other investors who then venture to come on board. In this way, we can act as facilitators for projects that would otherwise have been hard pressed to secure investors and financing.

Our activities in green ventures demonstrate that company growth and worker welfare are not contradictions in terms. In fact, they are inextricably linked in that green solutions improve both the climate and people's lives. When the use of coal is phased out, in many places the effect on local air quality is felt directly, and is reflected by public health statistics.

How we quantify CO_2e displacement

The independent economic consultancy Copenhagen Economics has developed a model capable of calculating the CO_2e 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 CO_2e energy sources from the electricity grids in various countries.

CO_2e 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 CO_2e 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 CO_2e at differing intensities per MWh supplied.

The calculations are also based on the projects' predicted capacity in MWh, the projects' useful life (e.g. 25 years for a wind turbine) and geographical siting. The results show how many tonnes of CO_2e these projects will displace during their useful life.

In determining fossil fuel displacements in the renewable energy projects, CO_2e includes both CO_2 and CO_2e methane.

As stated, EKF is the leading export credit agency within wind energy financing. But it doesn't stop there. In the coming years, we will be setting our sights on new green ventures and technologies such as Power-to-X – a collective term for technologies that can convert the electricity from renewable energy sources into hydrogen, allowing the energy to be stored.

Backing these trail-blazing projects calls for risk appetite and means that in future we will be prioritising ventures posing a higher risk in that they involve more recent, non-mature technologies. Some may prove to be too demanding and cost-intensive to be profitable, while others may take far longer to develop than projected. However, it is vital that we back these projects with both financing and expertise in order to ensure that Danish companies are in the race to bring these technologies to market.

As in the case of wind ventures, it is not only a question of countering the challenge of Danish energy consumption, but of developing solutions that are scalable and exportable and capable of solving energy and climate challenges in those parts of the world where the challenges are far greater than in Denmark.

To that end, in the coming years, we will be increasing our risk exposure capacity in this field, and doing our bit to ensure that Denmark's clean energy export boom continues for many years to come with new and innovative solutions. For the benefit of the climate, Denmark's competitiveness and post-pandemic economic recovery.

CASE: CHANGHUA 1

New offshore wind farm is "made in Denmark"

Over the next two years, a large new offshore wind farm will be installed off the Taiwanese coast, made possible by Danish expertise in both wind energy technology and wind-venture financing.

Ørsted designed the wind farm, while Siemens Gamesa will be supplying 75 of their SG 8.0-167 DD offshore wind turbines, each of which has a capacity of 8 MW and a rotor diameter of 167 metres.

> "The offshore wind farm is expected to displace CO_2e emissions by 38 million tonnes over the full span of the project's useful life."

More than 90 percent of Taiwan's energy requirement is currently met by imported coal, oil and natural gas, but the country has an ambitious target for going green and reducing its reliance on imported fuel. The plan is for 20 percent of Taiwanese electricity to be generated by renewable energy sources by 2025. For comparison, just over 68 percent of Denmark's electricity was sourced from renewables in 2019.

To reach the target, Taiwan is consequently investing heavily in wind energy, which makes Danish offshore wind know-how invaluable. The plan is to install an array of offshore wind farms which by 2025 should be able to achieve 5.5 GW electricity capacity and an additional 10 GW by 2035.

EKF estimates indicate that the offshore wind farm can be expected to displace CO_2e emissions by 38 million tonnes over the full span of the project's useful life. And with a total capacity of 605 MW, the wind farm will support Taiwan's plans to reduce its reliance on imported fuel.

The owners are Ørsted, Canadian pension fund CDPQ and local Taiwanese investors, while EKF and Denmark's Green Future Fund will be providing DKK 3.5 billion of the financing. With DKK 14 billion, EKF has been allocated more than half of the funds held in Denmark's Green Future Fund, a share of which will cover EKF's risk in the project. This transaction retains jobs in Denmark and supports the clean energy transition.

Environmental, Social and Governance (ESG) standards at EKF

2020 has been an unpredictable and extraordinary year. Not only because of the global pandemic, but also in terms of the focus on the environment, climate and social issues, which have featured large in public debate.

The coronavirus crisis has heavily underlined the importance of taking responsibility for people and the environment.

The energy transition and uptake of renewable energy worldwide is a priority area for EKF, and 2020 was a watershed for EKF's renewables mission. Our efforts were boosted, for example, by the creation and operationalisation of Denmark's Green Future Fund and a new partnership with the Danish Energy Agency aimed at global diffusion of the Danish experience of driving the energy transition.

With an equally green focus, EKF has conducted due diligence of new projects and both inspected and monitored portfolio projects.

Operationalisation of policy on Environmental, Social and Governance standards

Respect for human rights and the environment has been integral to EKF's strategy and business processes for decades. The organisation is proactive in developing the ESG (Environmental, Social & Corporate Governance) domain in the context of the international frameworks EKF has signed up to. Like other official export credit agencies within the OECD, EKF must comply with a number of international standards regarding respect for human rights and the environment, and at the international level, we cooperate with a number of institutions on continued reinforcement of ESG standards.

In alliance with international banks, EKF has adopted the Equator Principles, the aim of which is to establish common policy and principles enshrining human rights and climate protection in project finance and credits. EKF participates in IFC (International Finance Corporation) Community of Learning and shares experience in applying the standards as a framework for international project environmental and social performance.

EKF operates in accordance with the following international standards

- OECD Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence
- OECD Guidelines for Multinational Enterprises
- The Equator Principles
- UN Guiding Principles for Business and Human Rights
- UN Global Compact Ten Principles
- OECD Recommendation on Sustainable Lending Practices and Officially Supported Exports Credits

In 2020, integration of the new standards from the Equator Principles, which provide a framework for due diligence within human rights, biodiversity and climate, has been an important part of the commitment to ESG standards. EKF's cooperation with the international Equator banks has been greatly strengthened by the updated framework, which ensures a consistent sustainability approach for financial institutions and export credit agencies in relation to international projects.

EKF has been working to improve internal tools for use in more probing analysis of projects with potential human rights risks and, not least, addressing these vis-à-vis the projects in alliance with the international financial institutions EKF cooperates with. The keener climate focus of the Equator Principles means that EKF has initiated a review of the existing method for calculating the climate footprint of large-scale projects in order to ensure that the method is both robust and up to date. These activities are set to continue in 2021.

In 2020, EKF also focused on further integrating ESG standards in our business procedures, to ensure that ESG standards are addressed at an earlier stage of a given project. All EKF projects are screened for ESG issues and with the exception of the smallest-scale projects, all projects are thoroughly vetted for any ESG issues. Any risk of ESG issues is identified and presented within the EKF internal credit committee together with precautionary measures to avert potential risks.

Compliance with ESG standards requirements is a condition

EKF applies the international rules on ESG criteria in setting standards for ourselves, the Danish exporters, the foreign buyers and the financial institutions we cooperate with. EKF's ESG standards policy is a crucial factor in the projects we help to finance. Our ESG standards policy also governs environmental and employee conditions for our own organisation in Denmark.

EKF is involved in approx. 1,100 export transactions in more than 100 countries, which often have different traditions and regulations for environmental, occupational and social conditions to those prevailing in Denmark. This is why each export transaction must fulfil ESG criteria if we are to be involved in the financing.

Ensuring that each export project complies with the standards is a comprehensive and time-consuming task. In many cases, EKF also steps in to provide advice and ESG performance capacity building within individual projects. EKF works continually to establish a transparent and tangible process in support of efforts to achieve ESG standards compliance in order to create value for the projects and our business partners. To that end, in 2020, we have worked to digitise some of the contact points we use for meeting customers, e.g. by means of a digital business rating tool, which will be rolled out further in 2021.

Classification of ESG projects

In furtherance of OECD Common Approaches, EKF conducts a due diligence process for export projects, classifying them according to the scale of their ESG impacts and risks into, respectively, A, B and C projects. The classification indicates how comprehensively we need to investigate and assess a given project. Category A projects require the most comprehensive assessment of environmental and social sustainability, while category B projects are typically smaller, have fewer impacts and therefore do not require the same scale of assessment. C projects are those with minor or zero environmental and social impacts.

In 2020, EKF had six A projects and six B projects in progress. The six A-projects involve the construction of an electric railway line in Tanzania, four wind farms in Poland, Vietnam and Taiwan, respectively, and a methanol plant in Russia. The six B projects involve another four small-scale wind projects and two industrial projects. In 2020, EKF's ESG department was also monitoring and handling 70 transactions from previous years and conducted 15 in-depth company assessments.

Environmental and social performance during the global pandemic

One step in EKF's due diligence procedure and monitoring of ongoing projects is that we pay site visits to Category A projects. The visits are conducted with co-lenders as a step in the ESG risk assessment of a project before EKF commits to the transaction and subsequently in order to maintain relations with project managements and supervise progress in respect of agreed sustainability measures.

Follow-up on compliance with environmental and social sustainability requirements is just as important as follow-up on financial arrangements. Accordingly, we prioritise both internal resources and consultancy services in order to ensure project compliance with international standards.

In 2020, EKF's due diligence investigations and inspections of projects were challenged by the global pandemic. In 2020, EKF managed only to conduct two physical site visits to Ethiopia and Brazil, respectively, before the global pandemic finally prevented international travel activity. The global health crisis saw site visits deferred and in some cases transferred to digital platforms.

In our day-to-day work, EKF followed the guidelines for implementation of the Equator Principles during the pandemic. We registered the benefit of it becoming more efficient to convene international partners for online meetings, and it has become natural to work with visual documentation of environmental and social factors in our projects.

In the second half of 2020, we were consequently able to conduct several virtual site visits using drone-borne cameras in Indonesia and Taiwan for example. We have also increased our use of local consultants. The new methods will also be part of the future, although they do have their limitations when it comes to understanding more complex situations and conducting difficult negotiations with projects. Going forward, much of the preliminary work will be aided by the virtual process, but will in no way replace physical presence on site.

But it is not only EKF that has been impacted by the situation. A number of projects under construction have for brief or extended periods had to be suspended, consultants have been in lockdown and projects have been deferred. In the majority of cases, the situation has not had all-encompassing or severe adverse impacts, but has caused delays. With reference to the Equator Principles' recommendations on COVID-19 and health & safety, EKF has placed due emphasis on integration of COVID-19 health and safety requirements for project staff in the Health and Safety management plans.

An energy transitioning agent

Guarantees for clean energy projects account for approx. 70 percent of EKF's total transactions. A large proportion of the projects EKF is involved in concern renewable energy. This is the case especially in the diffusion of wind energy to all world regions. Other projects involve solar energy, biogas and energy efficiency. In this way, EKF helps to promote projects that contribute to displace CO_2e emissions and consumption of natural resources.

Towards the end of 2019, the Danish Government established Denmark's Green Future Fund, under which EKF has been allocated DKK 14 billion for supporting Danish companies in exporting climate solutions. In relation to the climate action agenda and the operationalisation of Denmark's Green Future Fund, EKF started the year 2020 by developing a CO_2e model designed to compute and communicate statistics for the CO_2e displacements generated by the many renewable energy projects.

The method was developed in association with the Copenhagen Economics consultancy. Renewable energy projects are assessed in terms of their decarbonisation potential and CO_2e displacements and international environmental and social criteria. In 2021, EKF will be continuing its efforts to intensify its mission to track and measure climate change risks and impacts.

Contributions to CO_2e displacement

Over the year 2020, six renewable energy projects worth just under DKK 2.3 billion were assessed and brought under Denmark's Green Future Fund.

Over their useful life, these projects are expected to displace 71 million tonnes of CO_2e compared to the previous year's projection of 75 million tonnes of CO_2e. Based on EKF's share of the projects' financing, this is equivalent to EKF financing in 2020 contributing, going forward, to a displacement of 14 million tonnes of CO_2e, compared to 15 million tonnes in 2019. For purposes of general comparison, Denmark's annual emissions total is 47 million tonnes of CO_2e.

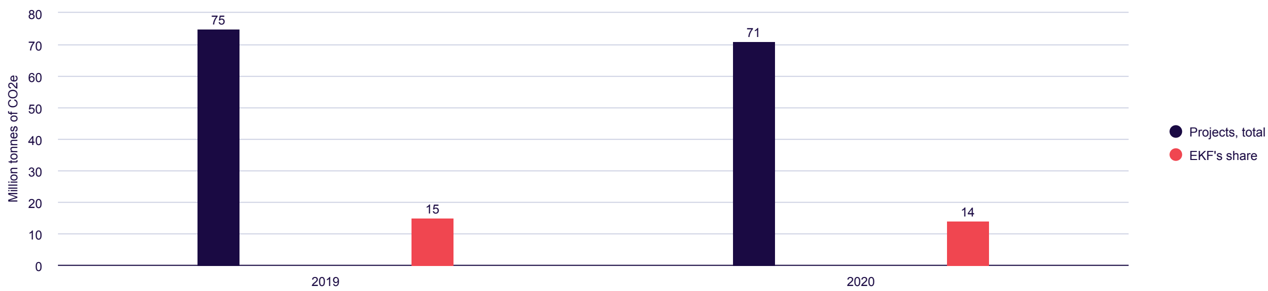
In 2020, EKF's financing of renewable energy was lower than in 2019, yet the CO_2e displacements are almost on a par. This is due to the fact that the renewable energy projects in 2020 were sited in countries with a higher CO_2e emissions factor in the national grid relative to 2019. Moreover, because the year's projects are larger scale, they yield higher MWh production per unit financed.

Displaced CO_2e emissions from renewable energy projects

Project	Country	Energy production	CO_2e displacement (million tonnes of CO_2e)
CFXD - Changfang and Xidao	Taiwan	Offshore wind	34.5
Seagreen	UK	Offshore wind	16.9
Uriel	Poland	Onshore wind	6.6
Zeewolde	Netherlands	Onshore wind	9.3
Thanh Hai 1	Vietnam	Offshore wind	1.6
Bella	Italy	Onshore wind	2.2

**The figures represent the aggregate displacement from the sum total of energy projects which EKF has been involved in co-financing, without taking account of EKF's percentage share of that co-financing.*

Total expected CO_2e displacement achieved by EKF-financed projects



To ensure the highest reliability for our CO_2e displacement figures, these have been included in a Deloitte auditor's report; see the independent auditors' opinion on CO_2e data.

Projects with CO_2e impact

Around the globe, EKF is involved in co-financing many renewable energy projects which achieve CO_2e displacement by displacing the more pollutant technologies from national power grids.

However, EKF also co-finances projects that emit CO_2e. For all A and B projects emitting in excess of 25,000 tonnes of CO_2e per annum, a report must be compiled to account for the CO_2e emissions reductions measures implemented by the projects. In 2020, EKF provided two guarantees for projects with emissions of that magnitude.

Environmental performance within EKF

The EKF organisation's environmental footprint is moderate. The most significant impact is from energy and water consumption. Both waste volume and resource consumption levels were normal and relatively constant compared with previous years. In 2020, consumption is presumed to have decreased at EKF's own premises, since the majority of EKF staff were working from home for extended periods following the outbreak of COVID-19 in Denmark and the ensuing lockdowns. The actual figures had not been determined when the report was compiled, but will be reported in EKF's Sustainability Report due for publication later in 2021.

Waste and resource consumption	2020	2019
General waste (tonnes)	13	18
Paper recycled (tonnes)	4	5
Heating consumption (MWh/year)	*202	202
Water consumption (m3/year)	*1,215	1,215
Electricity consumption (MWh)	225	245
Scope 2 CO_2 emissions (heating and electricity) (tonnes of CO_2e)	*69	75
Scope 3 CO_2 emissions (air travel, taxi and car transportation, courier services) (tonnes of CO_2e)	254	960

**Note that heating and water consumption figures are not available until April. The figures for 2020 are therefore estimates based on consumption in 2019.*

In 2020, EKF's CO_2e emissions from consumption and transport amounted to 254 tonnes of CO_2e compared to 960 in the previous year. Emissions from air travel account for the largest share by far of CO_2e. This CO_2e share shows a heavy decrease relative to 2019 due to the COVID-19 restrictions, as EKF staff had no travel activity from the first quarter of the year.

The pandemic has spurred an adjustment process, and the expectation is that the organisation will maintain prudence surrounding travel necessity going forward. However, the low level is not expected to be permanent or to decrease further. Many essential trips have been deferred and will be undertaken once international travel is safe and permitted again.

CASE: TANZANIA

Large-scale rail project on track for sustainability

Modern infrastructure is crucial for developing economies, and electrified railways are often favoured for sustainability reasons. In Tanzania, the government is focused on upgrading and enlarging the national rail network funded by the largest foreign currency financing the country has raised to date. One of the government's priority infrastructure projects is a mega-scale Standard Gauge Railway (SGR), which will ultimately connect landlocked countries the likes of Uganda, Rwanda and Burundi with Tanzania and via the port in Dar-Es-Salaam facilitate access to the Indian Ocean for increased trade and transportation.

In 2019, when EKF became involved in the financing of the SGR, the design and construction had already commenced. The first analysis, however, clearly indicated that the project was fraught by many environmental and social challenges.

The railway line ran through densely populated urban and rural areas, many of which are habitats for indigenous peoples and unique fauna. In large towns and cities, the challenges concerned expropriation and restoring livelihoods for local residents. EKF became the main driving force in a team of environmental and human rights experts from all the financial institutions involved, and established a partnership to ensure that all sustainability aspects were addressed by the project and that international standards were complied with.

The financing partners made joint requirements for the buyer to manage and monitor all the identified sustainability issues. All of these issues and requirements are stipulated in the financing contract, meaning that EKF and partners have legal leverage in the project for enforcing compliance.

As with any construction project, the new railway impacts people and ecosystems in many ways; some may potentially be adverse impacts; others beneficial.

The indigenous people, who subsist on traditional cattle herding will, for example, need to be able to cross the railway via tunnels or overpasses in order to gain access to grazing land and water for their herds, while villagers, whose livelihoods are impaired must be compensated for loss of land or income and supported in establishing a new life for themselves. Risks and impacts for wildlife and habitats must be mitigated by a multipronged programme for protection and stewardship of forest and wetland biodiversity.

> **"The SGR extends 550 km across urban, rural and natural environments, where communities and natural ecosystems co-exist. It is therefore crucial to put in place robust environmental and social protection measures."**

- KRISTIN PARELLO-PLESNER, Director, Environmental & Social Sustainability within EKF

From the outset, EKF stipulated that the project must be carried out in conformity with the International Finance Corporation (IFC) Performance Standards – the international benchmark for environmental and social risk management. Our efforts to tackle sustainability issues at an early stage and ensure proactive stakeholder management aim to reduce the risk of conflict and problems at a later date during construction and operation of the railway.

> **"The project is financed by a large circle of lenders. This reflects the fact that investor appetite is keen for well-planned, well-executed projects that respect international environmental and social performance standards and that create demonstrable economic value for local communities."**

- KRISTIN PARELLO-PLESNER, Director, Environmental & Social Sustainability within EKF

The anomalies identified early on between national regulation and international standards and the unique partnering among the involved financial parties have resulted in the development of a plan and recruitment of the key resources capable of ensuring the project's compliance with sustainability requirements.

The course of the project and learnings from it will platform further ventures in the African continent and have served to set a best practice standard for cooperation among different financial institutions on ESG standards.

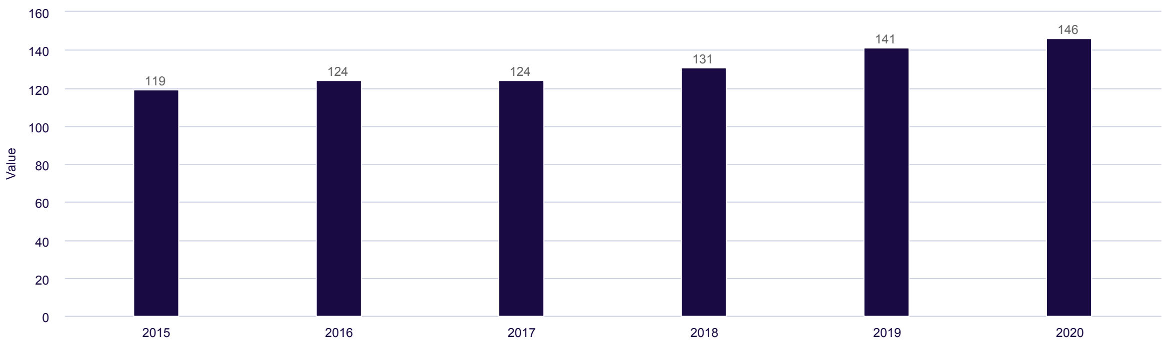
EKF's organisation

In recent years, the tasks vested in EKF for the purpose of boosting Danish exports have increased in scale and complexity, and the effects of the global pandemic brought new schemes under EKF administration. To extend its capacity, EKF has hired new staff on an ongoing basis. Meanwhile, the management group has been enlarged with additional members, and the organisational structure has been realigned. The roll-out of working from home during Denmark's lockdown was also a major focus area in 2020.

In 2020, EKF continued the developments from 2019 by expanding its organisation with a large number of new employees. We have therefore worked systematically with onboarding processes and induction programmes to give new employees the best possible start at EKF. At the same time, the lockdowns in the spring and winter entailed intense focus on the roll-out of home stations and virtual meeting activity, which was generally possible to achieve.

During the pandemic, EKF has administered a number of new schemes to keep Danish export businesses afloat, and EKF staff have applied their expertise and skill to successfully performing this task.

Total number of EKF employees (average)



The chart is based on the average number of employees according to the ATP method customarily used in Denmark (based not on hours worked but on pension contributions).

Realigned management and organisational structure

EKF's authorised signatories are its chief executive officer with responsibility for the general management of EKF, and its deputy chief executive officer.

The management group is organised in an Executive Leadership Team, which, in addition to the CEO and Deputy CEO, is composed of an additional five members, who represent Credit & Policy, Legal Affairs & Claims, Risk & Treasury and the two customer segments Global Wind & Structured Finance and Corporates & Institutions.

The management group reflects an organisational structure that has been realigned to support logical and expedient lodging of responsibility and duties to ensure relevant supervision and the appropriate level of specialisation and professional expertise.

Gender balance in EKF's board and management

The proportion of women on EKF's Board of Directors constitutes 45 percent (43 percent excluding employee-elected members of the Board of Directors) and thus meets the requirement for an equal gender balance.

EKF has a policy on equal gender representation in management. The policy covers all management tiers organisation wide. Women managers at EKF account for 45 percent of the overall management group.

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 (in Danish).

Diversity Policy

EKF wishes to be a company capable of attracting, developing and retaining a diverse staff. In 2021, a proposal will be presented to the Board of Directors for a specific diversity policy to define the frameworks and principles for EKF's ongoing activities in this domain.

Corporate governance

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

The Board of Directors consists of nine members, seven appointed by the minister and two employee representatives. 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. In line with the recommendations of the Corporate Governance Committee, going forward, EKF is planning to involve external assistance for the assessment every three years.

According to the Act on EKF Denmark's Export Credit Agency, the members of the Board of Directors shall 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 self-assessment of the Board of Directors.

According to EKF's articles of association, board meetings must be held at least four times a year. 11 physical board meetings, of which seven ordinary and four extraordinary, were conducted in 2020. In addition, were nine 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.

Four meetings were held in the Audit, Risk and Compliance Committee and six meetings were held in the Remuneration Committee. 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 the other duties of the Board of Directors in the section entitled 'EKF's Board of Directors'.

EKF's risk management

In recent years, EKF has undergone a fairly significant increase in its activities. However, in that time, we have in no way comprised on our requirements regarding risk management. On the contrary, we have continued to reinforce our setup in 2020, and we focus constantly on balancing risk, security and the ideal development opportunities to enable Danish companies to sell their products abroad.

EKF has the necessary procedures for risk management and for maintaining capital and liquidity reserves. We maintain robust capacity for assuming risk by actively covering risk and transferring risk to other parties. Risk management is imperative for, and integral to, EKF's business model; at both individual transaction level and in our portfolio by diversifying risk across debtors, countries and regions within the sectors that account for a large share of EKF's portfolio or by transferring risk to other parties. Assuming risk in a manner that is documented as being conducive to exports, value creation and trade, while resulting in only limited losses remains one of EKF's hallmarks.

In 2020, EKF implemented a staff expansion, and strengthened the organisational base of the risk and compliance departments. We have further developed our risk indicators and capital model so as to reflect EKF's risks and risk appetite more precisely in future.

The COVID-19 pandemic was also a topic in EKF's risk management in 2020. Our emergency preparedness was put to the test by the restrictions that followed in the wake of the pandemic. EKF was fully operational throughout 2020, and found new ways of working, including virtual ESG site visits. At the beginning of 2020, EKF appointed a special portfolio surveillance group to analyse, monitor and react to any implications for EKF's transactions of the global pandemic.

EKF's major commitments were to only a limited extent impacted by the pandemic in 2020 and the credit risk in EKF's portfolio is not assessed as having increased significantly as a result of COVID-19 at year-end 2020.

EKF's internal and external constraints on its portfolio and level of capital had all been observed by year-end 2020.

- EKF complies with the requirement for tied-up capital in accordance with the Act on
- EKF Denmark's Export Credit Agency.
- Stress-tests of EKF's portfolio indicate a 99.5% probability that EKF has adequate reserves to cover full depletion of the current portfolio.

- EKF’s restrictions on concentrations within low credit quality are kept well within the internal requirement.
- EKF complies with the internally established limits on concentrations of individual debtors, swap counterparties and countries.
- EKF has complied with the requirement for the acceptable, average debtor risk, as the annual commitment follow-up on the greatest credit risks entailed an equal distribution of upward and downward classifications.

Risk types

EKF's business activities entail that EKF is exposed to credit, market, liquidity and business risks as well as operational risks, including, for example, compliance risks and cyber security risks. EKF's aggregate 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. Credit, market and business risk together with operational risk are hedged by maintaining adequate capital, while liquidity risk is hedged by an adequate liquidity reserve.

Credit risk

Credit risk is the risk of counterparties to EKF-guaranteed loans, working capital guarantees and direct lending defaulting on their debts. EKF offers export credits, especially buyer credit guarantees and project finance, to Danish exporters selling their goods abroad, and working capital guarantees to Danish exporters who lack the capital for taking on more customers and accepting large orders. In addition, EKF can provide direct loans to Danish exporters' customers in connection with exports. The credit risk thus consists of the exporter's customer not having the possibility, ability or willingness to pay.

The object of EKF is to facilitate Danish companies' export and internationalisation opportunities, participation through internationally competitive financing and risk cover. EKF's exposure is thus often characterised by either large transactions or challenging markets. 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 the exporter's bank.

As a result of EKF's role as an export credit agency, EKF's portfolio will largely be characterised by credit risk that is both significant and concentrated. EKF has both relatively higher single-debtor exposures and sectoral exposures on its books than other financial institutions.

Our decisions – to provide export credits, loans or obtain a guarantee for a foreign buyer's payment ability if they are intending to buy products from a Danish company – are always preceded by an 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 credit risk indicators for the portfolio.

Credit rating

EKF credit-approves all transactions by means of product-specific processes. Depending on the scale and complexity involved, this comprises the requisite due diligence and credit analysis of EKF's counterparties. The Board of Directors makes decisions on granting of loans and export credits at its annual board meetings or through written consultations. In our assessment of commercial risks we perform stress tests of debtors' payment ability.

Countries

EKF applies OECD classifications for country risks. The country risk classification indicates the risk that a country – and debtors in the country – will not have the possibility, willingness and ability to meet their payment obligations. In addition to the country risk 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.

Ratings

If a specific transaction 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.

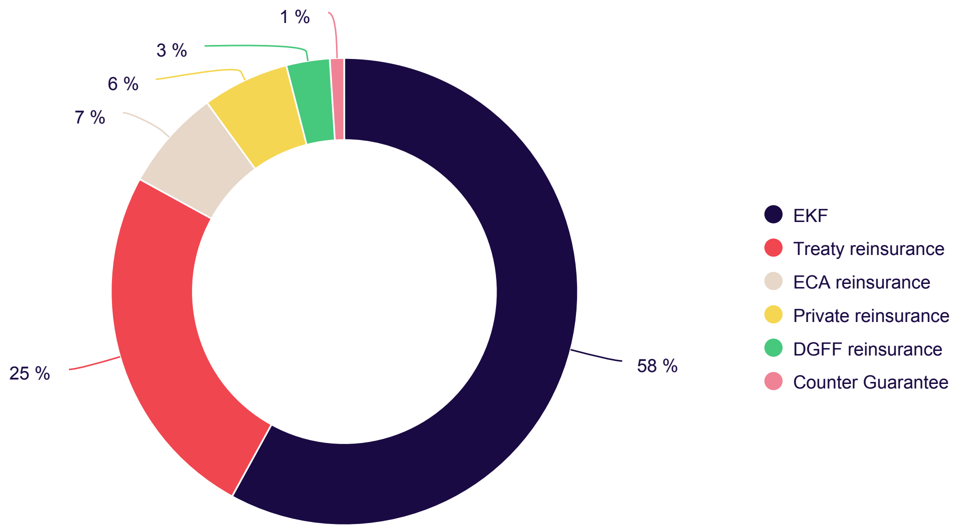
EKF also estimates a Loss Given Default interval (LGD) for new project finance transactions, which reflects the scale of the exposure EKF is expected to lose in the event of counterparty debt default. The LGD estimate is used for testing the pricing in major project finance transactions, and from 2021 it will also be incorporated as a factor in determining our capital requirement.

Reinsurance

Over the last few years, EKF has established an effective reinsurance programme. At present, EKF has reinsured approx. 39 percent of its total portfolio in close cooperation with private sector trade credit reinsurers 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 2020 secured the automatic reinsurance of 40 percent of large new transactions. 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's portfolio by counterparties, year-end 2020



Financial counterparties

Banks are typically involved in EKF's transactions as the guarantee holder, borrower or guarantor on behalf of a foreign buyer. 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 hedges its exposure to a number of exchange rate and interest rate risks by means of swaps and other financial instruments, in connection with lending especially. This in turn gives rise to credit risk exposure from EKF's swap counterparties. EKF follows Danmarks Nationalbank's requirement for counterparties, whereby we operate with exposure limits for our swap counterparties based on their credit quality (external rating). EKF has entered into an agreement on collateral for receivables and the debt that arises when the market value of EKF's derivative financial instruments fluctuates.

This serves to reduce the credit risk, while keeping the concentration on individual counterparties in check.

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.

Concentrations

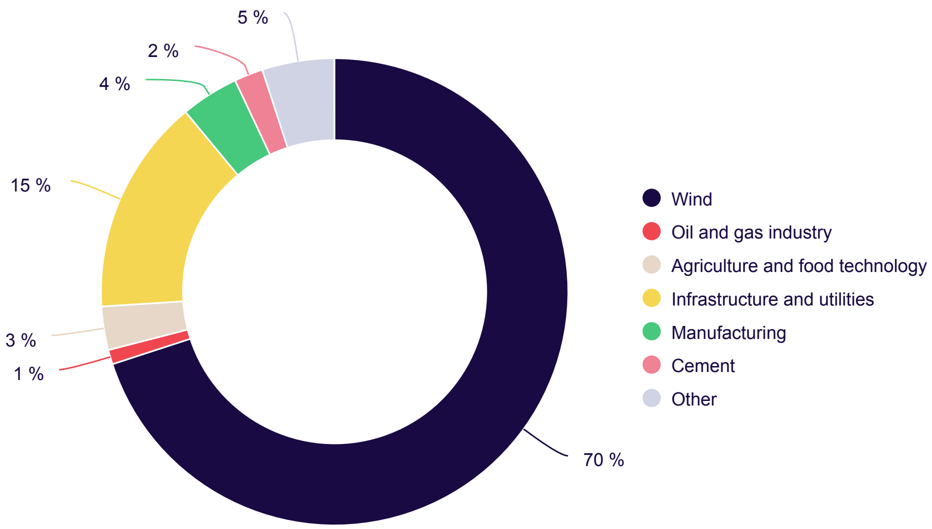
EKF’s portfolio is concentrated on the wind energy sector and comprises a number of single exposures worth billions. Diversification of risk on debtors, countries and regions is a key element in EKF’s risk management. EKF applies internal indicators in monitoring credit risk and portfolio concentration.

The indicators monitor concentrations on individual debtors and the credit quality of the portfolio. EKF uses reinsurance in both risk and capacity management. In addition to reducing credit and concentration risk, reinsurance also lessens capital requirements and frees up capacity to issue new guarantees and loans.

The scale of wind projects – especially the offshore wind farms – is increasingly large, which results in a tendency towards an increasing concentration in EKF's portfolio.

At year-end 2020, wind projects accounted for approx. 70 percent of EKF's guarantee exposure and lending after reinsurance. Because EKF has financed wind projects for many years, in diverse locations worldwide with wide-ranging counterparty risks offset by reinsurance, the concentration in EKF's portfolio remains at a reasonable level.

Sectoral distribution of EKF's portfolio at year-end 2020



Project 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.

Monthly 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 in case of internal or external changes. 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 its development. Moreover, it enables us to implement loss prevention measures and calibrate provisions as and when required.

Provisions for losses

EKF regularly assesses the need for provisions for losses to ensure that realised losses on EKF's portfolio of guarantees do not exceed total provisions and write-downs. In addition to the annual assessment of the need for provisions for losses in the exposure follow-up, the largest provisions are monitored by 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. There is a risk that EKF's provisions for losses are insufficient to cover the realised losses on the portfolio of guarantees. This risk is reduced in that EKF has established a concentration reserve, the 'restricted equity', which is capable of absorbing a major potential loss. The concentration reserve is increased in line with portfolio growth. At the end of 2020, EKF's restricted equity totalled DKK 2.4 billion.

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. Within this type of risk, EKF is exposed to interest rate and exchange rate risks.

Our capital requirements are affected by exchange rate and interest rate fluctuations through the size of our guarantee exposure and loans, insofar as the risk has not been hedged. Consequently, our scope for issuing new export credits, working capital guarantees and loans changes when exchange rates appreciate or depreciate.

EKF is cautious about taking market risks. All significant exchange rate and interest rate risks incurred from lending are hedged until maturity from when the loan is established. Similarly, all accounting positions in foreign currency, that exceed DKK 50 million, are hedged on an ongoing basis.

Interest rate risks

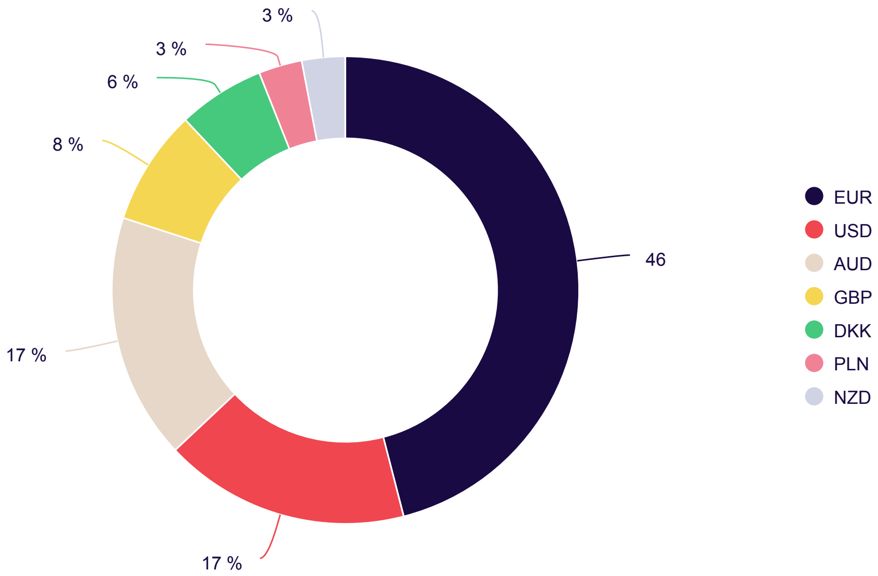
EKF's interest rate risk is incurred primarily from lending and premiums receivable for issued guarantees. EKF performs hedging of interest rate risks from its lending activities. Using interest rate swaps, EKF ensures a link between the raising of loans at a fixed interest rate and lending to customers 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 and capital requirements.

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.

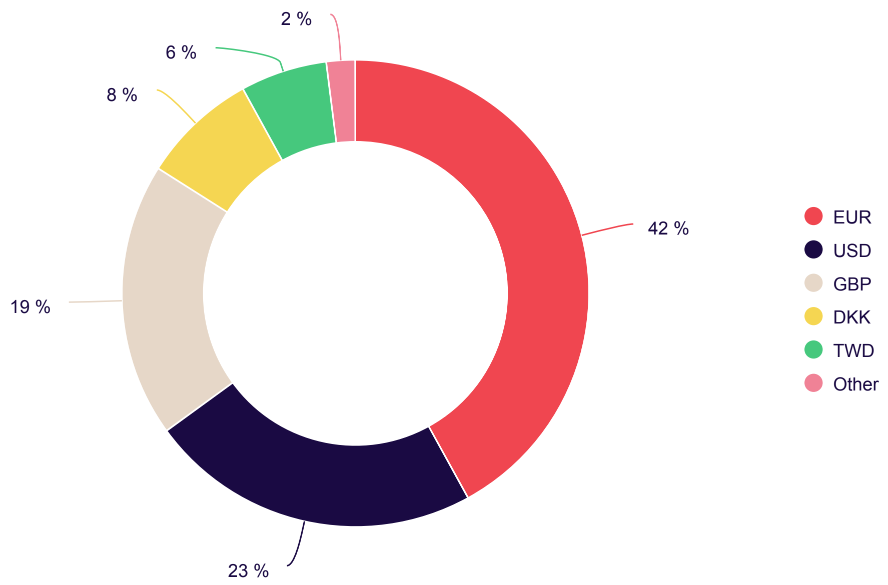
EKF performs full hedging of all exchange rate exposure from issuing export loans except for exposures in euros, since Denmark's fixed exchange rate policy is regarded as hedging against fluctuations in the euro. Using currency swaps, EKF hedges against the risk of exchange rate changes and ensures a link between the raising of loans in Danish kroner in Danmarks Nationalbank and lending to customers in another currency.

Export loans at year-end 2020



EKF issues guarantees in many different currencies, as a result of which it has liabilities and receivables in foreign currencies. We minimise the accounting impact of exchange rate fluctuations in our income statement by means of forward exchange contracts.

Guarantee exposure at year-end 2020



EKF performs an annual sensitivity analysis of the impact of changes in exchange rates on net profit and capital requirements. See note 23 for more information about the sensitivity analysis.

Liquidity risk

Liquidity risk is the risk that EKF will sustain a loss or incur additional expenses from cash flow problems. Liquidity risks arise primarily as a result of a mismatch in the balance when the lending portfolio's term to maturity exceeds the term to maturity of EKF financing.

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 limit of DKK 25 billion up to and including 2025, and under the Act on EKF Denmark's Export Credit Agency is guaranteed by the Danish Government and consequently also has sound options for procuring liquidity, if necessary via the banking or capital markets.

EKF maintains three-way liquidity. Operating liquidity consists of the funds for day-to-day operations (payroll, rent, etc.). On-demand liquidity is funds which EKF must have direct access to in order to cover provisions for claims expenses etc. The remaining liquidity is EKF's uncommitted capital, which can be used for financing EKF's products and investment in particularly secure securities. EKF thus has restricted equity to meet both the short-term need for operating capital and to cover significant indemnification payments and other transactional payments.

Operational risks

Operational risk, including compliance risk and cyber risk, is the risk of loss resulting from flawed or deficient internal procedures, human error and system error or external events.

Operational risk is managed across the organisation through internal procedures compiled with a view to ensuring that risks are properly identified by controls.

EKF has implemented systematic registration, categorisation and reporting of operational incidents entailing potential losses/gains.

EKF performs continuous risk assessment of operational risks, thereby identifying areas to be reviewed 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.

Risk management principles

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 policy in the business and for ongoing risk management. In close cooperation with the Credit Committee, Management assesses and deals with the risks associated with individual business activities. EKF's risk management and compliance units monitor EKF's aggregate risk profile.

Capital requirements

EKF's Articles of Association stipulate that a proportion of EKF equity shall be restricted to cover the risk of concentration and extraordinary losses (restricted equity) as well as collection of accumulated unrealised fair value and exchange rate adjustments (exchange rate adjustment reserve). EKF's non-restricted equity in 2020 must then at any time meet a minimum requirement of 4 percent, calculated as the non-restricted equity relative to the sum of guarantee exposure, offers, loans and outstanding claims (less provisions, write-downs and reinsurance). See page 62.

As of 2021, EKF's primary capital requirement will be based on EKF's credit risk, market risk (interest, exchange rate and shareholdings), commercial risk and operational risk. The requirement is determined using an internal Value-at-Risk (VaR) model expressing the risk to EKF of sustaining loss over a period of 12 months as a result of the above-stated risk factors.

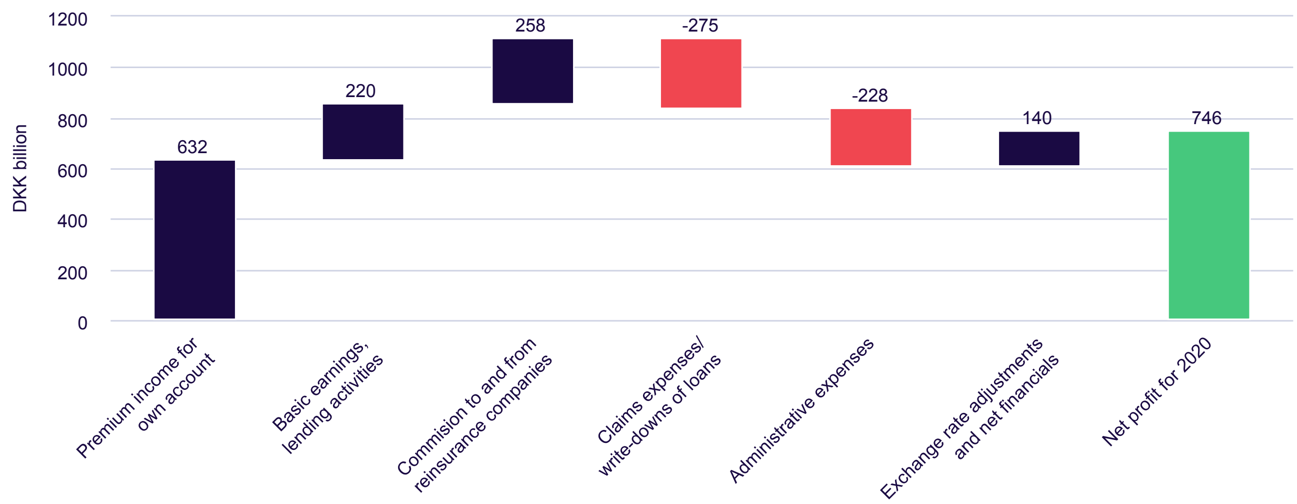
As of 2021, the non-restricted equity (meaning equity less reserves related to hedge accounting and any proposed dividend) must at any time meet a minimum requirement, which must be determined as EKF's VaR at a 97 percent confidence level plus a buffer requirement. The total capital requirement, that is, the minimum requirement plus the buffer requirement, must be based on EKF's VaR at a 99 percent confidence level.

Financial review

Income statement

EKF's total net profit for 2020 was DKK 746 million and was thus in line with the profit for 2019 of DKK 743 million. The result for 2020 is satisfactory, not least in the light of the pandemic and the global downturn in economic activity. The net profit for 2020 allows EKF to distribute the maximum amount of DKK 100 million in accordance with EKF's dividend policy.

Net profit for 2020



The positive result for 2020 is mainly attributable to three factors: substantial income from premiums and interest rates, limited losses and commission fees from EKF's reinsurance of transactions.

The substantial premium and interest rate income derives to some extent from new issuances in 2020. New issuances in 2020 reached a record high at DKK 23 billion. Only in 2018, when new issuances were at DKK 34 billion, was the figure higher.

Despite the economic crisis, EKF emerged from 2020 without significant new claims and potential losses, and EKF's claims expenses from guarantees and loan write-downs were lower overall than expected.

The high commission from reinsurance primarily reflects the fact that in 2020, EKF reinsured a very large proportion of its new issuances. EKF policy aims for a high level of reinsurance for especially large transactions, which in 2020 resulted in comprehensive reinsurance of an infrastructure project in Tanzania. In addition, reinsurance from Denmark's Green Future Fund was commenced.

EKF originally projected a net profit of DKK 500-700 million for 2020, but in the wake of the onset of the global pandemic in early spring, acknowledged that the ensuing recession might adversely impact issuances and the annual profit. The issuances were lower than expected at the start of the year, but because EKF, contrary to expectations, avoided significant losses or provisions, the actual profit came in slightly higher than the original expectation for the year.

In spring 2020, EKF was tasked with administering three governmental schemes designed to remedy liquidity challenges among companies impacted by the effects of the pandemic and to enable Danish companies to secure insurance against non-payment risks in international trade. These schemes will be presenting separate financial statements and have no implications for EKF's financial reporting.

Guarantees

EKF's premium income for own account (premium income after provisions and reinsurance) was DKK 632 million, which was just over DKK 250 million higher than in 2019 when premium income for own account was relatively low as a result of factors such as reinsurance of transactions undertaken in 2018.

In 2020, gross premiums amounted to DKK 2,021 million, almost twice the figure for 2019. This is attributable to large new guarantees and a generally higher premium level. Owing to EKF's comprehensive reinsurance in 2020, EKF paid more than 70 percent of the gross premiums to reinsurance counterparties (before allowance for EKF's commission).

In the year in which a guarantee is issued, as a rule, 20 percent of the gross premium is recognised in the income statement. The remaining 80 percent of the gross premium is set aside and recognised in the subsequent year in step with repayment of the underlying loans.

When EKF reinsures its guarantee exposures, a proportion of the premium provision is reversed. In 2020, this resulted in a change in the reinsurance share of guarantee provisions of DKK 860 million.

Premium income for own account

Amounts in DKK million	**2020**	**2019**
Gross premium income	2,021	1,046
Reversed premiums etc.	-10	-274
Reinsurance premiums paid	-1,454	-918
Change in guarantee provisions	-785	-80
Change in the reinsurance share of guarantee provisions	860	601
Total premium income for own account	**632**	**375**

Claims expenses for own account totalled DKK 201 million in 2020. In 2019, an extraordinary income of DKK 160 million was recognised for this item because transactions that had formerly been challenged were stabilised, allowing provisions for claims to be reversed. Claims expenses in 2020 were lower than what EKF would normally expect. EKF's substantial commitment within wind, which accounts for around 70 percent of the total portfolio, proved to be resilient to the economic slowdown. Some – primarily small-scale transactions – were severely challenged in 2020, and in the light of the potential losses, EKF opted to increase the provisions for these.

The proportion of the portfolio for which EKF has provided security for loans typically made to Danish export companies was characterised by fewer projects of concern than recorded in previous years. This ties in with the fact that the number of bankruptcies among Danish companies decreased in 2020. However, EKF expects a number of projects to be challenged in the coming years. In 2020, EKF accordingly set aside DKK 50 million in provisions following a management estimate for working capital guarantees granted to Danish SMEs.

In 2020, commission from reinsurance companies generated income of DKK 258 million, which was just under DKK 100 million more than in 2019 when income from commissions was also high. In 2020, EKF reinsured up to 70 percent of new issuances. This is higher than in the past, and reflects EKF's treaty agreements, which nominally cover 40 percent of EKF's large new guarantees, substantial reinsurance for a large-scale infrastructure project in Tanzania and the launch of Denmark's Green Future Fund, which reinsures 20-30 percent of

EKF's clean energy ventures. The fact that EKF in recent years has gained more favourable reinsurance terms also contributed to the increase in commission income. The extensive reinsurance accomplished meant that despite large new guarantees, EKF succeeded in maintaining substantial capacity for financing new transactions.

EKF's insurance-related result (the result of its guarantee activities overall) before administrative expenses came in at DKK 690 million in 2020 and was thus somewhat lower than in 2019.

Loans

As a general rule, EKF lending is financed by government on-lending. This entails interest rate and exchange-rate risks, as on-lending is in Danish kroner at a fixed rate, while loans for export transactions are raised in different currencies at both variable and fixed rates. EKF hedges the market risks incurred from on-lending by means of interest rate and currency swaps. EKF's financial income from lending shows the interest rate yield after conversion into currency and interest rate swaps, while financial expenses from lending consist of interest rate payments on government on-lending. Thus, to assess the income derived from lending activities before write-downs, basic earnings, i.e. financial income and financial expenses, should be assessed as one.

EKF's basic earnings from lending activities in 2020 totalled DKK 220 million compared to DKK 258 million in 2019. EKF granted more new loans over the year, while others were prepaid. A slight decrease in overall lending was recorded in 2020, which, compounded by lower average margins accruing from the loans, contributed to the reduced earnings.

Basic earnings, lending

Amounts in DKK million	**2020**	**2019**
Financial income related to lending	612	778
Financial expenses related to loans	-393	-520
Basic earnings from lending activities	**220**	**258**

In 2020, write-downs of loans increased by DKK 75 million. No objective indications of impairment of new loans were registered in 2020 compared to the previous year, but for a couple of loans, the credit risk increased substantially. Write-downs of these loans were therefore correspondingly increased. The write-downs were somewhat higher than in 2019 when reversals of previous write-downs yielded income for this item. The result of lending activities before administrative expenses thus totalled DKK 145 million, which represents a slight decrease relative to 2019 when the profit was DKK 269 million.

Administration

Net administrative expenses in 2020 totalled DKK 228 million, and DKK 19 million more than in 2019. This increase derives mainly from a rise in payroll expenses. In recent years, EKF has implemented a staff expansion as a result of increasing activity, but also in order to meet the increasing requirements of new regulations and to ensure that EKF's organisation and competences match the increasing complexity of its business undertakings.

Net financials

Net financials represented a total income of DKK 140 million compared to DKK 29 million in expenses in 2019.

Net financial income overall from receivables totalled DKK 195 million in 2020, which was in line with 2019. The 2020 income derived in the main from an income from discounting of premiums receivable of DKK 141 million as a result of a fall in the discount rate for British pounds sterling in which EKF is owed substantial premiums from major offshore projects. Additionally, EKF gained interest income from DKK 50 million in claims.

Most of this income derives from a couple of transactions in which EKF had originally issued guarantees, but subsequently opted to intervene as a lender some years ago when the projects were challenged. Since then, the projects went into recovery and interest could be paid on the debt.

Net financials amounted to DKK 16 million in 2020, which is in line with the 2019 level. In 2020, EKF recorded relatively substantial exchange rate adjustments and unrealised value adjustments from loans and financial instruments, which to some extent should be taken as one. In spring 2020, EKF issued a USD loan, which was prepaid at the end of the year. For EKF, this resulted in an exchange rate loss of approx. DKK 150 million, and was the main cause of EKF's exchange rate adjustment loss of DKK 114 million.

The exchange rate risk on the prepaid USD loan was hedged by a currency swap. On redemption, EKF opted to retain the currency swap to hedge the repaid USD. At year-end, EKF had a positive unrealised value adjustment of these USD positions of approx. DKK 150 million, i.e. matching the exchange rate loss on the loan.

The fact that the unrealised value adjustments – despite this gain – amount to the relatively modest DKK 75 million is attributable to an unrealised loss of just under DKK 100 million in fixed-rate currency swaps hedging EKF's interest rate and exchange rate risk on fixed-interest lending in foreign currency. As the value of these loans is recognised at amortised cost and the swaps at fair value, a proportion of the volatility in the value of the swaps will not be reflected in the loans hedged. In 2020, the relevant currency exchange rates decreased, which then reduced the value of the swaps concerned. This mismatch in recognition resulted in an expense in EKF's result.

Fluctuations in unrealised value adjustments are collected in a reserve under equity. Over time, this reserve will be reduced to zero in step with lending, on-lending and derivative financial instruments approaching maturity.

Balance sheet

At 31 December 2020, our assets totalled DKK 27.5 billion, up from DKK 26.6 billion in the previous year.

Assets

Cash and demand deposits increased to DKK 8.5 billion at the end of 2020 as against DKK 7.2 in the previous year. This was attributable mainly to reductions in EKF's securities portfolio, which decreased from DKK 1.8 billion at the end of 2019 to DKK 1.0 billion at year-end 2020.

In 2020, EKF made no investments in new securities.

Loans totalled DKK 9.1 billion at 31 December 2020. Compared with year-end 2019, this represents a decrease of DKK 0.3 billion. EKF disbursed several new loans, but also received prepayments and a planned repayment of a previously issued loan.

Receivables amounted to DKK 6.4 billion in 2020, down from DKK 6.5 billion at the end of 2019. Claims were down by DKK 0.2 billion as a result of exchange rate adjustments. The value of premiums receivable increased by DKK 0.2 billion due to falls in interest rates and substantial new guarantees in 2020 for which the premiums are payable periodically over the maturity period. Derivative financial instruments totalled DKK 1.4 billion at year-end 2020, down from DKK 1.5 billion at the end of 2019.

The reinsurance share of guarantee provisions and provisions for claims expenses amounted to DKK 2.5 billion at the end of 2020, up from DKK 1.7 billion at the end of 2019. The increase reflects EKF's comprehensive reinsurance activity in 2020.

Liabilities

Total equity amounted to DKK 8.7 million at the end of 2020, up from DKK 8.5 billion at the end of 2019. Changes in equity for the year consisted of net profit for the year of DKK 746 million and the year's distribution to the Danish state of DKK 640 million as well as a capital injection from the state of DKK 125 million earmarked for providing guarantees in higher-risk countries pursuant to the agreement on rebooting Danish exports.

Equity

Amounts in DKK million	Retained earnings (non-restricted)	Proposed dividend	Restricted equity (tied up)	Exchange rate adjustment reserve	Total
Equity at 1 January 2020	**5,265**	**640**	**2,704**	**-150**	**8,459**
Dividend distributed		-640			**-640**
Net profit for the year	850	100	-279	75	**746**
Capital injection in support of rebooting Danish exports	125				**125**
Equity at 31 December 2020	**6,240**	**100**	**2,425**	**-74**	**8,691**

At the end of 2019, EKF's restricted equity reached the maximum nominal size determined on the basis of the portfolio's concentration on countries and the risk-weighted exposure. Since EKF's risk-weighted exposure decreased in 2020, the restricted equity requirement was reduced for 2020 by DKK 0.3 billion, which resulted in a corresponding increase in non-restricted equity.

Payables amounted to DKK 13.1 billion at the end of 2020, which represented no change relative to the level at the end of 2019. Increased on-lending and new reinsurance increased EKF's payables to the Danish state, while payables pertaining to financial instruments were down.

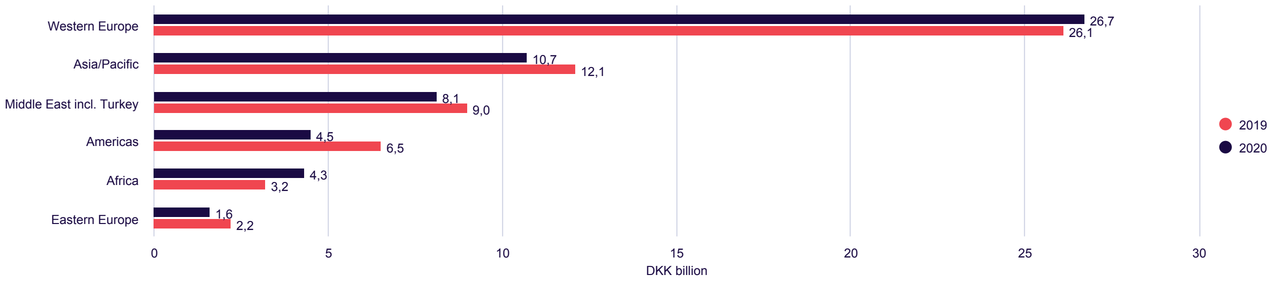
Technical provisions amounted to DKK 5.7 billion at 31 December 2020. Guarantee provisions increased by DKK 0.5 billion to DKK 5.0 billion as a result of substantial new guarantees in 2020. Provisions for claims expenses amounted to DKK 0.7 billion, up DKK 0.2 billion from the previous year. The rise reflects EKF's increased provisions over the year for transactions subject to potential losses.

Portfolio

EKF's total portfolio consists of EKF's guarantee exposure, reinsurance exposure, loans and offers issued. The total portfolio for EKF amounted to DKK 105.7 billion at year-end 2020. Guarantee exposure for EKF is not recorded in EKF’s balance sheet, but is a contingent liability.

Discounting issued offers, guarantee exposure and loans totalled DKK 97.2 billion at the end of 2020, up DKK 4.9 million from the previous year. EKF's reinsurance increased in 2020 by just over DKK 8 billion. This means that after reinsurance, EKF recorded a decrease in its guarantee and loan exposure of DKK 3.3 billion down to DKK 55.9 billion at the end of 2020, bringing the decrease in guarantee exposure and loans after reinsurance to just over DKK 10 billion since year-end 2018. The decrease is due primarily to an increase in the reinsurance share from 20 percent to 40 percent for treaty reinsurance agreements from 2018, but also to substantial reinsurance activity on other fronts, including the introduction of state reinsurance through Denmark's Green Future Fund in 2020.

Guarantee exposure and loans after reinsurance, by region, at year-end



About half of EKF's guarantee exposures and loans after reinsurance are located in Western Europe. Guarantee exposures and loans after reinsurance in Western Europe and Africa increased in 2020, as new transactions were concentrated geographically in these areas. For the other world regions, EKF's commitment after reinsurance was reduced.

Claims and potential losses

EKF recorded no new major claims and potential losses in 2020.

Claims expenses for own account amounted to DKK 201 million in 2020. Write-downs on loans increased in 2020 by DKK 75 million.

There were no material changes in 2020 with respect to major transactions for which EKF has recorded potential losses or claims.

Indemnification payments, gross, totalled DKK 81 million, in 2020, which was lower than last year.

Net claims decreased from DKK 1,385 million in 2019 to DKK 1,171 million in 2020. Aside from exchange rate adjustments, this mainly reflects that EKF has closed a couple of claims. EKF conducts regular follow-up on claims in order to minimise losses and ensure claims repayment.

Key figures for EKF's total claims and potential losses 2016-2020

Amounts in DKK million	2020	2019	2018	2017	2016
Provisions for claims expenses, end of year	716	566	684	743	1,542
Indemnification payments	81	108	155	1,451	793
Net claims	1,171	1,385	1,268	1,096	450
Recovered amounts – repayments including interest	152	113	81	71	66

Post balance sheet events

No events have occurred after 31 December 2020 that would have a material impact on the assessment of the Annual Report.

Outlook for 2021

EKF expects net profit for 2021 to be in the DKK 300-500 million range.

The net profit expectations for 2021 are subject to exceptionally high uncertainty, as evidenced by the economic challenges in many countries. This outlook is compounded by the fact that EKF has a relatively large number of major transactions, and problems in just a limited number of these might have significant financial impacts.

EKF's portfolio is not significantly exposed compared with the sectors and industries that were initially the worst affected during the COVID-19 crisis, and provisions for losses in the first half of 2020 were low. EKF's provisions for losses are expected to rise in 2021, as government relief packages expire and the impact of the pandemic on the global economy becomes more pronounced.

In 2020, the Danish Government contributed DKK 125 million in equity to EKF, and additional capital injections will follow in the years 2021-23.

The aim of this is to increase EKF's risk exposure capacity. EKF will be using the targeted capital injections to finance further export transactions in challenged countries and prioritising co-financing of early-stage technology projects with export potential. This change in EKF's risk profile will boost Danish exports, but will most likely increase EKF's loss rate over the longer term.

Corporate information

EKF Denmark's Export Credit Agency

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DK-2100 Copenhagen

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Fax: +45 35 46 26 11

Website: www.ekf.dk
E-mail: ekf@ekf.dk

CVR no.: 30 76 37 77
Founded: 19 November 1999
Registered office: Copenhagen

Financial year: 1 January to 31 December

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

Janne Bram Hemphrey

Jørgen Høholt

Niels Jacobsen

Poul Due Jensen

Emilie Turunen

Anna Marie Owie, Employee Representative

Morten Wernberg, Employee Representative

Management

Peder Lundquist
Acting Chief Executive Officer

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 – 31 December 2020.

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 2020 and of the results of EKF Denmark's Export Credit Agency's operations and cash flows for the financial year 1 January – 31 December 2020.

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, 19 March 2021

Management

Peder Lundquist
Acting Chief Executive Officer

Board of Directors

Christian Frigast
Chair

Dorrit Vanglo
Deputy Chair

Janne Bram Hemphrey

Jørgen Høholt

Niels Jacobsen

Poul Due Jensen

Emilie Turunen

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 2020, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including significant accounting policies. The financial statements are 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 2020 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 2020 in accordance with the Danish Financial Statements Act and EKF's articles of association.

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. Our responsibility according to these standards and requirements is described in more detail in the section "Auditors" responsibility for audit of the financial statements' in this auditors' report.

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 IESBA's Code of Ethics for Professional Accountants and the additional requirements applying in Denmark. We have both complied with our other ethical obligations under such code and requirements.

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

Management's responsibility
Management is responsible for the preparation and fair presentation of financial statements in accordance with the Danish Financial Statements Act and EKF's articles of association.

This responsibility includes 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' responsibility for 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 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 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 and in accordance with good public auditing practice, 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 that connection 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 EKF's articles of association.

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 EKF's articles of association. 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 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 enterprises comprised by the financial statements.

In connection with our audit of the financial statements, it is our responsibility, in accordance with good public auditing practice, to select relevant issues for both compliance audit and performance audit. During our compliance audit, we control with a high degree of certainty in terms of the issues selected whether the transactions that are covered by the financial statements are in compliance with the funding granted, legislation and other regulations, as well as with agreements made and customary practice. During 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 enterprises comprised 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 this.

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

Copenhagen, 19 March 2021

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Per Rolf Larssen Identification No. (MNE): 24822 *State-authorised public accountant*	Stefan Vastrup Identification No. (MNE): 32126 *State-authorised public accountant*

Rigsrevisionen

CVR no. 77 80 61 13

Lone Lærke Strøm *Auditor General*	Marie Katrine Bisgaard Lindeløv *Director*

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 CO_2e displacement from renewable energy projects, as presented in the table 'Total expected CO_2e displacement achieved by EKF-financed projects' in EKF's Annual Report 2020 ('the report') with a view to arriving at a high degree of certainty. Data concern CO_2e displacement from all projects financed by EKF (71 million tonnes of CO_2e) and EKF's share of the total (14 million tonnes of CO_2e) in 2020.

Our audit was conducted to determine whether the reported data were obtained in compliance with EKF's method for calculating the aggregate CO_2e 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 ledelse har ansvaret for at indsamle, beregne og præsentere disse data i rapporten. Ledelsen har desuden ansvaret for den interne kontrol, som ledelsen anser for nødvendig for at udarbejde rapporteringen uden væsentlig fejlinformation, uanset om denne skyldes besvigelser eller fejl.

Auditors' responsibility

Our responsibility is based on our undertaking to express an opinion with a high degree of certainty concerning the data on CO_2e displacement from renewable energy projects, as presented in the figure 'Total expected CO_2e 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 for 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 FSR - Danish Auditor's Code of Ethics for Auditors, which is founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional conduct.

We have performed our undertaking with a view to arriving at a high degree of certainty that EKF's data on CO_2e 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 2020. 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, energy requirements an capacity data. 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 CO_2e displacement been accurately calculated.

We have not audited project 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 CO_2e displacement from all renewable energy projects financed by EKF (71 million tonnes of CO_2e) and EKF's share of that total
(14 million tonnes of CO_2e) in EKF's Annual Report 2020 are presented fairly, in all material respects.

Copenhagen, 15 March 2021

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. (MNE) 33 96 35 56

Morten Egelund
Identification No. (MNE): 21411
State-authorised public accountant

Helena Barton
Lead Reviewer

Financial Statement

Income statement for the year

1 January to 31 December

Amounts in DKK million	Note	2020	2019
Gross premium income	1	2,021	1,046
Reversed premiums etc.	1	-10	-274
Reinsurance premiums paid		-1,454	-918
Change in guarantee provisions	2	-785	-80
Change in the reinsurance share of guarantee provisions	3	860	601
Total premium income for own account		**632**	**375**
Claims expenses	4	-218	184
Change in the reinsurance share of provisions for claims expenses		18	-24
Total claims expenses for own account		**-200**	**160**
Commission to and from reinsurance companies		258	177
Technical result before administrative expenses		**690**	**712**
Financial income related to loans	5	612	778
Financial expenses related to loans	5	-393	-520
Basic earnings from lending activities		**220**	**258**
Write-downs of loans	5	-75	11
Result of lending activities before administrative expenses		**145**	**269**
Total operating income before administrative expenses		**835**	**981**
Administrative expenses, net	6	-228	-209
Total operating income before net financials		**606**	**772**
Exchange rate adjustments	7	-114	-31
Financial income	7	195	198
Financial expenses	7	-16	-17
Value adjustments, unrealised	7	75	-179
Net financials		**140**	**-29**
Net profit for the year		**746**	**743**

Distribution of profit

Amounts in DKK million	2020	2019
Distributable amount		
Net profit for the year	746	743
For distribution	**746**	**743**
The Board of Directors proposes the following distribution:		
Transferred to restricted equity	-279	88
Transferred to exchange rate adjustment reserve	75	-179
Proposed dividend	100	640
Transferred to non-restricted equity	850	194
Distributed	**746**	**743**

Balance sheet at 31 December

Assets

Amounts in DKK million	Note	2020	2019
Cash and demand deposits			
Balance with the Danish state		7,428	5,968
Cash		1,088	1,237
Total cash and demand deposits		**8,516**	**7,205**
Loans			
Loans	8	9,083	9,439
Total loans		**9,083**	**9,439**
Securities			
Securities	9	978	1,765
Total securities		**978**	**1,765**
Fixed assets			
Licences, software, etc.	10	8	9
Development projects in progress	10	4	2
Intangible fixed assets		**12**	**11**
Other plant and operating equipment	11	2	3
Tangible fixed assets		**2**	**3**
Deposit	12	4	4
Investments		4	4
Total fixed assets		**18**	**18**

Balance sheet at 31 December

Assets (cont.)

Amounts in DKK million	Note	2020	2019
Receivables			
Claims	13	1,171	1,385
Premiums receivable	14	3,772	3,534
Derivative financial instruments	15	1,374	1,451
Prepaid interest expenses	16	56	44
Other receivables		28	46
Total receivables		**6,401**	**6,460**
Reinsurance shares			
Reinsurance share of guarantee provisions	17	2,502	1,735
Reinsurance share of provisions for claims expenses	18	30	12
Total reinsurance share		**2,532**	**1,747**
Total current assets		**8,933**	**8,207**
Total assets		**27,528**	**26,634**

Balance sheet at 31 December

Liabilities

Amounts in DKK million	Note	2020	2019
Equity			
Restricted equity		2,425	2,704
Exchange rate adjustment reserve		-74	-150
Proposed dividend		100	640
Non-restricted equity		6,240	5,265
Total equity		**8,691**	**8,459**
Payables			
Payables to the Danish state (on-lending)	19	10,861	10,591
Derivative financial instruments	15	390	885
Prepaid interest income	16	234	278
Payables to reinsurance companies	20	1,455	1,125
Other payables		192	246
Total other payables		**13,132**	**13,125**
Technical provisions			
Guarantee provisions	17	4,989	4,484
Provisions for claims expenses	18	716	566
Total technical provisions		**5,705**	**5,050**
Total equity and liabilities		**27,528**	**26,634**

Risk and off-balance sheet notes

Statement of changes in equity

Amounts in DKK million	Retained earnings (non-restricted)	Proposed dividend	Restricted equity (tied up)	Exchange rate adjustment reserve	Total
Equity at 1 January 2019	5,071	140	2,616	29	**7,856**
Dividend distributed	-	-140	-	-	**-140**
Transferred to restricted equity	-	-	88	-	**88**
Proposed dividend	-	140	-	-	**140**
Additional distribution to the Danish state	-500	500	-	-	**0**
Transferred to non-restricted equity	694	-	-	-	**694**
Change in exchange rate adjustment reserve for the year	-	-	-	-179	**-179**
Equity at 1 January 2020	**5,265**	**640**	**2,704**	**-150**	**8,459**
Dividend distributed	-	-640	-	-	**-640**
Transferred to restricted equity	-	-	-279	-	**-279**
Capital injection in support of rebooting Danish exports	125	-	-	-	**125**
Proposed dividend	-	100	-	-	**100**
Transferred to non-restricted equity	850	-	-	-	**850**
Change in exchange rate adjustment reserve for the year	-	-	-	75	**75**
Equity at 31 December 2020	**6,240**	**100**	**2,425**	**-74**	**8,691**

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.

Capital ratio in percent

Amounts in DKK million	2020	2019
Guarantee exposure before reinsurance	86,279	79,929
Loans, before reinsurance and write-downs	9,801	10,069
Loans granted, but not yet paid and equity investments	1,078	2,220
Reinsurance exposure for guarantees and loans	-41,225	-32,985
Conditional offers exposure (2020: 60 %, 2019: 60 %)	5,153	4,179
Technical provisions	-5,705	-5,050
Reinsurance shares of provisions	2,532	1,747
Write-downs of loans	-719	-630
Claims	1,171	1,385
Adjusted guarantee and loan exposure	**58,364**	**60,864**

Non-restricted equity	6,240	5,265
Capital ratio, percent *	**10.7%**	**8.7%**

* Capital ratio = Non-restricted equity/Adjusted guarantee and loan exposure) x 100. For 2020, EKF's minimum capital requirement is 4 percent.

Cash flow statement

Amounts in DKK million	**2020**	**2019**
Net profit for the year	746	743
Adjustment of gross premium income, discounting	141	89
Adjustment of guarantee provisions, discounting	12	-4
Change in guarantee provisions, including reinsurance	-274	-457
Change in provisions for claims expenses, including reinsurance	133	-94
Change in claims valuation	-288	-278
Recovered claims amounts	152	113
Indemnification payments	-81	-108
Adjustment, claims	-0	-10
Write-off of claims	430	166
Change in operating capital	-85	323
Change in derivative financial instruments (assets and liabilities)	-419	879
Change in prepaid interest income and expenses	-57	-69
Depreciation and amortisation of fixed assets	4	4
Change in loans	268	1.247
Change in write-down of loans	89	11
Change in on-lending	270	-3,022
Change in bank debt	0	0
Change in securities	788	15
Capital injection in support of rebooting Danish exports	125	-
Dividend distributed to the Danish state	-640	-140
Cash flows from operating activity	**1,314**	**-592**
Purchase of intangible fixed assets	-5	-3
Purchase of tangible fixed assets	-0	-2
Cash flow from investments	**-5**	**-5**
Cash flow for the year	**1,309**	**-597**

Cash flow statement (cont.)

Amounts in DKK million	2020	2019
Cash and cash equivalents	1,237	1,189
Balance with the Danish state	5,968	6,613
Cash and cash equivalents, beginning of year	**7,206**	**7,802**
Cash flow for the year	1,309	-597
Cash and cash equivalents, end of year	**8,516**	**7,205**
Distributed as follows:		
Cash and cash equivalents	1,088	1,237
Balance with the Danish state	7,428	5,968
Cash and cash equivalents, end of year	**8,516**	**7,205**

Notes

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

Amounts in DKK million	2020	2019
Gross premium income before reversed premiums etc.	1,972	1,121
Reversed premiums etc.	-10	-274
Write-down of premiums receivable	49	-75
Gross premium income after reversed premiums etc.	**2,011**	**772**
Gross premium income after reversed premiums and other adjustments is as follows:		
Buyer credit	1,090	121
Project financing	798	547
Financing guarantee	15	6
Reinsurance premiums received, short-term reinsurance	3	4
Working capital guarantees	67	64
SME Guarantee	4	3
Supplier credit	9	10
Other	24	17
Gross premium income after reversed premiums etc.	**2,011**	**772**

Note 2: Change in guarantee provisions

Amounts in DKK million	2020	2019
Addition of new guarantees	-1,411	-741
Changes in guarantees	17	10
Change in country and debtor ratings	-81	-157
Reductions in guarantee provisions	598	499
Reversal of guarantee provisions as a result of potential losses	57	4
Reversal of guarantee provisions as a result of prepayments etc.	35	305
Total change in guarantee provisions	**-785**	**-80**

Note 3: Change in the reinsurance share of guarantee provisions

Amounts in DKK million	2020	2019
New reinsurance agreements	1,065	732
Changes in guarantees	8	-24
Change in country and debtor ratings	4	35
Reductions in reinsurance share of guarantee provisions	-207	-96
Reversal of reinsurance share of guarantee provisions as a result of potential losses	-	-
Reversal of reinsurance share of guarantee provisions as a result of prepayments etc.	-11	-46
Total change in the reinsurance share of guarantee provisions	**860**	**601**

Note 4: Claims expenses

Amounts in DKK million	2020	2019
Change in provisions	-158	127
Change in claims write-down	381	242
Write-off of claims	-430	-165
Indemnification payments to short-term reinsurance	-3	-6
Transaction expenses	-8	-14
Total claims expenses	**-218**	**184**

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

Amounts in DKK million	2020	2019
Financial income related to loans		
Financial income loans and financial instruments	586	743
Financial income (commitment fee, upfront fee, etc.)	27	35
Total financial income related to loans	**612**	**778**
Financial expenses related to loans		
Interest expenses on-lending and financial instruments	-333	-464
Interest expenses reinsurance	-42	-35
Other financial expenses	-18	-21
Total financial expenses related to loans	**-393**	**-520**
Write-down loans		
Write-down, beginning of year	-630	-620
Correction of write-downs, beginning of year, IFRS 9	-	-
Write-downs for the year	75	11
Exchange rate adjustment of write-down	14	-1
Total write-down of loans	**-719**	**-630**

Note 6: Administrative expenses

Amounts in DKK million	**2020**	**2019**
Wages and salaries, excluding bonuses	117	99
Bonuses	7	7
Total wages and salaries	**124**	**106**
Pensions	15	14
Other social security expenses	1	1
Education/training and personnel expenses	12	8
Cost of premises	16	14
Travel and transportation expenses	2	8
Remuneration and fees	32	26
Marketing	3	3
Entertainment expenses	1	1
IT expenses	21	21
Other expenses	10	9
Administrative expenses before reimbursement related to administered schemes	**238**	**211**
Reimbursement of administrative expenses related to administered schemes	**10**	2
Total administrative expenses, net	**228**	**209**

Remuneration of management **Amounts in DKK 1,000s**		
Kirstine Damkjær, former CEO +		
Fixed remuneration, including pension	3,537	2,876
Variable salary	248	260
Total remuneration, Kirstine Damkjær	**3,785**	3,136

+ Kirstine Damkjær retired from her position as CEO at EKF on 15 March 2021.

Remuneration of the Board of Directors

Amounts in DKK 1,000s	2020	2019
Christian Frigast, Chairman	450	450
Dorrit Vanglo, Deputy Chair	300	300
Janne Bram Hemphrey ++	88	-
Niels Jacobsen ++	88	-
Flemming Aaskov Jørgensen ++	125	250
Karen Nielsen ++	110	220
Jørgen Skeel++	88	175
Poul Due Jensen	175	175
Jørgen Høholt +	221	205
Emilie Turunen +/++	95	-
Anna Marie Owie, Employee Representative	175	175
Yasir Al-Gailany, Employee Representative ++	88	175
Morten Wernberg, Employee Representative, ++	88	-
Total fixed remuneration of the Board of Directors	**2,091**	**2,125**
Average number of employees	**146**	**141**

+ The remuneration includes a fee for the Audit, Risk and Compliance Committee.

++ Janne Bram Hemphrey, Niels Jacobsen, Emilie Turunen and Morten Wernberg joined the Board of Directors in 2020.

Flemming Aaskov Jørgensen, Karen Nielsen, Jørgen Skeel and Yasir Al-Gailany resigned from the Board of Directors in 2020.
Members of Management at EKF have a bonus scheme. The maximum CEO bonus is 10 percent 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	2020	2019
Exchange rate adjustments		
Exchange rate adjustment loans	-265	-270
Value adjustment on-lending	-172	-141
Exchange rate adjustment derivative financial instruments	395	408
Exchange rate adjustment guarantee provisions	183	-62
Exchange rate adjustment provisions for claims expenses	8	-7
Exchange rate adjustment claims	-95	37
Exchange rate adjustment receivables, payables, banks, etc.	-143	48
Hedging of premiums receivable, provisions, claims, etc.	-25	-44
Total exchange rate adjustments	**-114**	**-31**
Financial income		
Interest, bank	0	3
Interest, claims	50	80
Adjustment of premium discounting	141	89
Adjustment of discounting of reinsurance premiums	-12	4
Interest, securities	15	22
Total financial income	**195**	**198**
Financial expenses		
Interest and fees	-5	-1
Amortisation of premiums, securities	-12	-16
Total financial expenses	**-16**	**-17**
Value adjustments, unrealised		
Exchange rate adjustment of export loans	-154	468
Value adjustment on-lending	275	-35
Other adjustments	-76	20
Fair value adjustment of derivative financial instruments	29	-632
Total value adjustments, unrealised	**75**	**-179**
Total net financials	**140**	**-29**

Note 8: Loans

Amounts in DKK million	2020	2019
Beginning of year	10,069	11,316
Additions during the year	3,999	1,061
Repayments during the year	-1,086	-1,595
Prepayments	-2,489	-1,195
Exchange rate adjustments for the year	-692	482
Loans before write-down etc. at 31 December	**9,801**	**10,069**
Write-down of loans	-719	-630
Carrying amount loans at 31 December	**9,083**	**9,439**
Expected remaining time to maturity of the loans is distributed as follows:		
0–1 year	1,666	1,510
1–5 years	3,409	4,316
> 5 years	4,726	4,233
Total	**9,801**	**10,069**

Note 9: Securities

Amounts in DKK million	2020	2019
Balance at 1 January	1,735	1,735
Additions during the year	-	-
Disposals during the year	-770	-
Nominal value at 31 December	**965**	**1,735**
Premium		
Balance at 1 January	17	33
Additions during the year	-	-
Amortisation during the year	-12	-16
Premium at 31 December	**6**	**17**
Discount		
Balance at 1 January	-2	-2
Additions during the year	-	-
Amortisation during the year	-	-
Discount at 31 December	**-2**	**-2**

Interest receivable	9	15
Interest receivable	**9**	**15**
Carrying amount at 31 December	**978**	**1,765**

Note 10: Intangible fixed assets

Amounts in DKK million	**Licences, software, etc.**	**Development projects in progress**	**Total**
Balance at 1 January 2020	55	2	**57**
Capitalised development projects, prior years	2	-	**2**
Additions during the year	0	4	**5**
Disposals during the year	-	-2	**-2**
Cost at 31 December	**57**	**4**	**61**
Depreciation and write-downs			
Balance at 1 January 2020	-46	-	**-46**
Depreciation for the year	-3	-	**-3**
Accumulated depreciation and write-downs of assets disposed of	-	-	-
Depreciation and write-downs at 31 December	**-49**	-	**-49**
Carrying amount at 31 December	**8**	**4**	**12**

Note 11: Tangible fixed assets

Amounts in DKK million	**Other plant and operating equipment**	**Total**
Balance at 1 January 2020	6	6
Additions during the year	-	-
Disposals during the year	-	-
Cost at 31 December	**6**	**6**
Depreciation and write-downs		
Balance at 1 January 2020	-3	-3
Depreciation for the year	-1	-1
Accumulated depreciation and write-downs of assets disposed of	-	-
Depreciation and write-downs at 31 December	**-4**	**-4**
Carrying amount at 31 December	**2**	**2**

Note 12: Investments

Amounts in DKK million	2020	2019
Deposit	4	4
Carrying amount at 31 December	**4**	**4**

Note 13: Claims

Amounts in DKK million	2020	2019
Claims on countries		
Beginning of year	33	33
Indemnification payments	-	-
Repayments	-	-1
Amortisation	-29	-
Exchange rate adjustment	-4	1
Change in claims valuation	1	-
Claims on countries at 31 December	**2**	**33**
Commercial claims		
Beginning of year	1,352	1,235
Indemnification payments	81	108
Repayments	-152	-112
Amortisation	-402	-166
Adjustment of claim	-	10
Exchange rate adjustment	-124	62
Change in claims valuation	414	215
Commercial claims at 31 December	**1,169**	**1,352**
Total claims at 31 December	**1,171**	**1,385**

Note 14: Premiums receivable

Amounts in DKK million	2020	2019
Premiums receivable	4,172	4,043
Premiums receivable, short-term	18	49
Discounting	-273	-352
Provisions for bad debts	-146	-206
Total premiums receivable at 31 December	**3,772**	**3,534**
Fall due:		
< 1 year	217	212
1–5 years	1.770	1.670
> 5 years	1.785	1.652
Total premiums receivable at 31 December	**3,772**	**3,534**

Note 15: Derivative financial instruments

Amounts in DKK million			2020			2019
	Principal	Positive fair value	Negative fair value	Principal	Positive fair value	Negative fair value
Interest rate swaps on on-lending	10,600	685	-	9,808	847	-
Currency swaps	9,042	689	-372	10,302	602	-885
FX Swaps	-	-	-15	-	-	-
Forward contracts	508	-	-2	1,216	3	-
Total derivative financial instruments	**20,150**	**1,374**	**-390**	**21,326**	**1,451**	**-885**

Note 16: Prepaid interest expenses and income

Amounts in DKK million	2020	2019
Prepaid interest income, beginning of year	278	348
Additions during the year	5	-
Earned during the year	-49	-70
Prepaid interest income at 31 December	**234**	**278**
Prepaid interest expenses, beginning of year	44	45
Additions during the year	-	-
Charged to the income statement during the year	13	-1
Prepaid interest expenses at 31 December	**56**	**44**

Prepaid interest income concerns a number of loans where 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	2020	2019
Guarantee provisions, beginning of year	2,749	3,210
Changes in guarantee provisions	1.200	639
Reductions in guarantee provisions	-598	-499
Change in the reinsurance share of guarantee provisions	-860	-601
Guarantee provisions after reinsurance at 31 December	**2,492**	**2,749**
Guarantee provisions, gross	5,085	4,659
Discounting	-96	-175
Guarantee provisions before reinsurance at 31 December	**4,989**	**4,484**
Reinsurance share of guarantee provisions	-2,502	-1,735
Guarantee provisions after reinsurance at 31 December	**2,487**	**2,749**

Note 18: Provisions for claims expenses

Amounts in DKK million	2020	2019
Provisions for claims expenses, beginning of year	566	684
Provisions for the year	194	62
Incoming reinsurance	-2	-1
Indemnification payments, short-term incoming reinsurance	3	6
Additions of provisions for claims expenses	**196**	**67**
Reversed provisions for claims expenses, short-term incoming reinsurance	-3	-6
Other provisions reversed	-38	-147
Reversed in connection with indemnification payments	-4	-32
Disposals of provisions for claims expenses	**-46**	**-185**
Change in provisions for claims expenses	150	-118
Provisions for claims expenses before reinsurance at 31 December	**716**	**566**
Reinsurance share of provisions for claims expenses	-30	-12
Provisions for claims expenses after reinsurance at 31 December	**686**	**554**

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

Amounts in DKK million	2020	2019
On-lending, beginning of year	9,808	12,853
Additions during the year	2.615	-
Repayments during the year	-1,053	-2,025
Prepayments and other adjustments	-1,105	-1,020
Nominal principal of on-lending	**10,265**	**9,808**
Fair value adjustments and premium	579	757
Interest payable	18	26
On-lending at 31 December	**10,861**	**10,591**

Note 20: Payables to reinsurance companies

Amounts in DKK million	**2020**	**2019**
Payables to reinsurance companies	1,503	1,182
Adjustment of reinsurance premium payable	-11	-22
Write-down of payables to reinsurance companies	-37	-35
Payables to reinsurers at 31 December	**1,455**	**1,125**
Fall due (before write-down of payables to reinsurance companies):		
< 1 year	212	176
1–5 years	778	545
> 5 years	502	404
Payables to reinsurance companies at 31 December	**1,493**	**1,125**

Note 21: 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	**Dagsværdi**	**Amortiseret kostpris**
Financial assets		
Balance with the Danish state	-	7,428
Cash	-	1,088
Loans	-	9,083
Securities	-	978
Deposit	-	4
Reinsurance share of provisions for claims expenses	-	30
Claims	-	1,171
Premiums receivable	-	3,772
Derivative financial instruments	1,374	-
Prepaid interest expenses	-	56
Other receivables	-	28
Total financial assets 2020	**1,374**	**23,637**
Total financial assets 2019	**1,451**	**23,434**

Amounts in DKK million	**Fair value**	**Amortised cost price**
Financial liabilities		
Payables to the Danish state (on-lending)	10,861	-
Derivative financial instruments	390	-
Payables to reinsurance companies	-	1,455
Prepaid interest income	-	234
Other payables	-	191
Provisions for claims expenses	-	716
Total financial liabilities 2020	**11,251**	**2,596**
Finansielle forpligtelser 2019, i alt	**11,476**	**2,215**

Note 22: 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 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 on credit quality limits and procedures in terms of amount sizes and territorial limits. 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	**2020**	**2019**
Credit exposure loans and guarantees		
On-balance sheet items		
Loans after write-downs	9,083	9,439
Prepaid interest expenses	56	44
Claims	1,171	1,385
Premiums receivable	3,772	3,534
Other receivables	28	46
Off-balance sheet items		
Export credits and working capital guarantees after reinsurance	47,688	49,193
Reinsured export credits and working capital guarantees	38,591	30,736
Reinsured loans	2,634	2,249
Conditional loan offers	20	140
Loans granted, but not yet paid and equity investments	1,078	2,220
Total credit exposure guarantees and loans	**104,120**	**98,986**
Financial risk		
On-balance sheet items		
Balance with the Danish state	7,428	5,968
Cash	1,088	1,237
Securities	978	1,765

Deposit	4	4
Positive fair value of derivative financial instruments	1,374	1,451
Total credit exposure, financial credit risk	**10,872**	**10,425**
Total maximum credit exposure	**114,992**	**109,411**

The table above shows that EKF's maximum credit exposure is primarily attributable to issuance of guarantees and lending.
As a state-owned export credit agency, EKF is subject to a number of international rules where OECD premium rules 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 finance transactions.

EKF's risk management also entails exposure limits in risk categories for all countries, relevant banks and reinsurers. EKF uses and actively participates in the OECD's country risk classification that is based on member countries' overall payment experience. EKF places banks in the OECD's commercial risk categories by comparing an internal risk assessment and the OECD's country risk classification. Exposures and limits on both countries and banks are defined in EKF's guidelines for countries and banks.

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.

EKF guarantees or finances transactions for Danish exporters in cases where the buyer has limited access to financing, the financial markets are short of capacity or the risk appetite is too low. This specific role in Danish exports also makes EKF an accustomed player in new sectors and markets and a strength for Danish exporters. EKF's exposure is mostly concentrated on project finance and transactions in the wind sector. EKF's large share of transactions involving the wind sector is, however, very diversified in terms of wind farm types, geography and counterparties.

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 of a specific nature and amount size are approved by Management acting as a credit committee. Overall monitoring of EKF's credit risks is anchored in an annual commitment follow-up, checking and thus monitoring developments in the credit quality of commitments selected on the basis of a number of financial parameters. In the commitment follow-up for 2020, commitments covered approximately 89 percent of EKF's total exposure. Continuous assessment of the portfolio credit quality and a corresponding capital ratio are important elements of EKF's credit risk management. 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.

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.

The maximum loss on EKF's loan and guarantee portfolio at a 95 percent probability is calculated semi-annually to match reserves by the expected loss and unexpected loss from the perspective of a full depletion of the existing portfolio.

Write-downs according to IFRS 9

For *Loans* and *Premiums receivable*, a calculation is made of expected credit losses 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	7,999	1,363	707	10,069
Changes from stage 1 to stage 2	-220	220	-	-
Additions during the year, new loans	3,954	42	-	3,996
Depreciation	-1,005	-81	-	-1,086
Exchange rate adjustments	-533	-99	-57	-689
Repayments on loans, excluding depreciation	-2,489	-	-	-2,489
Loans at year-end	**7,705**	**1,446**	**650**	**9,801**

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	-	6,073
Country risk category 2	-	-	-	-
Country risk category 3	559	-	-	559
Country risk category 4	39	-	-	39
Country risk category 5	1,135	392	-	1,527
Country risk category 6	64	-	-	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 country risk category at 31 December 2019				
Country risk category 0-1	5,086	637	-	5,723
Country risk category 2	-	-	-	-
Country risk category 3	720	-	-	720
Country risk category 4	160	-	-	160
Country risk category 5	1,153	492	-	1,645
Country risk category 6	71	-	707	778
Country risk category 7	809	234	-	1,043
Total	**7,999**	**1,363**	**707**	**10,069**

Amounts in DKK million	Stage 1	Stage 2	Stage 3	Total
Loans, principal, by debtor rating at 31 December 2020				
AAA – A	250	-	-	250
BBB+ – BBB-	2,632	-	-	2,632
BB+ – BB-	2,583	23	-	2,606
B+ – B-	2,239	557	-	2,802
CCC or weaker	-	866	650	1,511
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 2019				
AAA – A	130	-	-	130
BBB+ – BBB-	4,058	-	-	4,058
BB+ – BB-	2,222	-	-	2,222
B+ – B-	1,589	931	-	2,520
CCC or weaker	-	432	707	1,139
Total	**7,999**	**1,363**	**707**	**10,069**

Amounts in DKK million	Stage 1	Stage 2	Stage 3	Total
Write-downs of loans				
Write-downs, beginning of year	29	142	459	630
Changes from stage 1 to stage 2	-2	18	-	16
Changes in the reinsurance share of write-downs	-3	-23	-	-27
New write-downs in case of new loans	7	-	-	7
Depreciation	-2	-	-19	-21
Exchange rate adjustments	-1	-11	-22	-33
Impact of repayments on loans, excluding depreciation	-3	-14	-	-17
Effect of changed ratings and other changes	8	89	66	163
Write-downs, end of year	**33**	**202**	**485**	**719**

Premiums receivable

Amounts in DKK million	Stage 1	Stage 2	Stage 3	Total
Premiums receivable – changes during the year				
Premiums receivable, beginning of year	3,644	323	76	4,043
Changes from stage 1 to stage 2	-82	85	-	3
Changes from stage 2 to stage 1	-	-	-	-
Changes from Phase 2 to Phase 3	-	-75	75	-
Additions during the year, new premiums receivable	839	1	-	840
Depreciation	-106	-	-	-106
Exchange rate adjustments	-140	-15	-6	-160
Repayments on loans, excluding depreciation	-277	-51	-58	-385
Other changes	-55	0	-7	-63
Premiums receivable, end of year	**3,822**	**268**	**81**	**4,172**

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	-	-	29
Country risk category 3	141	-	-	141
Country risk category 4	1	-	-	1
Country risk category 5	77	-	-	77
Country risk category 6	13	116	-	128
Country risk category 7	26	100	-	126
Total	**3,822**	**268**	**81**	**4,172**

Amounts in DKK million	Stage 1	Stage 2	Stage 3	Total
Premiums receivable by country risk category at 31 December 2019				
Country risk category 0-1	3,228	75	76	3,380
Country risk category 2	57	-	-	57
Country risk category 3	163	-	-	163
Country risk category 4	34	-	-	34
Country risk category 5	87	-	-	87
Country risk category 6	44	144	-	189
Country risk category 7	31	103	-	134
Total	**3,644**	**323**	**76**	**4,043**

Amounts in DKK million	Stage 1	Stage 2	Stage 3	Total
Premiums receivable by debtor rating at 31 December 2020				
AAA – A	13	-	-	13
BBB+ – BBB-	820	-	-	820
BB+ – BB-	2,043	1	-	2,044
B+ – B-	923	162	-	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
Premiums receivable by debtor rating at 31 December 2019				
AAA – A	18	-	-	18
BBB+ – BBB-	967	-	-	967
BB+ – BB-	1,764	-	-	1,764
B+ – B-	896	144	-	1,040
CCC or weaker	-	178	76	254
Total	**3,644**	**323**	**76**	**4,043**

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	38	111	57	206
Changes from stage 1 to stage 2	-2	5	-	3
Changes from stage 2 to stage 3	-	-41	20	-21
New write-downs in case of new guarantees	12	-	-	12
Depreciation	-1	-	-	-1
Exchange rate adjustments	-2	-6	-2	-10
Impact of repayments on loans, excluding depreciation	-3	-11	-	-14
Effect of changed ratings and other changes	3	13	-42	-26
Write-downs, end of year	**46**	**71**	**33**	**149**

Guarantee exposure

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

Guarantee exposure comprises the largest possible exposure in cases that include both commercial and political exposure. The guarantee 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

Amounts in DKK million	**2020**	**2019**
EKF's guarantees by country risk category		
Country risk category 0–1	54,481	50,835
Country risk category 2	655	1,642
Country risk category 3	3,427	3,318
Country risk category 4	1,637	1,383
Country risk category 5	11,177	12,824
Country risk category 6	10,528	3,741
Country risk category 7	4,375	6,186
Total	**86,279**	**79,929**
EKF's guarantees by debtor rating		
AAA – A	442	395
BBB+ – BBB-	18,805	17,689
BB+ – BB-	32,802	33,440
B+ – B-	29,026	25,393
CCC or weaker	5,205	3,012
Not rated	-	-
Total	**86,279**	**79,929**

Guarantee exposure after reinsurance

Amounts in DKK million	2020	2019
EKF's guarantees by country risk category		
Country risk category 0–1	29,405	29,993
Country risk category 2	447	1,368
Country risk category 3	2,809	2,626
Country risk category 4	1,418	1,192
Country risk category 5	8,350	9,337
Country risk category 6	3,429	2,074
Country risk category 7	1,829	2,603
Total	**47,688**	**49,193**
EKF's guarantees by debtor rating		
AAA – A	155	395
BBB+ – BBB-	11,691	9,621
BB+ – BB-	18,766	22,689
B+ – B-	13,896	13,977
CCC or weaker	3,180	2,511
Not rated	-	-
Total	**47,688**	**49,193**

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	**2020**	**2019**
Guarantee exposure to potential losses and claims		
Exposure to potential losses or claims, gross	1,381	985
Reinsurance share	-81	-12
Provisions for claims expenses	-716	-566
Reinsurance share of provisions for claims expenses	30	12
Exposure after provisions/write-down	**615**	**419**
Impaired loans (stage 3)		
Principal of impaired loans	650	707
Reinsurance shares	-80	-167
Individual write-down	-485	-457
Exposure after write-down and reinsurance	**86**	**81**
Carrying amount of impaired loans	166	248
Reinsurance share	-80	-167
Exposure after write-down and reinsurance	**86**	**81**

Counter-party 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 netting and 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.

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. This would be the case only in a bankruptcy scenario or in connection with a substantial downgrading of the counterparty.

The aim of EKF's investment policy is to achieve a stable return based on a conservative risk consideration. EKF manages issuer risk by investing in especially secure securities subject to asset class and type of issuance requirements.

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

	Gross carrying amount	Set-off	Net carrying amount	Right off set-off	Collateral	Net value
2020						
Assets	1,374	-	1,374	-356	-1,068	-50
Liabilities	390	-	390	-356	36	-2
Net	**985**	-	**985**	**0**	**1,032**	**-47**
2019						
Assets	1,451	-	1,451	-862	-865	-276
Liabilities	885	-	885	-862	408	431
Net	**566**	-	**566**	**0**	**457**	**109**

Note 23: Information about 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. Within this type of risk, EKF is exposed to interest rate and exchange rate risks. Our capital requirements are affected by exchange rate and interest rate fluctuations through the size of our guarantee exposure and loans, insofar as the risk has not been hedged. Consequently, our scope for issuing new export credits, working capital guarantees and loans changes when exchange rates appreciate or depreciate.

EKF is cautious about taking market risks. All significant exchange rate and interest rate risks incurred from EKF lending are hedged until maturity from when the loan is established. Similarly, all accounting positions in foreign currency, that exceed DKK 50 million, are hedged on an ongoing basis.

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 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 and capital requirements.
EKF performs full hedging of all exchange rate exposure from issuing export loans except for exposures in euros, since Denmark's fixed exchange rate policy is regarded as hedging against fluctuations in the euro. Using currency swaps, EKF hedges against the risk of exchange rate changes and ensures a link between the raising of loans in Danish kroner in Danmarks Nationalbank and lending to customers in another currency.

It is EKF's policy to provide foreign currency hedging based on a balance sheet principle. This is done by calculating EKF's net position for each currency and hedging positions exceeding DKK 50 million. Hence, in case of changes in exchange rates, the result of such hedging and EKF's net position will be balanced. Exchange rate changes will have an effect on guarantee exposure and the principal amount of loans. These are included when calculating the capital ratio. The US dollar, the Australian dollar and the pound sterling are the currencies estimated to have a significant effect. The effect on the profit/loss for the year is calculated by taking the net positions of all balance sheet items including hedging in order to simulate the effect of an increase in the exchange rate.

Interest rate changes will have an effect on discounted values of premium income receivable and payables to reinsurers. The effect was calculated by raising the discount rate by 1 percent.

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 percent.

There may also be an effect on the result of lending activities due to a simulated 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 fluctuations will be eliminated over the period until maturity and ultimately reach zero. These effects are consequently not included in the sensitivity analysis.

Sensitivity analysis in percent and DKK millions

	Change in capital ratio in percentage points		Effect on profit/loss in DKK million	
	2020	2019	2020	2019
Increase in interest rates of 1 percentage point	-0.4	-0.3	-123	-126
Increase in interest rates of 10 percent (USD)	-0.3	-0.2	0	0
Increase in interest rates of 10 percent (AUD)	-0.0	-0.0	0	0
Increase in interest rates of 10 percent (GBP)	-0.2	-0.1	0	0

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

Note 24: Information about liquidity risks

Liquidity risk is the risk that EKF will sustain a loss or incur additional expenses from cash flow problems. Liquidity risks arise primarily as a result of a mismatch in the balance when the lending portfolio's term to maturity exceeds the term to maturity of EKF financing. 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 limit of DKK 25 billion up to and including 2025, and under the Act on EKF Denmark's Export Credit Agency is guaranteed by the Danish Government and consequently also has sound options for procuring liquidity, if necessary via the banking or capital markets.

EKF maintains three-way liquidity. Operating liquidity consists of the funds for day-to-day operations (payroll, rent, etc.). On-demand liquidity is funds which EKF must have direct access to in order to cover provisions for claims expenses etc. The remaining liquidity is EKF's uncommitted capital, which can be used for financing EKF's products and investment in particularly secure securities. EKF thus has restricted equity to meet both the short-term need for operating capital and to cover significant indemnification payments and other transactional payments.

Amounts in DKK million	Carrying amount	Sum af maturity	< 1 year	1–5 years	> 5 years
Financial liabilities by maturity					
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	233	37	95	100
Payables to reinsurance companies	1,455	1,491	212	77	503
Provisions for claims expenses	716	716	716	0	0
Payments on concluded loans and equity investments	0	987	944	43	0
Loan commitments	0	20	20	0	0
Total	**13,655**	**14,082**	**3,467**	**5,583**	**5,033**
2019					
Payables to the Danish state (on-lending)	10,591	9,808	1,171	4,541	4,095
Derivative financial instruments with negative market value	885	885	75	295	515
Prepaid interest income	278	278	58	105	114
Payables to reinsurance companies	1,125	1,125	176	545	404
Provisions for claims expenses	566	566	566	-	-
Payments on concluded loans	-	2,220	2,113	107	-
Loan commitments	-	140	140	-	-
Total	**13,445**	**15,022**	**4,299**	**5,593**	**5,128**

In addition to this, EKF has outstanding guarantee exposure before reinsurance of DKK 79.9 billion. The guarantee exposure is treated as a contingent liability until the recognition criteria are met. EKF makes provisions for claims expenses corresponding to the expected loss. The guarantees provided 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. When assessing the liquidity risk it must also been taken into consideration that EKF is guaranteed by the Danish state.

Note 25: Fair value by fair value hierarchy

Amounts in DKK million	Level 1	Level 2	Level 3	Total
2020				
Financial assets				
Derivative financial instruments	-	1,258	116	1,374
Total financial assets	-	**1,258**	**116**	**1,374**
Finansial liabilities				
Derivative financial instruments	-	390	-	390
On-lending	-	10,861	-	10,861
Total financial liabilities	-	**11,251**	-	**11,251**
2019				
Financial assets				
Derivative financial instruments		1,366	85	1,451
Total financial assets		**1,366**	**85**	**1,451**
Financial liabilities				
Derivative financial instruments		885	-	885
On-lending		10,591	-	10,591
Total financial liabilities		**11,476**	-	**11,476**

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 (on-lending)

Payables to the Danish state comprise loans concluded under the Danish state's on-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 26: Fair value of financial assets measured at amortised cost

Amounts in DKK million	Carrying amount	Fair value
2020		
Loans	9,083	7,374
Securities	978	1,482
Total financial assets measured at amortised cost	**10,060**	**8,857**
2019		
Loans	9,439	12,048
Securities	1,765	1,799
Total financial assets measured at amortised cost	**11,205**	**13,847**

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 27: Contingent assets and liabilities

Amounts in DKK million	2020	2019
Contingent liabilities		
Guarantee exposure before reinsurance	86,279	79,929
Provisions for claims expenses related to potential losses and claims	-716	-566
Contingent liabilities related to the provision of guarantees	**85,563**	**79,363**
Contingent assets		
Reinsured guarantee exposure+	38,591	30,736
Reinsurance share of provisions for claims expenses related to potential losses and claims	-30	-12
Contingent assets related to the provision of guarantees	**38,561**	**30,724**
Tenancy commitment	14	10
Tenancy commitment	**14**	**10**

+ 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 28: Related parties

In 2020, 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. These schemes and administration fees are set out in note 6. Settlement is on market terms according to actual consumption.

In 2020, EKF distributed DKK 640 million in dividend for 2019 to the Danish state, and expects to distribute DKK 100 million for 2020.

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 cashflow challenges as a result of COVID-19*, adopted by the Parliamentary Finance Committee on 23 March 2020.

EKF has entered into a cooperation agreement with Danida Sustainable Infrastructure Finance (DSIF) on the administration of the Mixed Credit Programme. The basis of the agreement is Finance Committee Document no. 106 of 24 May 2016 concerning the distribution basis for Danida Business Finance. Under this arrangement, 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 2020 is set out in note 6.

EKF also administers the Danish Ministry of Foreign Affairs' investment guarantees for developing countries.

Note 29: EKF's auditors' fee

Amounts in DKK 1,000s	**2020**	**2019**
Statutory audit		
PricewaterhouseCoopers	806	806
Rigsrevisionen	-	38
Total auditing services	**806**	**844**
Other services	565	679
Total fees	**1,371**	**1,523**

Note 30: 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.

The accounting policies are 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 denotes 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 comprise 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. *Claims expenses* also 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 loans 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 under *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 comprise 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.

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 percent: At the time of calculation, the 12-month PD must have increased by 0.5 percentage point 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 percent 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 relates 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 percent: At the time of calculation, the 12-month PD must have increased by 0.5 percentage point 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 percent 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 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 comprises restricted equity, the exchange rate adjustment reserve, proposed dividend and non-restricted equity.

Restricted equity is strengthened by 75 percent, or another share recommended by the Board of Directors, of any positive result less *value adjustments, unrealised* under the lending result and provision for dividend distribution. The restricted equity is strengthened only when below the calculated maximum size of the restricted equity.

The exchange rate adjustment reserve corresponds to the accumulated unrealised fair value and exchange rate adjustments related to loans, on-lending and interest rate and currency swaps.

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.

Non-restricted equity comprises the remaining reserve after calculation of the restricted equity, the exchange rate adjustment reserve and proposed dividend.

Management of activities through equity means that the non-restricted equity must at any time meet a minimum requirement calculated as the non-restricted equity relative to the sum of guarantee exposure, offers, loans and outstanding claims. Offers are weighted pro rata with a share determined by the Board of Directors. The pro rata share is determined prior to each financial year. Guarantee exposure, loans and claims are calculated less any provisions and write-downs. If the non-restricted equity fails to meet the minimum requirement, EKF may not undertake any new guarantee or loan commitments. According to EKF's articles of association, the minimum requirement for non-restricted equity is 4 percent.

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 percent of the premium are usually made. The remaining 20 percent 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 percent 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

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

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.

Adjusted guarantee and loan exposure is defined as the sum of EKF's guarantee exposure, loans and 60 percent of EKF's exposure on conditional offers, as well as net claims less technical provisions after reinsurance. The adjusted guarantee and loan exposure is applied to the calculation of capital requirements.

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

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

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

Acting Chief Executive Officer

Management positions:

Eksport Kredit Finansiering A/S

Board positions:
Postnord, member
Postnord, member of the Audit Committee Board Leadership Society,
Member of the Board Leadership Society,
Member of the Board of Directors of the cyber security project

Jan Vassard

Deputy CEO & Chief Credit & Policy Officer

Board positions:
Advisory Board, Institute for Trade and Innovation (IfTI), Offenburg University

Emil Vikjær-Andresen

Chief Legal 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

Chairman of EKF, Chairman of the Remuneration Committee, Member of Audit, Risk and Compliance Committee

Management positions:
Frigast A/S

Board positions:
Board Leadership Society, Chair of
Danmark's Skibskredit Holding, A/S, Chair
AX IV HoldCo P/S, Chair
Axcel Management A/S, Chair MNGT2 ApS, Chair
Aktive Ejere, 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
Eksport Kredit Finansiering A/S, Chair
Frigast A/S, Member

Associate Professor at Copenhagen Business School

Dorrit Vanglo

Deputy Chair of EKF, Member of Remuneration Committee

Management positions:
LD Fonde

Board positions:
KAPITALFORENINGEN LD, Chair
Det Danske Hedeselskab, Deputy Chair
EKF Denmark's Export Credit Agency, Deputy Chair
Eksport Kredit Finansiering A/S, Deputy Chair
Bikubenfonden, Member

Janne Bram Hemphrey

Board positions:
Copenhagen Institute for Futures Studies, Member
EKF Denmark's Export Credit Agency
Eksport Kredit Finansiering A/S
NDUNA, Member

Jørgen Høholt

Member of the Audit, Risk and Compliance Committee

Management positions:
JH Financial Advisory

Board positions:
DKT Holding A/S, Deputy Chair
DKT Finance ApS, Deputy Chair
DKT Telekommunikation ApS,Deputy Chair
ATP Ejendomme A/S, Member
ATP Real Estate Partners I K/S, Member
Axcel Advisory Board, Member
EKF Denmark's Export Credit Agency
Eksport Kredit Finansiering A/S
Kirk Kapital Advisory Board, Member
Nykredit A/S, Member (Chair of Audit Committee, Member of Risk Committee)
Nykredit Realkredit A/S, Member
Norsad Finance Limited, Member

Niels Jacobsen

Management positions:
William Demant Invest A/S

Board positions:
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
EKF Denmark's Export Credit Agency
Eksport Kredit Finansiering A/S

Poul Due Jensen

Management positions:
Grundfos A/S

Board positions:
Grundfos Pumps Corporation (USA), Chair
Grundfos (Singapore) Pte.Ltd, Chair
Grundfos (China) Holding Co., Ltd., Chair
Grundfos Pumps (Shanghai) Co., Ltd., Chair
EKF Denmark's Export Credit Agency
Eksport Kredit Finansiering A/S
Ormstrup Gods A/S, Member
Poul Due Jensens Fond, Member

Emilie Turunen

Member of the Audit, Risk and Compliance Committee

Board positions:
EKF Danmarks Eksportkredit
Eksport Kredit Finansiering A/S

Anna Marie Owie

Board positions:
EKF Denmark's Export Credit Agency, Employee Representative

Morten Wernberg

Board positions:
EKF Denmark's Export Credit Agency, Employee Representative