EKF Annual Report 2022

Annual Report 2022

100 EKF 1922–2022

2022 was a year of unprecedented challenges

The world became a more uncertain place in 2022. War and several converging disasters resulted first and foremost in the loss of human life, but also entailed a year of unprecedented financial and political challenges in most parts of the world. This uncertainty has affected EKF and Danish exporters.

EKF's own results for 2022 largely reflect this. We have still taken on new business, and at historically high levels, meaning that the core business is doing extremely well, but the uncertain world resulted in unusually large write-downs in 2022, and this is the context for this year's net profit of DKK 22 million.

We have been forced to substantially increase write-downs as a result of Russia's invasion of Ukraine and for projects in Turkey due to the current economic policy in the country. But write-downs have also been required for a number of other projects around the world as a result of the geopolitical situation and weak economies. The actual loss in 2022 was modest.

EKF's new guarantees in 2022 totalled DKK 29 billion, the second highest amount in our long history. This shows not only that Danish exporters are active and doing well globally despite difficult conditions, but also that EKF is increasingly used to finance and hedge risks associated with energy and the green transition, in particular.

In addition, the uncertain world makes EKF a pertinent partner for ever-increasing numbers of Danish exporters. In uncertain times, EKF can also step in when the market is hesitant to provide financing and hedging.

Danish exports acquitted themselves well for most of the year, but declined in late 2022 as activities in the western world reacted to rising interest rates, rising commodity costs, inflation and uncertainty in general.

Denmark exports goods and services worth more than DKK 1,000 billion annually; exports now represent over half of Denmark's GDP and are crucial to nearly half of all jobs in the private sector.

EKF's contribution to Denmark's GDP was DKK 11.6 billion in 2022, and we secured export contracts worth DKK 61.1 billion, thus creating or retaining 11,900 jobs. This social impact is satisfactory for EKF.

Biggest transactions in EKF's history

EKF entered into its two largest ever transactions in 2022. In June, EKF granted an export loan of DKK 7.1 billion to Spanish energy company Iberdrola in conjunction with Banco Santander. This credit facility is earmarked for the purchase of wind turbines from Danish companies Vestas and Siemens Gamesa. And in October, EKF joined with Citibank to issue an export loan of DKK 6.1 billion to Italian energy giant Enel, also tied to the purchase of Danish wind turbines.

This cements EKF's position as a significant player in financing the global green transition, and shows our ability to independently bring in orders for Danish companies.

The green transition – and the wind energy industry in particular – was also crucial to EKF's overall business in 2022. 70 percent of EKF's portfolio is now green, thanks to the key role EKF has played in the Danish wind turbine boom alongside world-leading Danish industry operators. We are proud of this – and ready to continue the partnership. We also aim to play the same role in the next green energy boom which is emerging in Power-to-X and carbon capture and storage. These green technologies will play a key role in facilitating the creation of a sustainable world.

EKF has a separate responsibility to ensure that the projects in which we are involved are as sustainable as possible. We have therefore designed a climate policy with a goal of being net zero by 2045, and this year, in this annual report, we have taken a step further by including a climate disclosure report on our entire portfolio in accordance with the recommendations of the Task Force on Climate- related Financial Disclosures (TCFD)

Satisfaction and confidence are crucial

Growth and the green transition are also progressing well among Denmark's vast number of SMEs, which represent EKF's largest customer segment. Many of our future export drivers can be found in this seedbed of Danish enterprise. Eight in ten EKF customers are SMEs.

The significance of the SME segment to Danish trade and industry is underlined by the fact that it is one of several focus areas within Denmark's Export and Investment Fund, of which Vækstfonden and EKF became subsidiaries on 1 January 2023.

EKF values having a high degree of overall satisfaction and confidence in our partnership with small and medium-sized enterprises. Our most recent customer satisfaction survey indicates that, while satisfaction declined slightly, it is still very high compared with the benchmark.

EKF carries its proud history forward

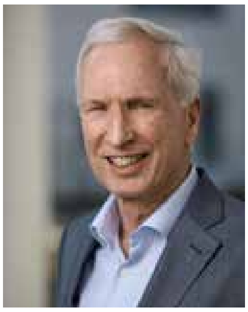
Danish export credits celebrated their centenary in 2022. In 1922, Denmark became the third country in the world to set up an export credit agency. Since then, in various organisational formats, EKF has accompanied Danish companies through the ups and downs of modern exports – from agricultural commodities to ships, housing and, increasingly broadly in recent years, in the green transition.

We celebrated our red letter day with a reception for customers and employees in summer 2022 and also commissioned a written and illustrated chronicle of our long history, laid out in a digital timeline that can be viewed on our website.

Throughout EKF's history, the organisation has always adapted to its customers' needs and changes in the combination of exports over the years. Taking the next step to becoming part of Denmark's Export and Investment Fund is thus neither unusual nor particularly big for EKF and the organisation's employees. It is in our DNA to seek to be the most efficient and powerful partner for Danish exporters, and for all the promising companies and entrepreneurs dreaming of joining them.

I therefore feel it is appropriate – after what is probably EKF's final separate accounting period – to thank all our customers, partners and the many employees who have helped, both now and through the years, to make Denmark a great export nation. The EKF that moves forward as part of Denmark's Export and Investment Fund is strong and proud.

Christian Frigast
Chair of the EKF
Board of Directors



EKF in figures, 2022

Net profit/loss for the year

22

DKK million

Number of customers

627

Portfolio

116.7

DKK billion

New guarantees

29.2

DKK billion

5-year overview

Amounts in DKK million	2022	2021	2020	2019	2018
New export credits, working capital guarantees and loans	29,177	19,247	23,000	17,839	33,683
Profit/loss					
Total basic earnings*	**1,108**	**882**	**1,111**	**810**	**917**
Administrative expenses	-283	-259	-228	-209	-195
Result before write-downs and net financials	**825**	**623**	**882**	**601**	**722**
Write-downs of guarantees and loans*	-842	-93	-276	171	-170
Result before net financials	**-17**	**530**	**606**	**772**	**552**
Net financials	39	18	140	-29	66
Net profit/loss for the year	**22**	**548**	**746**	**743**	**618**
Proposed dividend	11	150	100	640	140
Balance sheet					
Guarantee provisions (previous policy)	-	5,651	5,705	5,005	5,005
Write-downs of guarantees	3,495	-	-	-	-
Write-downs of loans	755	692	719	630	620
Equity	7,542	9,365	8,691	8,459	7,856
Balance sheet total	30,018	26,496	27,528	26,634	28,037
Portfolio					
Guarantee exposure and loans, before reinsurance	116,730	102,509	97,158	92,219	86,697
Reinsured guarantee exposure and loans	62,494	47,112	41,225	32,985	20,506
Guarantee exposure and loans, after reinsurance	54,235	55,397	55,933	59,234	66,192
Conditional offers exposure	3,815	9,181	8,588	6,964	5,253
Total portfolio	120,544	111,690	105,746	99,183	91,950
Financial highlights and ratios, % **					
Equity ratio	25.1	35.3	31.6	31.8	28.0
Provisioning ratio for guarantees (previous policy)	-	12.3	12.0	10.3	9.2
Write-down ratio for guarantees	7.8	-	-	-	-
Write-down ratio for loans	5.4	6.6	7.3	6.3	5.5
Return on equity	0.3	6.1	8.7	9.1	8.0
Capital adequacy ratio	218.4	207.0	-	-	-

** Due to the transition to IFRS 9 for guarantees, it has not been possible to align financial highlights and ratios for 2018–2021, and thus the figures are not comparable.*

*** See note 27 for definitions of financial highlights and ratios*

EKF works for Denmark in 2022

Dividend distributed to the Danish State

11

DKK million

GDP contribution

11.6

DKK billion

Number of jobs created or retained

11,900

Export contracts worth

61.1

DKK billion

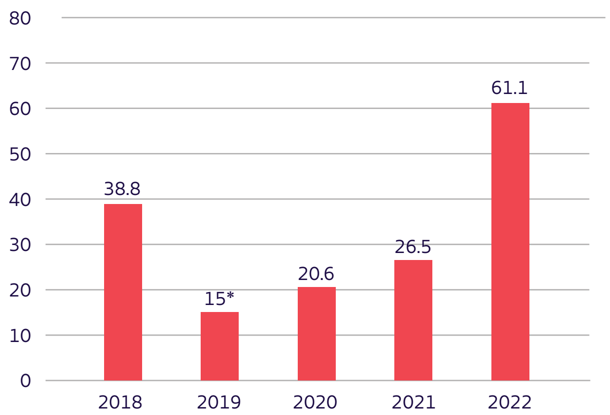
Tax contribution

3.8

DKK billion

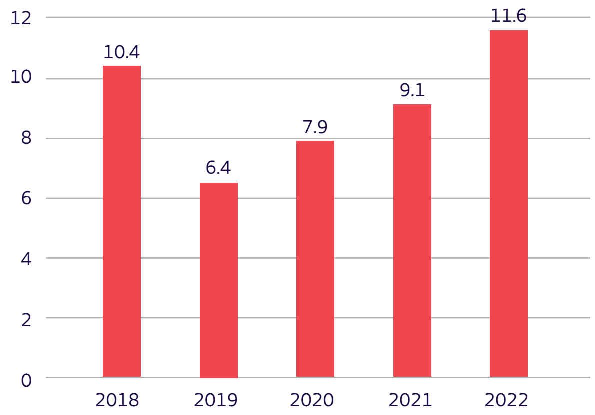
EKF creates prosperity and jobs year after year

Export contracts (DKK billion)

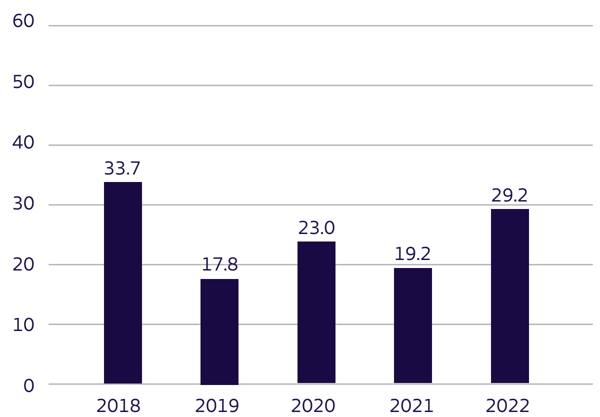


* New calculation method as of 2019

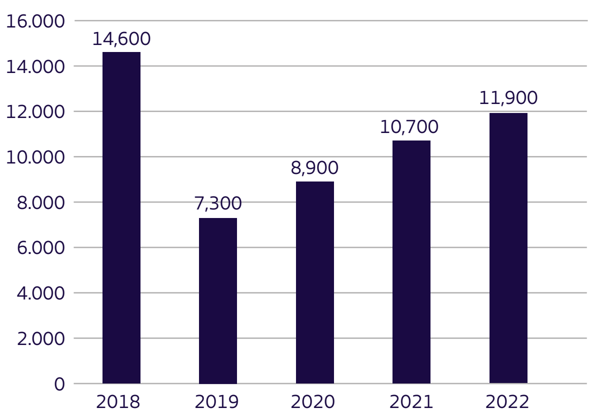
GDP contribution (DKK billion)



New guarantees (DKK billion)



Number of jobs created or retained



EKF Denmark's Export Credit Agency is a good business – both for Danish exporters and for Denmark.

We have demonstrated this over many years – and in the past five years we have been particularly successful both in terms of issuing guarantees and contributing to the development of Danish exports solid contracts and Danish workplaces.

In the past five years alone, EKF has issued new guarantees worth DKK 123 billion, thus contributing to Danish export contracts worth no less than DKK 162 billion.

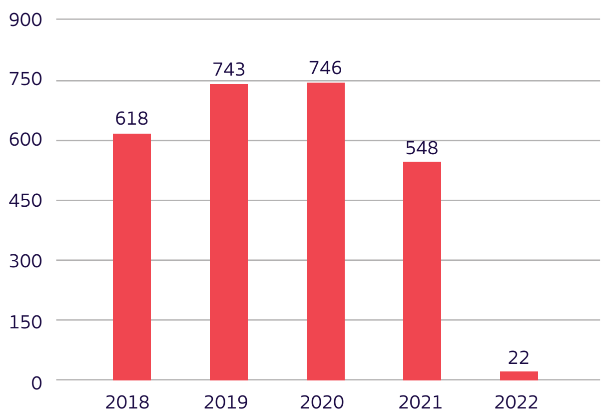
On average, we have created or retained more than 10,000 jobs every single year, thus helping to increase economic activity and bring in more taxable income.

The bottom line may fluctuate, as shown by the challenging year just gone – but the overall result for the past five years is no less than DKK 2.6 billion. This

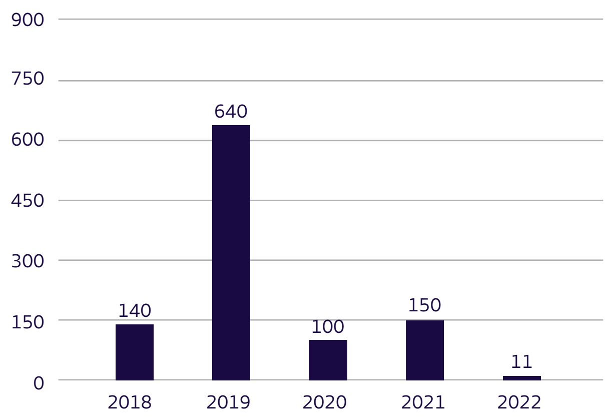
has a direct impact on the Danish treasury, which has received DKK 1 billion in dividends from EKF in the past five years.

EKF's results – now merged with Denmark's Export and Investment Fund – thus have a direct, specific impact on Danish prosperity and wellbeing. It goes without saying that this work will continue.

Net profit for the year (DKK million)

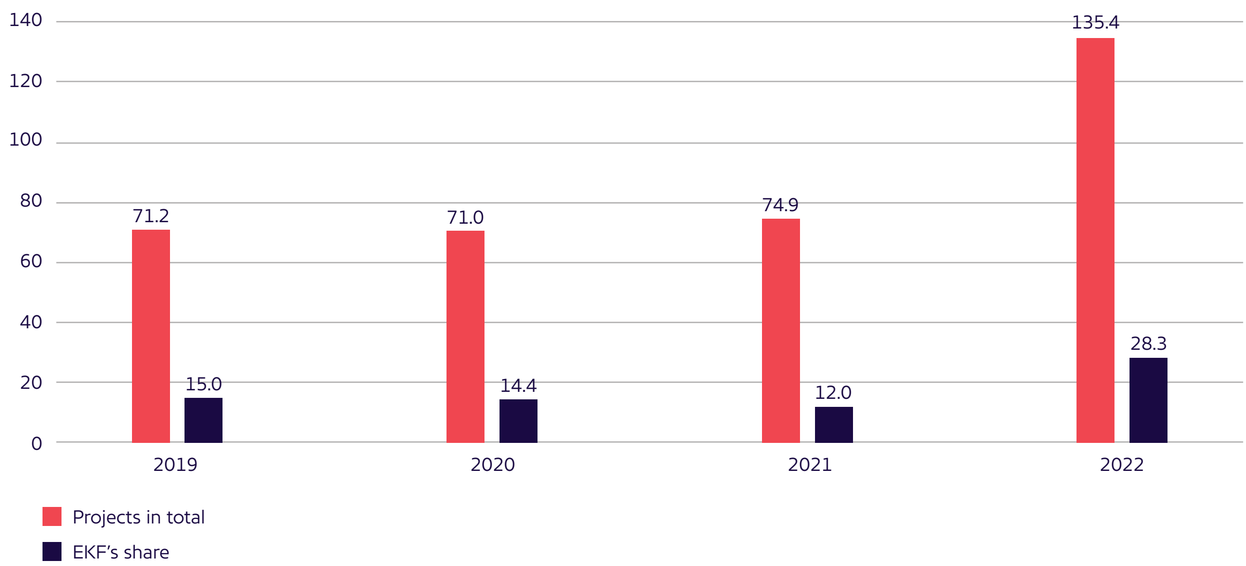


Distribution to the Danish state (DKK million)



CO_2e reduction (million tonnes)

Based on an expected project lifespan of 25 years (see page 34 for a more detailed explanation)



The first hundred years of export credits were celebrated at a reception at EKF in summer 2022. Photo: Ricky John Molloy.

After a hundred years, Danish export credits are still going strong

EKF has gone through many organisational formats – but for a hundred years it has retained its goal of supporting the many successes of Danish exports.

In 1922, Denmark became just the third country in the world to set up an export credit agency. At that time, the crisis following World War I prompted the Danish state, along with many other countries, to actively support its own exporters. A limit of DKK 5 million was initially set for hedging bills of exchange, but within a short time EKF was also offering state guarantees for loans with Danish banks.

A hundred years have now passed, and the centenary was celebrated in style in 2022. Sadly, this celebration took place in the shadow of a new war and amid predictions of a new financial crisis, in which the role of export credit as a partner for Danish trade and industry will once again show its strength.

Export credit has worn many faces over the years – from an office in what used to be the Ministry of Trade to today, when EKF Denmark's Export Credit

Agency has been merged with Vækstfonden and the Danish Green Investment Fund as subsidiaries of Denmark's Export and Investment Fund.

From the outset, EKF has tried to keep up with the times, whether in regard to products or our own organisation. Guarantees could initially only be offered for industrial goods, but this soon expanded to include agricultural products, ships, kit homes and motorways. In recent years, EKF's portfolio has been dominated by infrastructure projects, green technology and an awful lot of onshore and offshore wind turbines.

Exports are crucial to prosperity and wellbeing

EKF's story is inextricably linked with the story of Danish exports: a story about trading with the world beyond Denmark as a prerequisite for Danish prosperity and wellbeing, whose importance cannot be overemphasised. Exports have increased in the past 30 years in particular, and today they represent over 50 percent of Denmark's GDP. Nearly half of all jobs in the private sector depend on Danish exports.

EKF has been there throughout, playing shifting roles that varied in importance – but always with the goal of guaranteeing, financing and partnering to create the optimal conditions for as many Danish exports as possible.

It is almost impossible to summarise a hundred years – so we have created a digital timeline on EKF's website listing just a few of the highlights. View it here: 100 years of EKF

EKF prepares for a new era

Once Danish export credits had been operating for a few decades, exporters and trade organisations expressed dissatisfaction with the export credit system at the end of the 1950s, complaining that hadn't kept up with the times. This led to the establishment of the Export Credit Council – known as EKR – which was a separate unit with its own CEO. A new era had begun.

It was easier for companies to export goods and services in general, and Denmark also joined the European Free Trade Association (EFTA), while industrial exports were now almost as extensive as agricultural exports. At the same time, EKR was able to hedge even more exports and reduce the premiums.

However, the European single market later prevented countries from hedging short-term commercial risks in good markets – market risks. Hedging was still required in high-risk countries and for political risks. This was a big change, and in April 1992 the Danish government established the wholly state-owned company Aktieselskabet EKR Eksportkredit to manage all transactions.

Successful privatisation

State ownership did not last long, however: in 1995 the government decided to sell a quarter of the shares to Dutch company NCM, now known as Atradius. In 1997 Atradius acquired the rest of the company.

This rapid and in many ways successful privatisation meant that, strictly speaking, there are now two organisations in Denmark with roots going back to the 1922 establishment of Danish export credits.

After the partial sale, however, an office remained as part of the Danish Board of Business Development. Known as the Export Credit Committee, after a number of political considerations, it became Eksport Kredit Fonden (EKF), Denmark's Export Credit Agency.

On 1 January 2000, EKF became an independent company with separate accounts and a board of directors. This concluded the period from 1922 during which export credits had been part of a government ministry.

In 2016, this step was fully realised when EKF became an independent public company, with the government unrepresented on the board of directors.

Wind energy makes waves in recent decades

In retrospect, 1998 was an important year. This was the year in which EKF granted the first guarantee for payment of a wind turbine that Vestas had sold to a customer in Turkey. It was the start of a new – and green – era for EKF.

EKF's chair, Christian Frigast, and CEO, Peder Lundquist, both spoke at the centenary reception. Photo: Ricky John Molloy.

Assistance with agricultural commodities exports was an important part of EKF's early history. Photo: Ritzau Scanpix.

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

Focusing on SMEs

In 2010 EKF became one of the first export credit agencies to set up a separate SME department to work closely with companies and their banks to further increase exports beyond Danish borders.

In 2015 the first banking export ambassadors were appointed. That number has since risen to 250 ambassadors who help to inform small and medium-sized enterprises about EKF's partnership opportunities and products that can help them grow. Today, eight in ten EKF customers are SMEs.

Breaking transaction size records

EKF's total business volume in 2022 was over DKK 100 billion. Given that we started with DKK 5 million in 1922 this is fantastic – and is the result of a general increase in Danish trade, but also due to EKF developing new ways to support Danish exports.

In 2021 EKF approved what was then the largest loan in its history – DKK 4.3 billion – for a green high-speed train in Turkey. In 2022 that record was smashed by way of two massive transactions involving Spanish company Iberdrola and Italian company Enel.

All contracts brought in orders for Danish companies – and without EKF's assistance these would probably not have gone to Denmark.

EKF has also caught the attention of companies and decision-makers when it comes to positioning Denmark at the forefront of the global race for green solutions.

We have an extensive pipeline of Power-to-X projects and look forward to partnering with Danish expertise to repeat the success of the Danish wind turbine industry.

Export credits are here to stay

Export credit agencies like EKF are now found in many countries. And as the competition heats up among both companies and countries, it is even more important to make active use of international export credit rules.

EKF's ambition is now to act as a catalyst for Danish exports and the global green transition. We are committed to driving the green transition forward in partnership with businesses and supporting them in their own transition, while also supporting Danish business more broadly.

100 EKF 1922–2022

EKF has worked with Danish exports for a hundred years, and we will continue our journey as part of Denmark's Export and Investment Fund.

When Daniel Johannesen was in his second year of upper secondary school, he dropped out of elite swimming to devote himself to Watery. When he handed in his final course project the following year, it was about how Watery could make an impact on the international market. Photo: Kåre Viemose

23-year-old entrepreneur planned to export from the outset

"It's not exciting for me to just grow by 10 to 15 percent a year." 23-year-old Daniel Johannesen of Watery set his sights on the international market from the outset, and anticipates a nine-digit turnover in the next couple of years.

Swimming is the third most popular sport in Denmark, but there is a natural limit to the number of swimming costumes and goggles that can be sold in Denmark.

Daniel Johannesen, founder of online store Watery, was aware of this from the outset thanks to the television programme "Løvens Hule".

And he was thinking big before most people were even considering a career: he dropped out of elite swimming in his second year of upper secondary school to devote himself to Watery. When he handed in his final course project the following year, it was about precisely how Watery could make an impact on the international market. When you have a vision that is driven by growth, there's no way around it:

I had this ambition from the outset. Back in 2016, I said that Watery would be Scandinavia's biggest store in this category. If you're going to make an impact and a business that grows in 10 or 20 years, you have to go beyond national borders. It's not exciting for me to just grow by 10 to 15 percent a year. Maybe other companies would be happy to do that. But it's just not enough for us," says the 23-year-old founder, who estimates that around a third of the company's turnover now comes from abroad, primarily Sweden, Norway and Germany. The company also has a presence in Poland, Belgium, France, Spain and Austria.

Last year's turnover was DKK 60 million. Next year, he is anticipating a turnover close to nine digits. The Horsens-based business currently has 15 full-time employees and around 30 affiliated youth employees.

More than a shipping contract and a translation

Moving a successful e-commerce company across a border – or even over the Øresund Strait between Denmark and Sweden – involved much more than one big growth spurt.

While the concept was the same, selling well-known swimming brands such as Speedo, Arena and Tyr, Watery realised that it wasn't enough to simply get the website translated into Swedish. It was a difficult start.

"Initially, the Swedish website didn't look credible," says Daniel Johannesen. "Suddenly there'd be a Danish telephone number in the terms and conditions, or we hadn't put Swedish midsummer in the calendar. These things might seem small, but they create an unprofessional impression." They also had to wait several months to get Swish, the Swedish equivalent of Mobilepay.

They finally got their breakthrough in Sweden after one and a half years using some of the same measures that had worked in Denmark, which weren't particularly digital or scalable: contracts with swimming clubs, banners in swimming pools and doing the legwork.

"We spent a weekend driving a trailer full of equipment up to a swimming meet north of Stockholm," says Daniel. "That got us in front of 500 people, and it might seem old school, but it works." Watery also ran into various cultural problems when they tried to break into the German market.

The Germans simply didn't care for the breezy tone that had worked well in Denmark.
Communication had to be changed to make it more formal.

Taking your own brand abroad

With a population 12 times the size of that in Denmark, it goes without saying that a market like Germany has enormous potential. But the competition is also different, and breaking into the German market required both strategising and investment.

Watery's strategy was to take things one country at a time, starting with Sweden, Norway and Germany in that order.

"And then we spent a couple of years on developing our own product line," says Daniel. "I can't sit there and compete with Amazon Germany for the same products."

The decision to create their own products, including swimwear, goggles and paddleboards under their own brand, Watery, also presented a new challenge. Financing hadn't been a big issue until now. In the beginning Daniel's father put in DKK 100,000, but aside from this the store grew organically with smaller amounts of capital injected en route, including from the four founders of Hobbii, which owns a 20 percent stake. Hobbii's former CEO also owns 10 percent.

"The real challenge in regard to financing came when we adopted our strategy of creating our own products. Obviously there's a big difference between ordering 30 Speedos and creating your own collection that you bring home in a container. It was a big jump, and we got a lot of help from our bank and EKF Denmark's Export Credit Agency," says Daniel, who had been conscious from the outset that he didn't want to dilute his own ownership.

You need money to make money in exports

This financing can be a challenge when a young company takes a big leap forward into the export markets. In this situation, EKF can for example offer a guarantee for a loan to be spent on development or exports.

"When you want to scale up your company and enter new export markets, you often need external financing in order to take a few big leaps forward in a short time," says Thomas Hovard, CCO of EKF. "This was the situation with Watery, which could see the potential of starting their own brand and was keen to get on with it quickly. But it may also because you need liquidity to take on more orders, or larger orders, or invest in machinery and plant to expand your production, and you want to do this more quickly than your own finances allow.

"We encourage growing Danish and export companies to think big from the outset and really focus on exports, because there's nothing like exports for driving a company's growth," Hovard adds. "So we're prepared to raise financing for these ambitious plans in partnership with the company's bank."

For Daniel Johannesen, the process of getting the financing in place took place at the same speed as the rest of his activities: quickly.

"We were told it was one of the best budgets EKF had ever seen," he says. "But obviously we had also got help from experienced friends. It didn't take long to get the financing in place. It just worked."

Energy giants are buying giant turbines from companies such as Denmark's Siemens Gamesa. Photo: Siemens Gamesa

A year of huge wind energy projects

2022 was a big year for wind projects generally at EKF. Several record export loans were granted to some of the world's biggest energy giants. Loans that bring orders to Denmark.

EKF has been involved in a large number of wind projects in the past 20–25 years. Record-breaking export loans were granted in 2022 to the world's largest energy giant, Italian firm Enel, and to Spanish company Iberdrola, with the funds earmarked for Danish energy solutions from Siemens Gamesa and Vestas respectively. This involved credit facilities of DKK 6.1 billion for Enel and DKK 7.1 billion for Iberdrola.

EKF is thus bringing orders into Denmark by approaching the major green energy operators rather than waiting to be asked. Both contracts also involve export orders that would not necessarily have gone to Denmark without EKF providing the financing.

"We are delighted that EKF is helping to promote the sale of Danish wind turbines to projects all over the world," says Peter Boeskov, CCO at EKF. "Particularly at a time when the climate and energy independence are becoming more and more urgent."

Part of the strategy

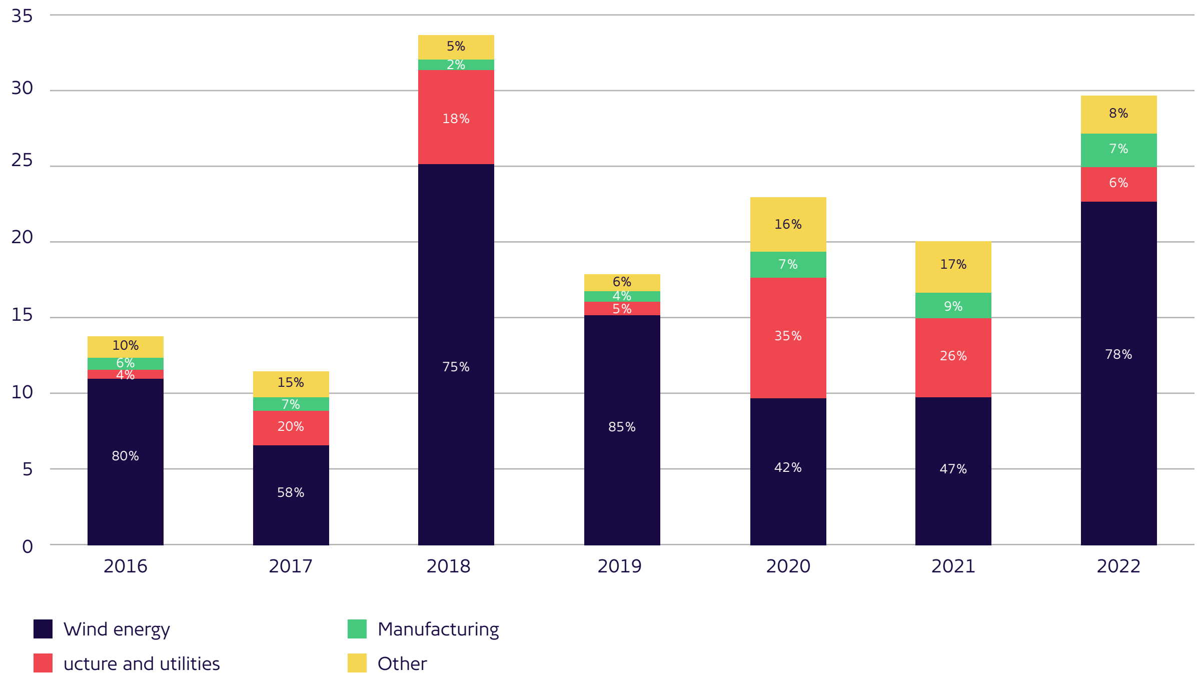
Export loans and buyer credit guarantees are part of EKF's strategy and product portfolio. The increase in activity in 2022 should be viewed in the context of the growing interest EKF has observed in co-financing significant green investments that energy giants are likely to make in the coming years.

These large export loans give the energy giants the flexibility required in order to implement large-scale wind power, and EKF is happy to play a role in this. Export loans are also a growth area, while traditional project financing, particularly from smaller and financial operators, has been harder hit by the inflation crisis.

EKF also has great partnerships with some of the biggest banks in the world, including Standard Chartered Bank, HSBC, Citibank and, in the case of Iberdrola, Santander CIB. Citibank participated in the Enel project.

New guarantees by sector

Total new guarantees, DKK billion/Year issued



Over 20 years of cooperation

We have also cooperated extensively with Siemens Gamesa and Vestas for over 20 years.

"We value our partnerships with Vestas and Siemens Gamesa very highly," says CCO Peter Boeskov. "And agreements like these ones with Enel and Iberdrola are more important than ever to strengthen European wind energy producers who provide critical infrastructure and help make the world less dependent on fossil fuels."

Both Siemens Gamesa and Vestas are grateful for EKF's ongoing financing of clean energy projects.

"For more than 20 years, Siemens Gamesa has worked with EKF as a strategic partner to ensure that our clients' projects have solutions with optimised financial structures. The fact that we installed almost 15 gigawatts of onshore and offshore wind, and that EKF has given Siemens Gamesa a guarantee facility, bears witness to our good relationship and to the commitment of both parties to the global green transition. We value EKF's proactive approach to creating financial solutions that meet our clients' needs while taking into account shifting market conditions. Siemens Gamesa looks forward to continuing on this path to a greener future for future generations, including in regard to developments in PtX," says Beatriz Puente Ferreras, Global CFO at Siemens Gamesa. The same can be said for Vestas.

"We really value our long-standing partnership with EKF, and the results we've achieved together in the past. The need to speed up the green transition all over the world has never been greater or more pressing. It is therefore crucial that wind turbine manufacturers have access to flexible financial solutions in order to spread renewable energy around the world. To this end, it is important to Vestas that EKF continues to its solid commitment and will continue to finance our clients' wind pipeline," says Javier Rodriguez Diez, CSO at Vestas.

EKF expects 2023 to be another big year for wind energy, with several projects already in the pipeline.

Eryk's CEO, Jens-Christian Møller, makes use of EKF's contract guarantee, which is typically used to assure payment in longer-term export contracts. Photo: Eryk

SME product allows the CEO to sleep soundly at night

Help is available from EKF for small and medium-sized enterprises wishing to get into exports. Contract guarantees provide protection against loss if a customer fails to pay.

In 2022 EKF provided a contract guarantee for Eryk Group (Eryk), which has companies in Denmark, Norway and Poland.

This time the contract guarantee was awarded in connection with a longer-term contract for assembly and installation at a factory in the Netherlands, where the contract guarantee covers Eryk's losses should the customer unexpectedly be unable to pay for the work. The partnership has worked brilliantly.

"We are delighted and proud to work with EKF," says group CEO Jens-Christian Møller. "For me personally, it means I can sleep soundly at night." He also highlights good engagement as one of the many benefits of EKF.

Heading further out into the world

Eryk was founded by Jens-Christian Møller and his wife, Lucja Kalkstein, just under 20 years ago. Originally named BIC Electric, the company was an electricity technology service provider, but over time Eryk has expended its services to include electrical and mechanical installation, commissioning and maintenance. So it made sense to change the name.

At that time the company faced the same recruitment challenges as it does today, and so chose Poland to house the group's shared service centre.

Eryk is now looking further out into the world, and has its sights set on Africa. Good engagement has a role to play here, too. With 250 engineers and 25 trainees from widely disparate places, a lot of work is done to promote engagement and good cooperation.

Help for Africa

The goal is now to reach 50 trainees and eventually create 1,000 jobs in Africa using the same recipe as that used by Eryk in Poland 20 years ago.

The company is also committed to contributing to progress in West Africa, where countries such as

Nigeria and Ghana still face extensive poverty and a dearth of opportunities for young people. Among other things, Eryk has set up an international trainee programme based on a desire to contribute to technological development, training the continent's young people and combating the international workforce shortage.

Eryk's modest wish

If Jens-Christian Møller had one wish, it would be to focus even more on engagement.

"You can resolve a lot of things by engaging in dialogue, so even better ongoing engagement is on our wish list," he says. "The nature of the situation means it can be difficult for, say, a Dane and a Polish person to understand one another, because obviously people in Denmark and Poland do things differently. This is where good engagement with EKF comes in."

After a long day at the Hai Gia wind project in Vietnam, representatives from banks, sponsor and EKF gather for a meal in a local restaurant. Photo: Private.

ESG due diligence maximises sustainability

As a representative of the Danish state, EKF has a social responsibility to ensure the greatest possible degree of sustainability of the projects in which we are involved.

EKF has undertaken this responsibility for many years. Based on the international rules applicable in the domain of ESG, we set high standards for ourselves, our customers and our partners. Based on ESG-related risk management and accountability, we work on value creation for and future-proofing of our shared projects and transactions.

In 2022, EKF has intentionally continued working to strengthen both our own due diligence and that of our partners in regard to managing ESG risks relating to issues such as human rights and biodiversity. At the same time, the climate agenda is an important part of EKF's strategic direction, and in 2022 we also worked intensively to strengthen our management of climate risks. Developing and structuring our climate reporting has formed a valuable part of this process, and in regard to this, this year EKF is reporting for the first time in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) (see page 25 for the climate-specific TCFD disclosure report).

ESG due diligence at EKF

EKF's transactions primarily involve projects beyond Denmark's borders, where experience has shown that there are often greater risks of local legislation not adequately protecting people and the environment. EKF's ESG department therefore undertakes a robust due diligence process to ensure that significant environmental and social risks are taken into consideration in our business decisions. From an organisational point of view, EKF's ESG department is lodged in our credit section, and ESG-related risks are thus managed on an equal footing with other credit-related risks. Respect for people, the environment and climate is thus fully integrated into EKF's business.

High and medium-risk transactions

As an export credit agency (ECA), EKF is subject to

ESG due diligence in accordance with IFC Performance Standards

1. Environment and social risk management system

› Identify project-related environmental and social risks
› Adopt a mitigation hierarchy: anticipate, avoid, mitigate, compensate
› Improve the project's environmental and social performance through implementation of environmental and social management systems (ESMS)
› Ensure that affected communities and other stakeholders are involved throughout the project cycle – including by establishing a grievance mechanism

2. Labour rights and working conditions

› Fair treatment, non-discrimination, equal opportunities
› Good relationship between management and employees
› Compliance with national employment and labour laws
› Protect workers, including vulnerable categories of workers
› Promote safety and health
› Avoid forced labour and child labour.

3. Resource efficiency and pollution prevention

› Avoid or minimise project-related pollution
› More sustainable use of energy and water resources.
› Reduce project-related greenhouse gas emissions.

4. Community health, safety and security

› Anticipate and avoid adverse impacts on the health and safety of the local community
› Ensure the safeguarding of personnel and property in accordance with relevant human rights.

5. Land acquisition and involuntary resettlement

› Avoid or minimise negative social and economic consequences for local people relating to involuntary resettlement or restrictions on access to land and water
› Implement alternative project designs
› Avoid forced eviction
› Improve or restore standards of living of affected/displaced persons.

6. Biodiversity conservation and sustainable management of natural resources

› Protection of biodiversity
› Conservation of benefits from ecosystem services
› Promotion of sustainable management of natural resources
› Integration of conservation needs and development priorities.

7. Indigenous peoples

› Avoid or minimise adverse impacts on indigenous peoples
› Ensure full respect for the human rights, culture, knowledge and practices of indigenous peoples.
› Ensure that indigenous peoples are able to give free, prior and informed consent (FPIC).

8. Cultural heritage

› Protection and preservation of cultural heritage
› Promote equitable sharing of benefits from cultural heritage.

the ECA guidelines set out in the OECD's Common Approaches (OECD CA). EKF is also signed up to the Equator Principles (EP), and has thus adopted the Equator Principles Association's common guidelines for ESG due diligence.

Both sets of guidelines point to the IFC Performance Standards as the overall international framework with which projects should comply in practice in order to ensure adequate identification, management and mitigation of environmental and social risks.

Due to EKF's obligations in regard to the OECD CA and EP, we screen and classify projects and transactions in terms of their ESG risks and potential negative impacts on people and the environment. Where potential significant ESG risks are identified, the relevant transaction is classified as either OECD Category A (high risk) or OECD Category B (medium risk). For these Category A and B transactions, EKF engages in early dialogue with our customers and other project-specific stakeholders to work together ensuring a thorough due diligence process, thereby maximising the value for the project, the financial parties involved, local people and the surrounding environment. In the case of OECD Category A transactions, the due diligence process typically also requires site visits to the specific project locations.

If deficiencies in a project's ESG due diligence are identified, EKF sets requirements for improvements. These requirements are entered in what is known as an Environmental and Social Action Plan (ESAP), which is a key element of the loan agreement. It ensures that EKF always has the legal instruments in place to enforce the ESG-related requirements if necessary. Internally within EKF, the environmental and social conditions of a transaction are defined via a specific ESG recommendation, which is managed and approved by EKF's Credit Committee.

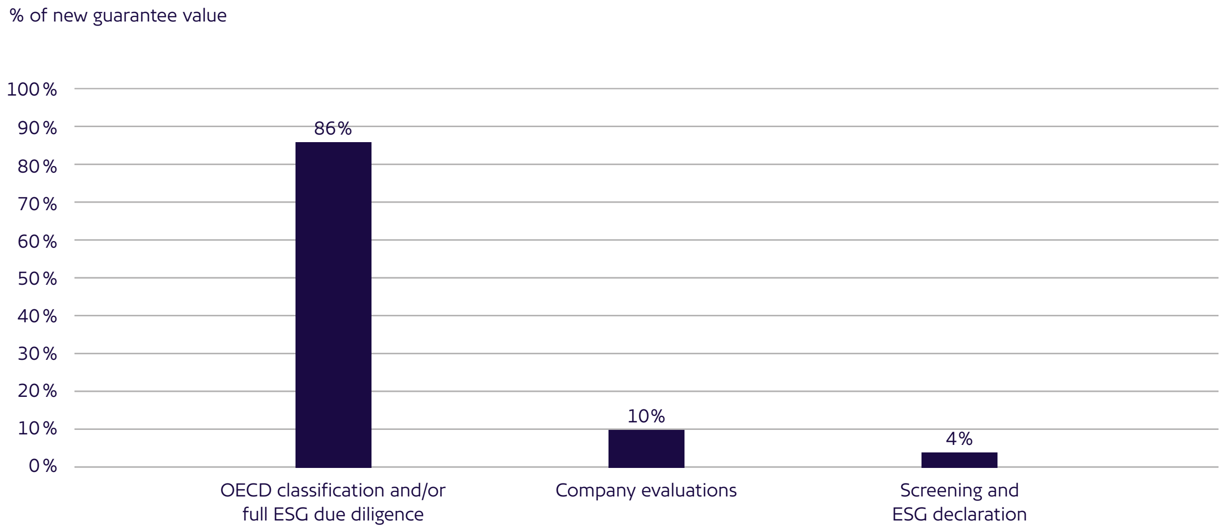
Once a loan agreement is signed for Category A and Category B transactions, EKF monitors the implementation of the agreed ESAP and the project's ongoing compliance with the international standards. This monitoring process may last for the duration of the transaction, and therefore typically covers both the project's design and operational phases. During this period, should the project not meet its ESG obligations as per the loan agreement, EKF may choose to withhold financial means, or ultimately cancel the loan agreement.

Low-risk transactions
EKF takes a risk-based approach in our ESG assessment, since ESG risks vary depending on the size of the specific transaction, the financial product and the specific context of the transaction.

Cases involving less than DKK 25 million with a term of less than two years are screened for sector-specific risks, and if the screening does not flag any significant risks, exporter signs a declaration regarding compliance with EKF's ESG requirements.

In transactions for which EKF's financial risk lies with the Danish exporter, and where both the financial exposure and the ESG-related risk level are deemed relatively low, ESG risks are managed via a company evaluation of the Danish exporter.

Proportion of new guarantee value by type of ESG management 2022



Transaction overview 2022

In 2022, EKF issued new guarantees worth DKK 29 billion. 11 of these transactions were classified as OECD Category A or B transactions (high and medium risk respectively). Two transactions (Enel and Iberdrola) could not be classified according to the OECD system, but have undergone a full ESG due diligence process. One transaction was classified as OECD category C (low risk), while EKF also performed 30 company evaluations of environmental and social management systems of Danish exporters.

Overview of EKF's OECD-classified transactions in 2022

#	Project	Countryt	Sector	EKF product	EKF Exposure (DKK million)[1]	OECD CA category	EP category
1	Viking Link	UK	Infrastructure and utilities	Buyer credit	1,394	B	B
2	Kaz Minerals	Kazakhstan	Mine	Buyer credit	805	A	A
3	Araguaia	Brazil	Mine	Project financing	500	A	A
4	ILD Coffee	Vietnam	Farm and food technology	Buyer credit	326	B	B
5	CBI Ghana	Ghana	Cement industry	Buyer credit	284	A	A
6	Solar Foods	Finland	Food technology	Buyer credit	60	C	C
7	RWE	Germany	Wind energy	Buyer credit	3,533	B	B
8	Alberta	Canada	Wind energy	Project financing	951	B	B
9	Golden Plains	Australia	Wind energy	Project financing	1,446	A	A
10	Hornsea 2	UK	Wind energy	Project financing	1,694	A	B
11	EDPR Portfolio 1	Poland	Wind energy	Project financing	355	B	B
12	EFGL	France	Wind energy	Project financing	446	A	B
13	Enel[2]	Italy	Wind energy	Buyer credit	6,072	N/A	N/A
14	Iberdrola[3]	Spain	Wind energy	Buyer credit	7,068	N/A	N/A

[1] Including cover ratio and stated before reinsurance.

[2, 3] The Enel and Iberdrola transactions are both portfolios of wind energy projects and cannot therefore be classified via OECD CA and EP. The transactions have undergone a full due diligence process in accordance with the framework and in line with OECD-classified transactions.

International cooperation to strengthen ESG due diligence

EKF cooperates internationally with many different agencies to continue to strengthen ESG standards, in particular with other export credit agencies in various OECD forums. Under the auspices of the OECD, EKF participates actively at both policy level in the Export Credit Group and in the specialist ESG Practitioners forum. This allows EKF to exert as much influence as possible to ensure that international export credit agreements help to strengthen ESG while also assuring equal terms for Danish companies in global export markets where possible.

The OECD CA are currently being revised; in connection with this, EKF has actively contributed specific formulations and proposals for inclusion of newer ESG-related issues in 2022. EKF has engaged with four different working groups that have been established for the revision: Climate, Biodiversity, Human Rights and Risk-based Approaches.

EKF brings biodiversity to the table Export credit agencies are far from our only important partners. There would be no transactions without banks and exports; hence EKF is also a member of the Equator Principles (EP), through which, in alliance with international banks, joint policies and guidelines are established for managing ESG risks relating to projects that fall under the umbrella of EP.

EKF has been on the EP's Steering Committee since 2021 and is also represented in various EP working groups, including the Biodiversity Working Group, where EKF has coordinated the preparation of the EP organisation's first Best Practice Note, which aims to ensure that biodiversity risks are managed responsibly in projects and in accordance with international good practice. EKF also participates actively in the Climate Change Risk Assessment Working Group, which is working on updating the guidelines for such assessments at transaction level.

Continued focus on labour and human rights The domain of human rights is an important aspect of EKF's ESG policy, based on internationally recognised standards such as the UN Global Compact, the UN Guiding Principles for Business and Human Rights and the OECD Guidelines for Multinational Enterprises. These standards provide EKF with ongoing guidance on dealing with potential negative impacts on human rights deriving from the projects EKF helps to finance.

Labour and human rights are not always protected to the standard ensured in Denmark in other parts of the world, and so in 2022 EKF has focused, and will continue to focus, on improving our work to assure these fundamental rights for the people impacted by EKF-financed projects. EKF is also involved in Etisk Handel Danmark's due diligence network, focusing on human rights in the value chain.

Financing a sustainable green future

EKF's climate strategy and net zero ambition require us to increase financial support for Danish export companies that contribute to the green transition in other parts of the world. This includes financing major renewable energy infrastructure projects, but support for growth in the green export market and business development are just as important (see the TCFD disclosure report on page 25 for more details of EKF's climate work in 2022).

In mining projects – such as the Aktogay copper mine in Kazakhstan – EKF's ESG monitoring keeps a close watch on what is known as the tailings dam. Photo: Private.

Representatives from a small village in Turkey discuss the potential problems of a new railway that EKF has helped to finance. Photo: Private.

In 2022 EKF continued to act as a key player in the promotion of green exports by way of our role in facilitating and distributing government-supported funds under Denmark's Green Future Fund and the Green Accelerator.

Denmark's Green Future Fund
In 2020 the Danish government launched Denmark's Green Future Fund (DGFF) in order to further nudge the green energy transition along and support projects and solutions that help to mitigate the effects of climate change. In order for an EKF transaction to be financed using DGFF funds, the project must be classified as green. EKF applies the EU taxonomy in this assessment.

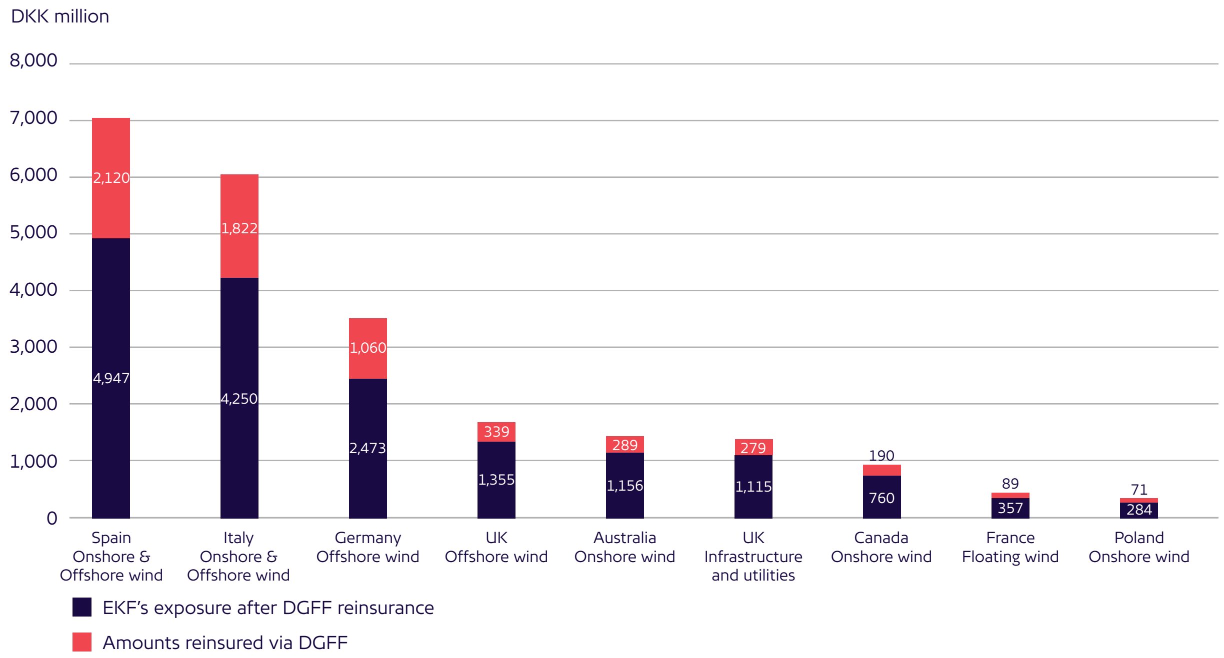
Of the DGFF's total capital commitment of DKK 25 billion, DKK 14 billion was allocated through EKF. EKF makes use of DGFF funds via our reinsurance framework. In 2022 EKF reinsured 9 new green projects through DGFF for a total value of DKK 6.3 billion. This means that by the end of 2022, EKF has drawn a total of DKK 10.3 billion from the fund.

Green Accelerator
To support Danish export-oriented trade and industry in overcoming the difficulties associated with winning new export orders, in 2020 the government and its supporting parties set aside funds to help Danish businesses to take that final challenging leap into new markets. Financial support is provided for activities and measures required to prepare or finalise export solutions aimed at a foreign market.

A total of DKK 85 million has been set aside for the Green Accelerator. In 2022, 19 projects were approved under the Green Accelerator at an approximate value of DKK 23 million, taking the overall use to around DKK 37 million.

EKF's exposure in new DGFF projects

The figure shows EKF's total exposure in projects reinsured via DGFF in 2022, and specifies the amounts reinsured via the fund.



TCFD climate risk disclosure report

EKF published its first climate policy in November 2021. In addition to our goal of achieving net zero emissions from our portfolio by 2045, this policy was accompanied by a commitment to report on climate risk management in future in accordance with the recommendations developed by the Task Force on Climate-related Financial Disclosures (TCFD).

The framework is organised around four core pillars:

1. Climate Governance
2. Climate Strategy
3. Climate Risk Management
4. Climate Metrics and Targets

Since the first edition in 2017, the TCFD recommendations have evolved into a commonly recognised framework for climate risk disclosure in the international financial sector.

By reporting in line with TCFD, EKF improves its climate reporting. These guidelines also help EKF to further systematise and optimise our day-to-day work with climate risk. More broadly, disclosure in accordance with TCFD enables financial operators to compare and streamline climate efforts across the sector.

The following report is EKF's first TCFD disclosure report, describing the work we have done to integrate and manage climate risks and opportunities in our business. It includes a description of metrics and targets that have already been implemented and, just as importantly, also identifies the climate-related work that lies ahead for us.

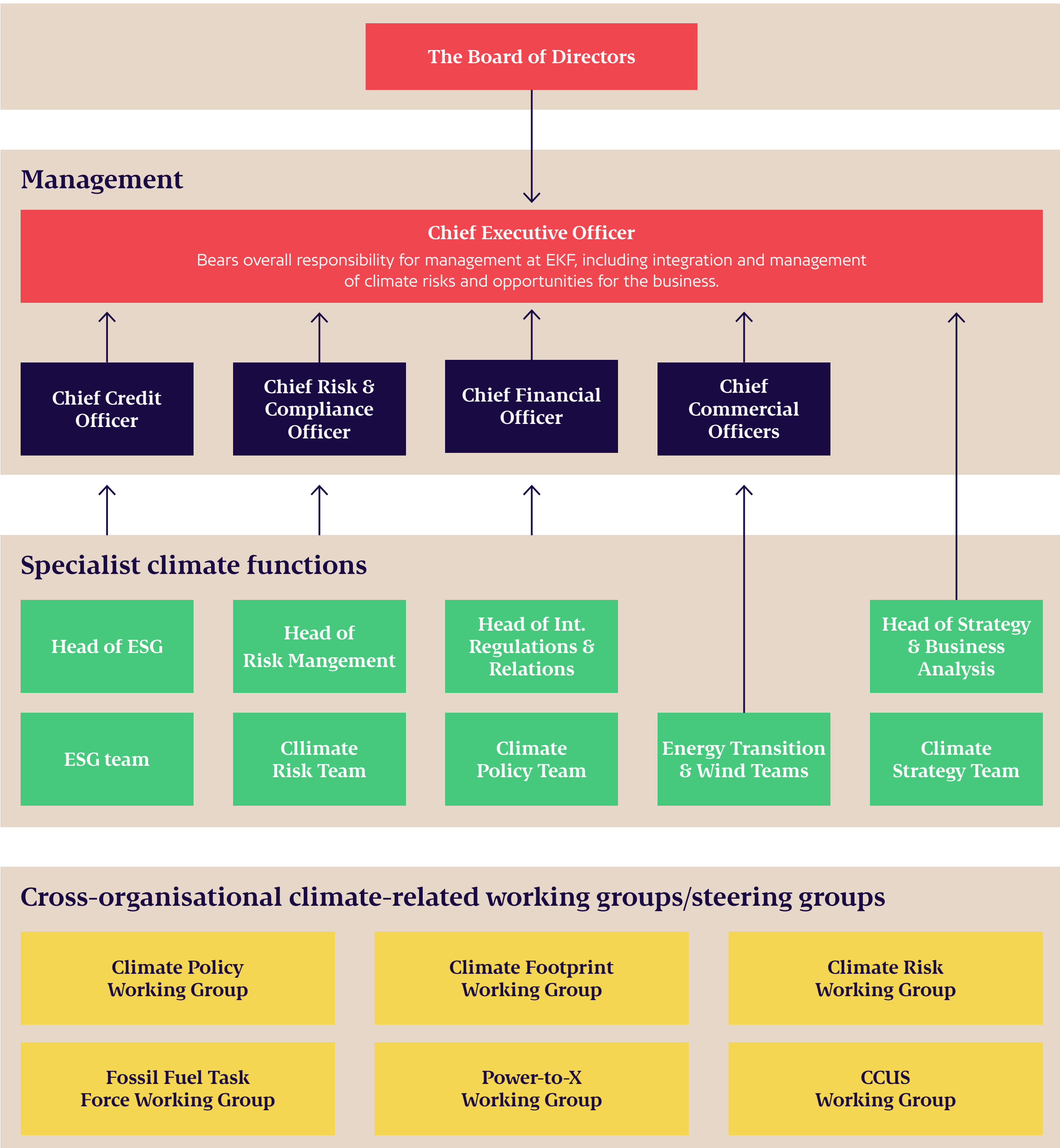
In 2022 EKF focused extensively on developing competences and methodology to allow us to estimate our portfolio's overall CO_2 impact, thus taking the first step towards being net zero by 2045. As part of this, this year for the first time we can put forward an estimate of our portfolio's overall CO_2 emissions – both for 2020 (our baseline) and for 2021 and 2022 (see the section on Metrics and Targets). EKF is aware that this is just one of many steps on the pathway to net zero. As our climate risk management matures and is integrated into our business to an even greater extent, we expect the level of detail in our TCFD disclosure report to rise. We recognise that scenario analyses, quantitative sector-based sub-goals and pathways to net zero are all important elements of effective climate risk management.

On 1 January 2023, EKF became a subsidiary of Denmark's Export and Investment Fund. As a result of this merger, climate risk management will in future be dealt with by the new Fund.

Climate Governance

EKF works strategically to integrate the management of climate-related risks and opportunities across the entire business. A new, updated strategic direction for the business was presented in 2022, including a vision to "grow the Danish economy and green the globe".

Climate Governance at EKF



This green strategic focus is in line with EKF's climate policy, published in November 2021, and sets a clear direction for EKF in the coming years. EKF's Board of Directors has been responsible for guiding and approving both the climate policy and the business strategy, and also retains overall responsibility for future decisions on these. Developments relating to the benchmarks in the strategy are reported to the Board of Directors on a quarterly basis.

While the Board of Directors is responsible for setting out EKF's strategic green direction, EKF's Chief Executive Officer bears overall responsibility for implementing and delivering on the climate-related benchmarks and commitments. Progress regarding these strategic benchmarks is reported to EKF's management on a monthly basis.

In order to deliver on climate benchmarks, responsibility for a broad range of climate-specific topics is delegated to members of EKF's management group. EKF's top management has determined that EKF must calculate a CO_2e baseline, and that in the 2022 annual report EKF will report in line with TCFD. These two projects were part of EKF's priority project portfolio for 2022, with responsibility anchored in the ESG Team and the Climate Strategy Team. Two cross-organisational working groups were appointed in order to achieve both projects.

At transaction level, EKF's Chief Credit Officer bears overall responsibility for identifying and clarifying climate risks for Management and the Board of Directors before deciding whether to issue a guarantee. The day-to-day work of clarifying transaction-specific ESG and climate risks is handled by EKF's ESG Team, whose duties include assessing whether transactions comply with EU taxonomy and can thus be classified as green under the taxonomy when funds are drawn under the DGFF framework.

Responsibility for integrating climate risks into the organisation's existing risk management processes lies with EKF's Chief Risk & Compliance Officer.

This task is undertaken by EKF's Head of Risk Management and the latter's Climate Risk Team; they also lead the cross-organisational Climate Risk Working Group.

The International Regulations & Relations department is headed up by EKF's Chief Finance Officer. Its Climate Policy Team is responsible for ensuring that EKF as an organisation acts in accordance with national and international climate regulations, obligations and guidelines. The department also looks after Danish interests in a number of international forums in which these regulations, standards and guidelines for export credit agencies are discussed. The Climate Policy Team is the main power in the cross-organisational Climate Policy Working Group. The Team also forms part of EKF's Fossil Fuel Task Force, which specifically assesses whether new transactions comply with Denmark's embargo on public financing and export incentive services for fossil fuels in the energy sector outside Denmark.

EKF's Strategy and Business Analysis department, which reports directly to EKF's CEO, is responsible for integrating not only climate risks, but also opportunities, into EKF's future strategic choices. The Climate Strategy Team is a key driving force for climate footprint work as well as in both the Power-to-X- and the CCUS Working Groups, which research future opportunities in these sectors together with the commercial arm of EKF's business (the Energy Transition and Wind Teams).

Climate Strategy

Management of both risks and opportunities relating to climate change and the green transition is a fundamental part of EKF's strategic focus. Two of the

Vision

EKF helps to grow the Danish economy and green the globe.

Mission

EKF facilitates exports, internationalisation and the global green transition for the benefit of Danish businesses and investors through competitive international financing.

Pejlemærker

- Zero by 2045
- DKK 200 billion in new green guarantees 2022–2030
- Support projects worthKK 1,000 billion 2022–2030

EKF's 2022 Strategy

three overall benchmarks in EKF's new 2022 strategy also relate to climate.

With these strategic benchmarks, EKF aims to make the climate agenda an important guiding principle for future business decisions. EKF continuously assesses our future relative to our goal of issuing new green guarantees worth DKK 200 billion from 2022 to 2030.

We made good progress in 2022, and by the end of the year had issued new green guarantees worth DKK 23.7 billion.

EKF's climate policy sets out the specific strategies that will ensure EKF is well established to hedge and manage future climate-related risks and also to accelerate the green transition for Danish exporters. EKF's climate policy is based on the Paris Agreement's goals of limiting global warming to 1.5 degrees Celsius and Denmark's goal of achieving a 70 percent reduction in greenhouse gas emissions by 2030 relative to 1990.

Benchmarks in EKF's climate policy

1. Consolidate our position within renewable energy
EKF issued its first wind turbine guarantee in 1998, and guarantees and loans for renewable energy projects now represent around 70 percent of EKF's overall business. EKF has thus built up superb expertise in this sector, putting us in a strong position to continue to support and finance the green transition in future.

EKF aims to be a leading export credit agency (ECA) in renewable energy, helped by annual growth in new guarantees in areas such as the wind energy sector. In connection with this, EKF's goal is to help open up both new offshore and onshore markets, and in autumn 2021 EKF divided up functions in our Global Wind department, partly to support the outreach work in the wind energy sector. The aim is also to incorporate additional EKF product types, and to develop new green products specifically for this purpose.

2. Accelerate the maturation of new green technologies
The climate crisis also calls for new green technology solutions. By continuing to look to the future and willing to hedge risk in new and less mature green technologies, EKF can help to promote a shift in international financing patterns. This shift could help to remove some of the financial risks currently associated with these new technologies, thus nudging the green transition forward. EKF has identified Power-to-X (PtX) and Carbon Capture Utilisation and Storage (CCUS) as two strategically important sectors. Our unique expertise in the renewable energy sector may help to nudge the green transition forward in these areas, which also represent great business potential for both EKF and our customers.

The establishment of Denmark's Export and Investment Fund involves an ongoing capital injection totalling DKK 1.7 billion by 2025, earmarked for exports of large-scale green demonstration projects such as PtX and CCUS. This capital injection will help to continue and further enhance EKF's strategic work in these sectors in the new organisation.

3. Pursue global leadership in ambitious international frameworks for export finance and climate action
EKF and Denmark have substantial influence on international frameworks and rules regulating export finance, and lead the way in the EU and OECD's work to create agreements ensuring that climate action is incorporated into these international frameworks. Among other things, EKF is working toward the development of additional financial incentives for financing of renewable energyand transition projects. We are also negotiating for tougher international restrictions on fossil fuel finance. As well as benefiting the climate,

these international agreements also help to ensure that Danish companies are on an equal footing with international competitors during the green transition.

As well as looking after Denmark's export credit interests in the OECD and EU, EKF is affiliated with a number of other climate networks. EKF handles Denmark's membership of the Export Finance for Future (E3F) climate coalition, launched in 2021 with the aim of ensuring that European export finance accelerates the green transition.

4. Phase out financing for projects that are incompatible with the green transition.
In autumn 2020, the Danish government announced an embargo on Danish export finance for transactions relating to coal-fired electricity and thermal coal1. In autumn 2021 it was also decided to phase out Danish export finance for all other fossil fuel projects outside Denmark2. EKF works within these constraints, which means an embargo on finance for:

› Fossil-fired power plants.
› Exploration, drilling, extraction, refinery and trading activities for crude oil, natural gas and thermal coal.
› Storage, support infrastructure and logistics primarily associated with fossil fuels.

A number of gas projects are exempt from the restrictions during a transitional period. These exemptions run out in mid-2025, after which EKF will no longer accept new transaction applications for gas projects. This embargo on export finance for fossil fuels is an important step in the fight to stop climate change and absolutely necessary in order to realise both Denmark's climate targets and those of EKF. As already mentioned, EKF's Fossil Fuel Task Force plays an important role in ensuring compliance with this embargo on fossil fuel export finance.

5. Identify CO_2-intensive customers and sectors and work with them to reduce their climate impact
EKF's portfolio includes energy-intensive and CO_2-intensive customers and transactions. If EKF is to continue to accelerate the green transition and achieve our own internal goal of being net zero by 2045, it is important that we engage in strong partnerships with these customers and projects on the green transition and reducing their CO_2 impact. Products and incentives that can motivate and support our customers are useful tools for this purpose, and EKF is prioritising the development of these.

Through our work on calculating and disclosing EKF's total CO_2 emissions in 2020, 2021 and 2022 (see the section on Metrics and Targets for more details),

we have identified very specifically the most CO_2-intensive transactions, customers and sectors in our portfolio. This offers a useful basis for assessing where EKF should prioritise engagement to promote transition, thus ensuring that our CO_2-intensive customers achieve their green transition targets.

In addition to the strategies mentioned above, in 2022 EKF also mapped risks and opportunities faced by EKF and our customers more generally as the impacts of climate change intensify.

EKF's business climate risks and opportunities

As mentioned, EKF has mapped a number of climate opportunities which we are working on utilising and integrating into the business. In addition to new business opportunities relating to the CCUS and PtX sectors, climate change also involves a general increase in the need to hedge risk in the market. In all probability, demand for EKF's core services is likely to increase as both the physical and economic effects of climate change really start to take hold in the coming years. In order to meet our customers' demand for hedging of climate-related financial risks, it is important that EKF understands the risks that both we and our customers are facing, and how these materialise.

EKF and our customers are exposed to both physical and transition-related climate risks. Transition-related risks include those relating to technology and the market, political and regulatory changes in the international community, and reputational risk. Physical risks concern acute damage to assets arising from more frequent extreme weather events, but also risks associated with more gradual changes such as rising temperatures and sea levels. These climate-related changes entail many potential financial impacts for EKF. While climate-related risks and opportunities largely guide EKF's overall strategic direction, we are still in the process of developing methods to quantify and value climate risks, and to integrate them into our existing risk models (see Climate Risk Management for more details). Our overall exposure to climate-related risks obviously depends on the composition of our portfolio at a given time – but external factors such as the precise manifestation of climate changes, or the pace at which the market or regulatory environment evolves, also affect EKF's overall risk exposure.

[1] Exclusion of coal-fired electricity generation and thermal-coal extraction (ekf.dk)
[2] Denmark halts public financing for overseas brown energy (kefm.dk)

Examples of climate-related risks and potential impact on EKF and our customers

Type	Climate-related risk	Potential financial impact
Transitional risks	**Political and legal risks**	
	› Higher taxes for CO_2e emissions. › Regulation of existing products and services.	› Higher costs and/or less demand for specific products and services from sectors in EKF's portfolio. › Depreciation, write-downs or competitive exclusion of EKF customer assets as a result of regulatory changes.
	Technological risks	
	› Replacement of existing products and services with low-emission alternatives. › Financial exposure to new, unsuccessful technologies. › Costs associated with transition to low-emission technology.	› Reduced demand for products and services as a result of new technologies becoming popular. › Costs associated with adopting new practices and processes. › Depreciation of assets that are outcompeted by new technology.
	Market-related risks	
	› Higher prices of natural resources. › Uncertain market signals.	› Higher production costs relating to a rise in input prices. › New asset valuation.
	Reputational risks	
	› Specific sectors being stigmatised.	› Falling revenues as a result of lower demand for products. › Less capital availability in the individual company. › Companies may have difficulty attracting new talent.
Physical risks	**Acute** › More frequent extreme weather occurrences such as hurricanes, typhoons, floods and drought. **Chronic** › Extreme variation in weather patterns. › Rising temperatures and sea levels.	› Higher costs associated with damage to assets. › Risk of reduced opportunities to insure assets in high-risk areas. › Higher operating costs as a result of issues such as inadequate water supply. › Falling revenues as a result of reduced production capacity. › Lower revenues or higher costs as a result of negative impact on workforce (e.g. health and safety).

EKF is working on integrating these factors into our existing risk management processes to help us base our climate strategy choices on specific figures and projections in future.

Climate Risk Management

Climate risk management at portfolio level

In 2022 EKF worked on developing competences and tools in order to integrate both physical and transitional climate risks into our general risk management systems at portfolio level. We regard climate risks as a number of cross-organisational risks that manifest across EKF's existing risk categories. EKF's aim is to eventually be able to integrate climate-related stress testing and scenario analysis into our business-related risk management processes.

This will enable us to better and more precisely identify and mitigate the climate risks we face, while also permitting us to disclose our financial exposure in regard to these climate risks to our key stakeholders. However, the currently available methods of economic valuation of climate risk are still at a relatively early stage of development. As a first step, EKF's cross-organisational climate risk working groups are working with an external consultant to establish a core climate risk framework for the organisation.

As an export credit agency, EKF's portfolio composition differs slightly from that of many of our colleagues in the financial sector. Our exposure is heavily weighted toward guarantees and insurance, and government institutions in developing countries represent a relatively large proportion of our customers. Across the financial sector there is still great uncertainty as to how to integrate financial climate risks relating to these customer and product types into risk management as a whole. Going forward, we will work on quantifying these climate risks as permitted by the development of methodologies and data for this purpose. We will also engage with our sparring partners in this area.

Climate risk management at transaction level

EKF has in-depth experience of climate risk management at transaction level, since the organisation's ESG department hedges and manages climate risks on the basis of guidelines set out in the latest edition of the Equator Principles. These guidelines are in accordance with the TCFD recommendations, and require a Climate Change Risk Assessment (CCRA) of relevant physical risks to be performed for all Category A and Category B projects. For EKF's wind turbine projects, for example, a technical third-party consultant comprehensively analyses whether rising sea levels and current and future wind and weather conditions represent a material risk to each specific wind farm.

In addition, all projects with expected project-specific scope 1 and scope 2 emissions in excess of 100,000 tonnes of CO_2e annually require an assessment of transitional risks for the project and an analysis of the potential for implementing less CO_2-intensive alternatives. These climate risk assessments are also typically performed by a technical consultant attached to the specific projects.

Climate Metrics and Targets

It is crucial for us to obtain a clear understanding of the CO_2e emissions associated with our portfolio in order for us forge a pathway towards our goal of being net zero by 2045. Continuous tracking of our portfolio emissions is also an important factor in understanding and managing the climate-related risks and opportunities ahead of us.

EKF made great strides on this in 2022, and has calculated our portfolio's total emissions for the first time. The next step is to lay a path that leads us from this baseline to our net zero goal by 2045. From 2023, this work will be done as part of Denmark's Export and Investment Fund.

EKF's portfolio emissions make up far the largest part (99.98 %) of our total emissions, and fall into the category of scope 3 emissions for our business. The remaining part of EKF's total emissions relate to EKF's internal use of resources and are primarily categorised as energy consumption (scope 2) and transport (scope 3).
While EKF contributes to CO_2e emissions, the renewable energy projects EKF is involved in financing help to reduce emissions from power grids around the world. EKF has counted and disclosed these reductions in recent years, including for 2022.

EKF's portfolio emissions

As a direct consequence of EKF's strategic goal of being net zero by 2045, an internal working group was set up in 2021 to work on clarifying the total CO_2e emissions (scope 1, 2 and 3) for our entire portfolio for the year 2020, which is EKF's baseline year. In 2022 we did further work on estimating CO_2e impacts for 2021 and 2022, and are now able to disclose EKF's total portfolio emissions for 2020, 2021 and 2022 for the first time.

Methodology

As an export credit agency, EKF is subject to the OECD Common Approaches and therefore requires high-emissions projects (projects with estimated annual CO_2e emissions of more than 25,000 tonnes in the operational phase) to estimate their annual scope 1 and 2 emissions before EKF enters into the transaction. Until now, EKF has not obtained project-specific emissions data for all other transactions in our portfolio which are not subject to this CO_2e-related OECD requirement.

In order to calculate our portfolio's full emissions impact, EKF has therefore worked with consultants from the United Nations Environment Programme (UNEP) to develop a method based on the internationally recognised Global Greenhouse Gas Accounting and Reporting Standard for the Financial Industry, developed by the Partnership for Carbon Accounting Financials (PCAF). Under the PCAF standard, emissions are attributed to a financial institution using an attribution factor calculated on the basis of the ratio between the underlying exposure in the relevant transaction and the overall balance of the financed unit (equity + debt). This attribution factor is then used for the financed unit's total CO_2e emissions.

However, the PCAF standard has not yet developed a way of calculating financed emissions relating to guarantees, i.e. the main financial product offered by EKF. According to PCAF, emissions relating to these products should only be attributed to EKF if a relevant transaction incurs a loss, thus activating the guarantee. UNEP, EKF and a number of other ECAs regard this approach as inadequate, since it only includes emissions from a very small proportion of EKF's transactions and thus does not provide an accurate picture of EKF's emission-related activities.

By way of our financial involvement in projects and activities, EKF facilitates activities around the world that result in CO_2e – regardless of whether EKF's guarantees are activated. In consultation with UNEP, we have therefore chosen an approach in which emissions are attributed to EKF based on our economic exposure in each individual portfolio transaction. These emissions are defined as enabled emissions.

A portfolio's total CO_2e impact is typically driven by a handful of large, high-emitting transactions and projects that represent a large proportion of our total emissions. In partnership with UNEP, EKF has therefore taken a dual approach in regard to calculating emissions. Emissions relating to transactions expected to have a high CO_2e impact are calculated where possible on the basis of transaction-specific emissions data and modelling with the help of life cycle analyses, while transactions expected to have a low CO_2e impact have been estimated using input-output modelling, which estimates transaction-related emissions using sector-based emissions factors. This has enabled us to estimate scope 1, 2 and 3 emissions for our entire portfolio, while also making relatively accurate calculations for our emission-intensive transactions.

Results

EKF's total portfolio emissions are shown in the following table. Emissions in 2022 relating to EKF's exposure before reinsurance totalled 3.1 million tonnes of CO_2e, while emissions relating to EKF's exposure after reinsurance are 2.0 million tonnes of CO_2e.

Since EKF reinsures 53 % of total portfolio engagement (see the section on reinsurance on page 46 for more details), we have chosen to disclose our portfolio emissions both before and after reinsurance to achieve a high level of transparency regarding our emissions. The emission results before reinsurance, including all three scopes, will in future be used as a guiding principle for our pathway to net zero emissions by 2045.

Our total portfolio emissions fell between 2020 and 2022, both before and after reinsurance. Among other things, this is due to improvements in data quality and changes in portfolio composition during the period

EKF's portfolio emissions (2020–2022)

Million tonnes of CO_2e	(baseline) 2020	2021	2022
After reinsurance (net)			
Scope 1+2	1.3	1.0	0.9
Scope 3	1.2	1.1	1.1
Total	**2.5**	**2.1**	**2.0**
Before reinsurance (gross)			
Scope 1+2	1.6	1.5	1.1
Scope 3	1.8	1.7	2.0
Total	**3,4**	**3,2**	**3,1**

(see the section on data quality, uncertainty and the pathway to net zero on page 33 for more details). Where the difference in emission results between "before reinsurance" and "after reinsurance" does not correspond to 53 % of our total portfolio exposure that we reinsure in the market, this is partly due to the fact that a large proportion of EKF's reinsurance relates to our large wind energy transactions, for which the related emissions are generally low. It is also worth noting that scope 3 emissions for all three years make up around 50–65 percent of total emissions, underlining the importance of financial institutions including these scope 3 emissions when calculating their total portfolio emissions.

In order to look more closely at the distribution of emissions and emission intensity at sector level, we will examine the total portfolio emissions before reinsurance in 2022.

Emissions and emission intensity by sector level (2022, before reinsurance)

	Proportion of total emissions (%)	Emission intensity (tCO_2-e/DKK million)
Renewable energy production	25.3	9
Transport	8.2	19
Oil and gas[1]	0.6	48
Waste and water recycling	0.6	55
Other	10.8	56
Mining	2.6	64
Chemical production	2.1	100
Food and agriculture	7.2	108
Metals, cement and minerals	27.3	348
Fossil fuel energy production	15.4	726
Total	**100.0**	**26**

[1]In this context, the oil and gas sector covers trading in these fossil fuels and supported activities for extraction.

The emission results for 2022 show that three sector categories, renewable energy production, fossil fuel energy production and metals, cement & minerals, represent a combined 68 % of EKF's total portfolio emissions. But where emissions from fossil fuel energy production and metals, cement and minerals primarily relate to the operational phase, the emissions from renewable energy production mainly relate to the construction of wind farms. The fact that renewable energy production represents 25.3 percent of total portfolio emissions in 2022 is thus largely because EKF issued new guarantees totalling DKK 21.6 billion during the year for the construction of new wind farms. When these wind farm projects are completed and move to the operational phase, their related emissions will drop to close to zero. If we look at emission intensity for renewable energy production, we can see that this is just 9 tonnes of CO_2e per million EKF exposure, due to EKF's high overall exposure in wind farms, the majority of which are now in operation. The fossil fuel energy production and metals, cement and minerals sector categories, on the other hand, have the highest emission intensity in EKF's portfolio, meaning that even relatively low exposure in these sectors entails substantial CO_2e amounts in EKF's emission accounts. EKF's overall emission intensity for the portfolio as a whole is 26 tonnes of CO_2e per DKK million in 2022; again this is strongly influenced by the preponderance of the wind energy sector in EKF's exposure.

Data quality, uncertainty and the pathway to net zero
In the process of calculating our total portfolio emissions, EKF encountered a number of issues with data quality. These include problems regarding continuity in data reporting on emission-intensive transactions. If a high-intensive project reports emission-related data to EKF one year, but not the following year, the transaction is processed in our input-output model in the relevant year (for which emission-related data is unavailable), potentially creating discontinuity in emission figures for both the individual transaction and the portfolio as a whole. The emission-related input-output models available on the market are also often based on a number of generalised assumptions and rough sector averages, meaning that the results of these models are associated with a certain amount of uncertainty.

EKF expects data quality, the quality of the available modelling tools and the continuity of reported emissions data to improve as this area matures and as companies are increasingly required to comply with policy-determined climate-related disclosure requirements. Obviously, this means that the accuracy of our portfolio emission estimates will also improve in future.

Whether a transaction concerns a project that is in the construction phase or the operational phase at the time of measuring often has a great impact on the amount of emissions relating to that transaction. In addition, EKF's portfolio in the lead-up to 2045 will fluctuate in terms of both size and sector composition.

As a result of these factors, the portfolio emissions attributed to EKF will also fluctuate year on year, and the pathway to net zero cannot be expected to be linear, even if the trend is likely to move downward as we move closer to 2045. Specifically, increased financing of renewable energy projects in the coming years means that EKF's emissions impact will potentially rise before falling again, since the construction phase of these projects is associated with an emissions impact greater than when the project is completed and operational.

Fundamentally, EKF's mandate as an export credit agency is to support Danish businesses in their export activities, and our financial activities are therefore largely demand-driven. This means that EKF's path to net zero is largely dependent on the economic context in which we operate, and thus also on the pace at which the green transition takes place both in Denmark and around the world. EKF's emissions impact reflects that of our customers and projects, and we can therefore only reduce our impact at the same pace as these partners are able to implement CO_2-reduction solutions in their business.

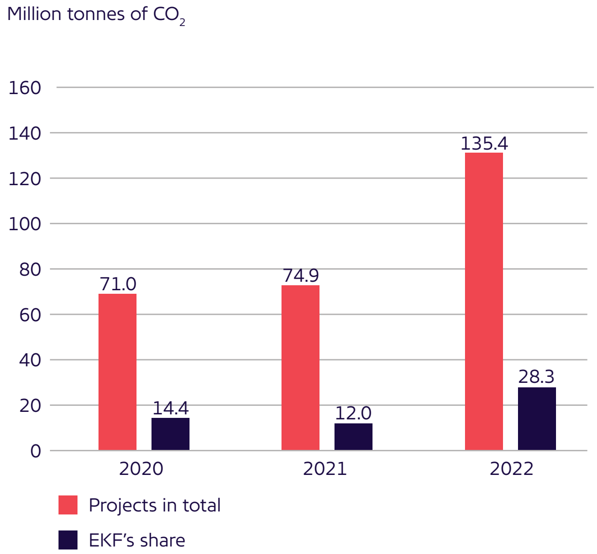
CO_2e accounting for financial institutions is still in its infancy, but the domain is developing rapidly. EKF will work with other export credit agencies and the rest of the financial sector to develop agency and product-specific methodo-logies and standards that the sector can agree on. As common standards and methodologies are consolidated and developed, and as data availability improves, EKF anticipates that it may be necessary to recalculate our 2020 baseline estimate in future to make it comparable with future calculations.

EKF's contribution to CO_2e reduction

Around the world, EKF is involved in co-financing many renewable energy projects which contribute to CO_2e reduction by displacing more polluting technologies from the power grids. EKF financed no solar or hydroelectric power projects in 2022, and the renewable energy projects EKF was involved in financing in 2022 therefore consisted solely of wind turbine projects.

EKF co-financed eight wind turbine projects in 2022, which are expected to create an overall CO_2e reduction of approximately 135.4 million tonnes. Based on EKF's financing contribution, this corresponds to a reduction of 28.3 million tonnes of CO_2e as a result of EKF's 2022 financing of wind turbine projects. These eight wind turbine projects are reinsured for a value of DKK 6.0 billion under Denmark's Green Future Fund.

Reduction in CO_2e for EKF-financed projects



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

With total approximate guarantee exposure for renewable energy projects of DKK 21.6 billion, in 2022 EKF had three times as much financing for new renewable energy projects compared with 2021, when guarantee exposure was approximately DKK 7.2 billion (both amounts stated before reinsurance). The total expected CO_2e displacement deriving from these renewable energy projects therefore also increased substantially, from 74.9 million tonnes in 2021 to 135.4 million tonnes in 2022. Where the increase in CO_2e reductions from 2021 to 2022 does not correspond to the increase in total guarantee exposure, this is because different emissions factors apply to the power grids in different countries. Specifically, this means that two equally large wind turbine projects in, for example, France and Poland, will not result in the same reduction in CO_2e. In 2022 EKF had fewer wind turbine projects in countries where the potential to contribute to a reduction in CO_2e is greatest (e.g. Poland and Taiwan) compared with 2021.

How we quantify CO_2e reductions The independent economic consultancy Copenhagen Economics has developed a model capable of calculating the CO_2 displacement value entailed by the renewable energy projects that EKF helps to finance. The reduction in CO_2e is calculated as the reduction in emissions from the power grid for the relevant project country that the renewable energy project will entail throughout the project's useful life by displacing more polluting energy sources. This means that the reduction in CO_2e depends on the volume of energy supplied by the given energy technology and the project country's or region's power generation mix and demand – both now and in the future.

The figure for the reduction in emissions entailed by the project is obtained by comparing expected supply and demand for electricity in a given country, based on capacity and production data obtained from the International Energy Agency (IEA). The marginally considered most cost-intensive energy technology is assumed to be displaced by the introduction of increased capacity from new renewable energy sources. In this context, the merit order is also assumed to remain constant throughout the project's useful life, and it is assumed that the same merit order applies globally in all project countries.

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 forecast demand is then determined correspondingly 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 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 avoid during their useful life.

EKF's renewable energy projects reduce CO_2e

Projects co-financed by EKF in 2022 are expected to achieve a reduction of

135.4 million tonnes of CO_2e

over the projects' projected useful life of 25 years. Of this, EKF's share is equivalent to 28.3 million tonnes.

Country	Reduction	Projects
Greece	5.0 million tonnes	Askio II+III (Iberdrola) Mykroronos (Iberdrola) Rokani (Iberdrola)
UK	38.1 million tonnes	Hornsea II Sofia (RWE)
Australia	24.3 million tonnes	Golden Plains Flat Rocks (Enel)
Italy	2.2 million tonnes	Baselice (Enel) Castelvetere (Enel) Polizzi Generosa (Enel)
Germany	8.7 million tonnes	Baltic Eagle (Iberdrola) Kaskasi (RWE)
USA	22.2 million tonnes	25 Miles (Enel) Ranchland I+II (Enel) Alta Farm II
Spain	1.9 million tonnes	Buniel (Iberdrola) El Escudo (Iberdrola) Iglesias (Iberdrola) Martin de la Jara (Iberdrola) Valdemoro (Iberdrola)
France	0.8 million tonnes	EFGL Saint Brieuc (Iberdrola)
Canada	19.0 million tonnes	Alberta Grizzly Bear (Enel)
Poland	11.8 million tonnes	EDPR Portfolio I Korynica (Iberdrola)
Brazil	1.4 million tonnes	Pedra Pintada (Enel) Aroeira (Enel)

Source: Copenhagen Economics. To maximise the reliability of our CO_2e reduction figures, these have been included in an opinion authored by Deloitte. See the independent auditors' opinion regarding CO_2e data.

EKF's internal resource consumption and related CO_2 emissions

EKF's internal ESG policy governs environmental and employee conditions for our own organisation in Denmark, where we aim to meet the same high standards as those we set for the projects we help to finance around the world. EKF monitors internal resource consumption and CO_2e emissions this entails from year to year. These emissions are categorised as scope 2 and 3, since EKF does not own assets that entail scope 1 emissions.

EKF's internal resource consumption and CO_2 emissions

Resource consumption	2022	2021	2020
Waste and recycling			
Total (tonnes)	13	19	13
Per employee (kg)	73	104	80
Recycled paper (tonnes)	1	1	4
Electricity consumption			
Total (MWh)	265	222	225
Per employee (MWh)	1.5	1.2	1.6
Per area (kWh/m2)	26	22	22
Heat consumption			
Total (MWh)	263*	263	215
Per employee (MWh)	1.5*	1.8	1.5
Per area (kWh/m2)	39*	39	32
Water consumption			
Total (m3)	883*	883	959
Per employee (m3)	5.14*	5.29	6.57
Per area (m3/m2)	0.09 *	0.09	0.09

** Heat and water consumption for 2022 are calculated by the utility company in April 2023. Heat and water consumption for 2022 are therefore reported on the basis of 2021 data updated since the release of the 2021 annual report.*

CO_2 emissions related to resource consumption

	2022	2021	2020
Total CO_2-emissions			
Total emissions (tonnes)	629	89	323
Emissions per employee (tonnes)	3.8	0.5	2.3
Of which Scope 2 CO_2 emissions			
Emissions from electricity consumption (tonnes)	15.1	31.5	53.0
Emissions from heat consumption (tonnes)	8.9	13.1	16.2
Of which Scope 3 CO_2 emissions			
Emissions from air travel (tonnes)	596.9	40.2	248.4
Emissions from car travel (cars and taxis) (tonnes)	7.6	4.4	5.8
Emissions from courier services (tonnes)	0.08	0.03	0.01

EKF's resource consumption has been relatively stable in the period 2020–2022. Electricity consumption rose by 43 MWh between 2021 and 2022. EKF's CO_2 emissions related to electricity consumption have halved, since the emissions factor for the East Denmark power grid was lowered substantially after Energinet started calculating separate environmental declarations for West and East Denmark in 2022.

EKF's total emissions rose substantially in 2022 compared with 2021 and 2020, primarily because of the return to (and increase in) air travel compared with the two preceding years, which were affected by COVID. However, in connection with this, it should be noted that EKF's 2022 air travel is still lower than it was in 2019, pre-COVID.

EKF's Young Professionals Programme aims to support younger employees' personal development and awareness of both customers and the organisation. Photo: Aston Wowchuk.

EKF – an evolving organisation

2022 has been yet another eventful year at EKF, where as well as welcoming various new employees we also launched a talent programme, celebrated EKF's centenary and worked toward the merger with Denmark's Export and Investment Fund.

As in previous years, EKF welcomed various new employees in 2022. With a view to the upcoming merger, we focused on transparency in the recruitment and employment process, ensuring that all candidates were aware of the process in which we were involved, which naturally entails certain unknowns for everyone involved.

There were no changes to the Management Group in 2022, and the organisation is still structured around three pillars: Global Markets, Credit and Corporate Functions. There is also the cross-organisational Staff Functions unit.

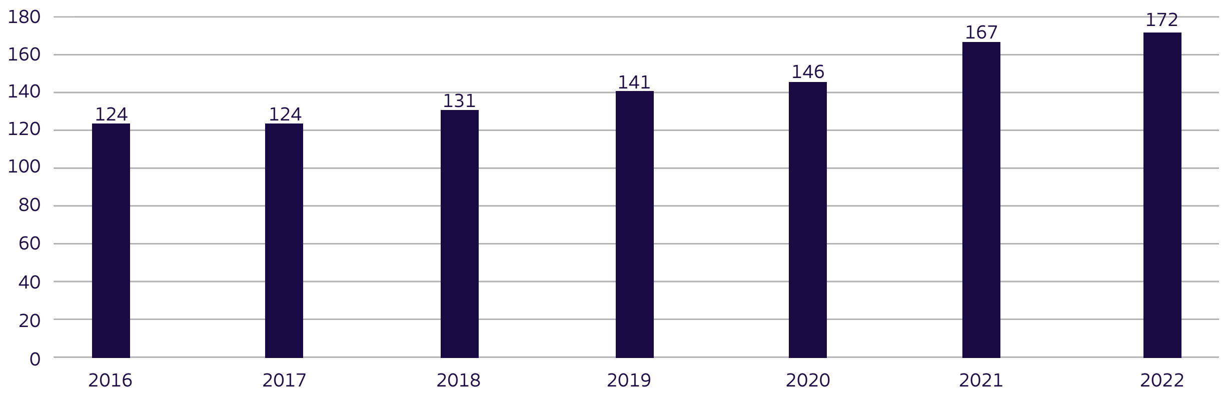
The organisational structure is designed to place the customer at the centre in order to ensure that processing of the transactions in which EKF is involved is as simple as possible, while enabling the rest of EKF's administrative and support functions to cooperate across the organisation as efficiently as possible. Spring saw the launch of EKF's inaugural Young Professionals Programme, in which 18 skilled employees worked intensively to develop their professional and personal skills. The programme culminated in a three-day camp during which the participants split into three groups to work on relevant strategic cases designed by management.

In June we celebrated 100 years of EKF – a major event that was marked both together with our customers and partners and internally within the organisation.

However, the issue that has captured most of the organisation's attention is the upcoming merger with Vækstfonden and the Danish Green Investment Fund as part of Denmark's Export and Investment Fund. We and our future colleagues have worked extensively on designing the future organisation and ensuring that the right skills are available in the right places. We also made sure to communicate well with employees regarding the changes ahead for the organisation, and this work continues in 2023.

Total number of EKF employees (average)

The chart is based on the average number of employees according to the ATP method



Diversity and gender balance in EKF's management

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

EKF adopted a Diversity Policy in 2021. This policy is managed and approved at Board level, and is an expression of EKF's aim to promote diversity in the composition of EKF's employees by, among other things, highlighting the objective of increasing the proportion of any under-represented gender in EKF's day-to-day management.

Diversity is fundamental to our ability as a competent organisation to conduct an efficient and innovative business enterprise for the benefit of both our employees and our customers. EKF regards diversity as a foundation stone that contributes to:

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

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

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

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

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

At 31 December 2022, the day-to-day management of EKF consisted of a total of 21 individuals in Management and the Executive Leadership Team, of whom 4 (24 percent) were women and 17 (76 percent) were men. The proportion of the under-represented gender in the overall day-to-day management is thus 24 percent, meaning that we did not fulfil our aim of having an equal gender balance in day-to-day management. Compared with 2021 the total number of managers at EKF has fallen – as has the number of female managers. With a view to the upcoming merger, some positions have been left vacant and will be filled in the coming period. In connection with this, EKF will actively encourage and empower women within EKF to develop leadership potential and pursue a managerial career path. This formed an element of the Young Professionals Programme that EKF ran in 2022, in which 6 of the 18 participants were women. If external recruitment assistance is employed, EKF also strives to ensure that qualified female candidates are presented for managerial roles, provided that the candidates meet the qualification requirements.

Corporate social responsibility within the organisation

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

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

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

Diversity, inclusion and wellbeing are also included as a specific topic in the developmental discussions between managers and employees. Discrimination can furthermore be reported via HR and via EKF's whistleblower portal, which also allows employees to report physical violence, discrimination and sexual harassment. There were no reports to the whistleblower scheme in 2022.

However, in connection with the annual employee satisfaction survey, EKF established that, for the first time, there were a few indications concerning bullying and sexual harassment in the workplace. Management has taken these results extremely seriously and has emphasised that no employee at EKF should be subjected to bullying or sexual harassment. HR should be notified of such incidents so that employee wellbeing can be looked after and the problems brought to an end. This work will be followed up on in 2023.

One of the intensive courses in the Young Professionals Programme focused on effective messaging, integrity, authenticity and feedback among participants. Photo: Aston Wowchuk

Anti-corruption and bribery within EKF

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

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

In the 2022 financial year, Legal, HR & Compliance regularly responded specifically to questions from employees relating to compliance with the internal rules, e.g. in connection with event invitations from customer contacts. Based on this ongoing work, EKF's understands that employees are aware of the content of the internal rules in this area – and that going forward the focus should be on maintaining this excellent level of knowledge.

The internal rules are anchored in the Legal, HR & Compliance department, which is responsible for continuously updating and maintaining the procedures.

The Compliance function is also responsible for ongoing training of EKF employees regarding the content of the rules.

Data Ethics policy

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

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

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

The Danish state ownership policy and EKF

EKF is an Independent Public Company and applies the Danish state ownership policy as its corporate governance code. The state ownership policy establishes a 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 in the state ownership policy. The state ownership policy is available at the Ministry of Finance website.

Corporate governance

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

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

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

EKF performs an analysis of the competencies of the Board of Directors in connection with the assessment of the Board of Directors.

According to EKF's articles of association, board meetings must be held at least four times a year. There were 12 board meetings in 2022, of which six were ordinary and six extraordinary. There were also two written consultations. One board meeting doubled as a board seminar. The Board of Directors has two sub-committees: the Audit, Risk and Compliance Committee and the Remuneration Committee. The members of the committees and the committees' terms of reference are identified on the EKF website in accordance with Danish state ownership policy, see www.ekf.dk.

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

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

EKF's risk, capital and liquidity management

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

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

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

Credit risk

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

EKF objective is to facilitate Danish companies' export and internationalisation opportunities through internationally competitive financing and hedging, and EKF offers guarantees, in particular 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 advantage to the Danish exporters is that EKF's export credit covers the buyer's payment ability and reduces the risk associated with the credit extended to the customer by the exporter or bank. Credit risk

is EKF's most significant risk, and thus consists of the exporter's customer, or the exporter in the context of a guarantee or other form of recourse, not having the opportunity, ability or willingness to pay.

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

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

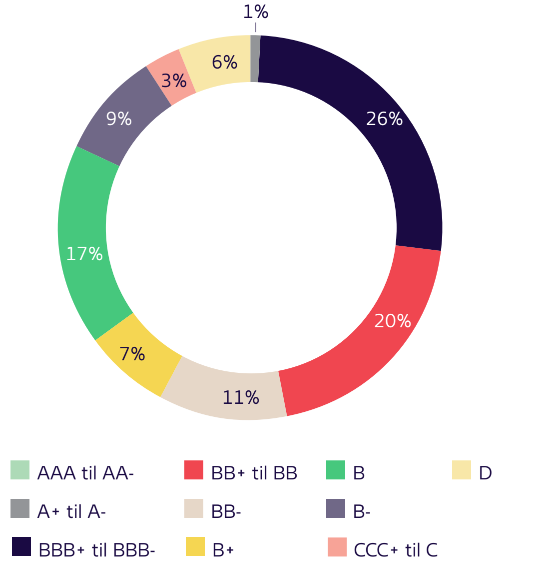
EKF manages credit risk via the framework for its credit rating process defined in the credit policy and product-specific guidelines as well as monitoring a number of internal risk targets for the portfolio. We also work actively to transfer credit risk to others in the form of reinsurance from sources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

Credit rating

EKF credit-approves all transactions by means of procedures that address the relevant credit risks in each individual case as well as any product-specific acceptance criteria.
Depending on the scale and complexity involved, this comprises the requisite due diligence and credit analysis of EKF's counterparties. Counterparties comprise commercial companies, banks, reinsurance companies and states. In 2022 EKF implemented an improved credit rating process, in which transactions of between DKK 10 million and DKK 25 million are granted in partnership with relevant departments.
All transactions involving high complexity and scale must be approved by Credit Advisory Board and then Management prior to being granted by the Board of Directors. The Board of Directors makes decisions on granting of loans and export credits at its board meetings or through written consultations. In our assessment of project financing, EKF performs stress tests of companies' payment ability.

EKF uses internationally recognised tools based on Standard & Poor's methodology for rating foreign debtors and projects and large Danish counterparties. For risk classification of Danish SME counterparties, EKF uses a model developed by Moody's. For risk classification of Danish SME counterparties, we use a model developed by Moody's.

EKF's portfolio distributed by credit rating at year end 2022.



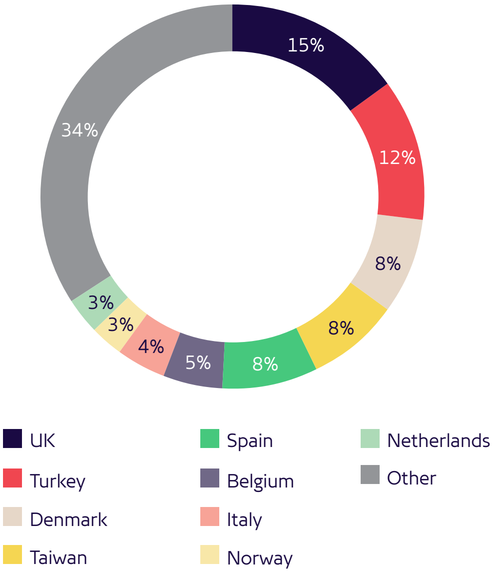
For other counterparties, whether Danish or foreign, a model developed by S&P is applied. EKF operates with a standard approach to rating, which reflects the probability of counterparty debt default. EKF also estimates a Loss Given

Default (LGD) for new project financing transactions, which reflects the scale of the exposure EKF is expected to lose in the event of the borrower defaulting on the debt. The LGD estimate is used to test the pricing in major project finance transactions, and is also incorporated as a factor in determining our capital requirement.

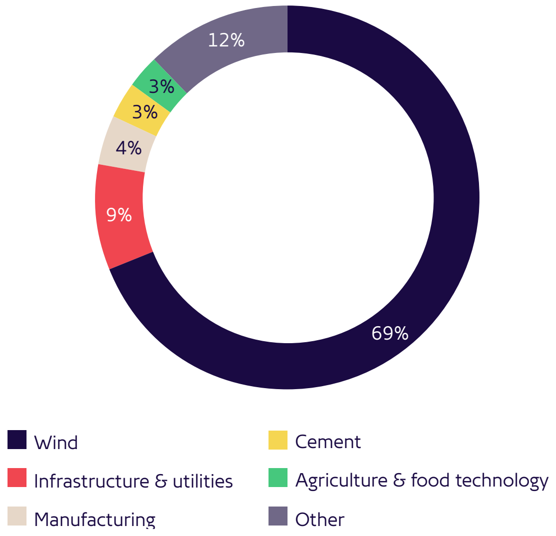
Banks are involved in EKF's transactions as guarantee holder, but may also act as borrower or guarantor on behalf of a foreign buyer or as counterparty in financial derivative agreements. EKF assesses the bank, based either on an external rating from an internationally recognised credit rating agency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

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

EKF's portfolio distributed by country at year end 2022



Sectoral distribution of EKF's portfolio at year end 2022



Concentrations

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

The scale of wind energy projects – particularly the offshore wind farms – is increasingly large, which results in a tendency towards increasing concentration of EKF's portfolio. At the end of 2022, wind energy transactions accounted for just under 69 percent of EKF's guarantee exposure and loans after reinsurance.

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

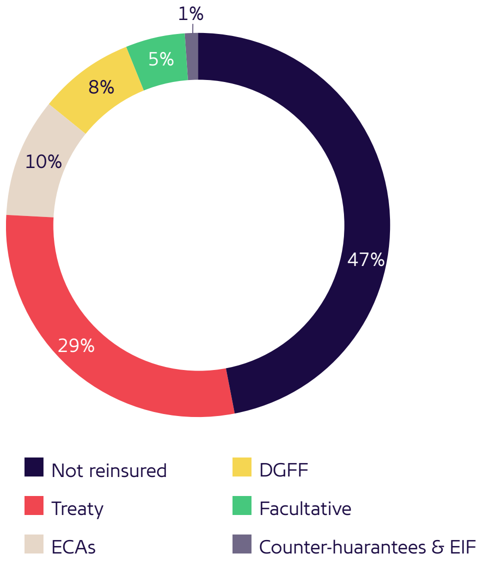
In global terms, the wind energy sector is characterised by less generous government subsidies, which have disappeared entirely in some places, and wind energy projects are increasingly basing production on electricity markets at a variable price without fixed price contracts. EKF's risk assessments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

EKF has particular exposure in regard to Turkey, particularly in regard to the state and the banking sector. Economic developments in Turkey were challenging in 2022, which also resulted in ratings being downgraded for the Turkish state and Turkish banks. Due to the increased risk of losses in Turkey, EKF has increased write-downs for the Turkish state and Turkish banks.

Reinsurance

Reinsurance is an integral part of EKF's business model, and EKF uses reinsurance from both the private market and other export credit agencies. The state also provides reinsurance for EKF's larger green projects via Denmark's Green Future Fund. At present, EKF has reinsured approximately 53 percent of its total portfolio in close cooperation with some 40 reinsurers in the private sector and among export credit agencies in other countries. EKF employs treaty reinsurance to procure capacity in the case of automatic reinsurance of large transactions within constraints determined in an agreement with a panel of

EKF's portfolio distributed by counterparty at year end 2022



reinsurers. EKF's treaty agreement for 2022 secured the automatic reinsurance of 40 percent of large new transactions for up to 20 years. In addition, EKF reinsures individual transactions in order to reduce large concentrations on individual debtors and countries. The reinsurance coverage reflects the private market's confidence in EKF's ability to handle the risks entailed in our transactions.

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

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. Project financing is transferred to the credit department and monitored continuously by dedicated resources to ensure that projects are tracked closely, particularly during the construction phase. Monitoring includes ratings of banks to ensure that EKF has an updated credit quality assessment of exposures guaranteed by such banks. EKF regularly monitors country risk and reassesses its cover policy if the circumstances so require. In addition, EKF reviews all regions at least once a year.

Continuous monitoring helps to ensure that we know the portfolio and the overall risk profile and its development. Moreover, it enables us to implement loss prevention measures and calibrate provisions and write-downs as and when required.

Diversification of risk associated with debtors, countries and regions is a key element in EKF's risk management, and EKF operates with internal credit risk targets. The risk targets monitor the credit quality of the portfolio, concentrations on individual debtors, countries in the lowest OECD country classifications and the wind energy sector in those countries. All credit risk targets were met at the end of 2022.

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

Market risks

Market risk is the risk of loss due to changes in the market value of assets and liabilities attributable to developments in the financial markets. EKF is primarily exposed to interest rate and exchange rate risks.

EKF is cautious in taking on market risks, and all significant exchange rate and interest rate exposure for EKF's incurred from lending are hedged until maturity from when the loan is established. Similarly, all accounting positions in currency other than EUR that exceed DKK 50 million, are hedged on an ongoing basis. We sets and continuously monitors specific interest rate and exchange rate risk targets.

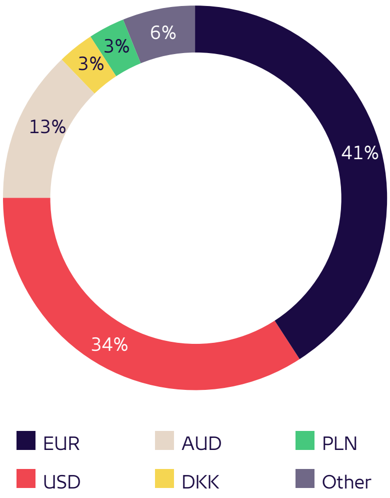
Our capital requirements are affected by exchange rate and interest rate fluctuations through the size of our guarantee exposure and loans. Consequently, our scope for issuing new export credits, working capital guarantees and loans changes when exchange rates appreciate or depreciate.

Interest rate risks

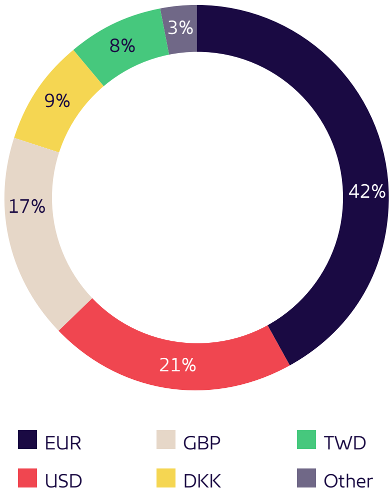
EKF's interest rate risk is incurred primarily from lending. EKF seeks to hedge interest rate risks from its lending activities. Using interest rate swaps, EKF ensures a link between the raising of loans in Danmarks Nationalbank at a fixed interest rate and lending to customers at a variable interest rate. In addition, interest rate risk may arise in connection with placement of liquidity in fixed-interest instruments.

EKF sets risk targets for maximum interest rate exposure. The limit set for the risk target was complied with at the end of 2022.

Export loans at year end 2022



Guarantee exposure at year end 2022



Exchange rate risks

EKF's transactions result in a number of assets and liabilities in different currencies, concerning both its lending activities and interest-bearing guarantees. EKF hedges all significant exposures, thus minimising the impact of exchange rate fluctuations in our income statement.

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

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

EKF performs an annual sensitivity analysis of the impact of changes in exchange rates on net profit. See note 19 for more information about the sensitivity analysis.

EKF sets exchange rate risk targets as the maximum exposure that EKF can accept in the individual currencies. The limit set for the risk target was complied with at the end of 2022.

Operational risks

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

EKF encourages employees to report operational incidents so that we can learn from our mistakes, and has implemented systematic registration, categorisation and assessment of operational incidents. Our risk target for operational risk is defined as actual loss arising from operational incidents in the past 12 months. The limit set for the risk target was complied with at the end of 2022.

In 2022 we continued to work with our risk and compliance ambassadors in every EKF department and improved the process concerning incident reporting. The number of incident reports rose in 2022, which we regard as a positive development and an indication that the organisation recognises the value of analysing mistakes that have been made to prevent future ones.

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

Liquidity risk

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

EKF regularly assesses the size of the liquidity buffer relative to the expected liquidity requirement in a stress scenario that includes both greater than expected losses and bigger outflow of cash due to additional collateral being required for derivatives. EKF also calculates and monitors a net stable funding ratio (NSFR) risk target. EKF's liquidity buffer totalled DKK 20 billion at the end of 2022, including an undrawn amount of DKK 9.5 billion under EKF's on-lending arrangement with the Danish government. The liquidity buffer was adequate and the risk target was complied with at the end of 2022.

Capital requirements

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

a buffer requirement attached to the minimum requirement. The total capital requirement, i.e. the minimum requirement plus the buffer requirement, is set to EKF's maximum unexpected loss at a 99 percent confidence level.

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

Both capital requirements were met at the end of 2022, and EKF's leverage ratio was 6.7 percent.

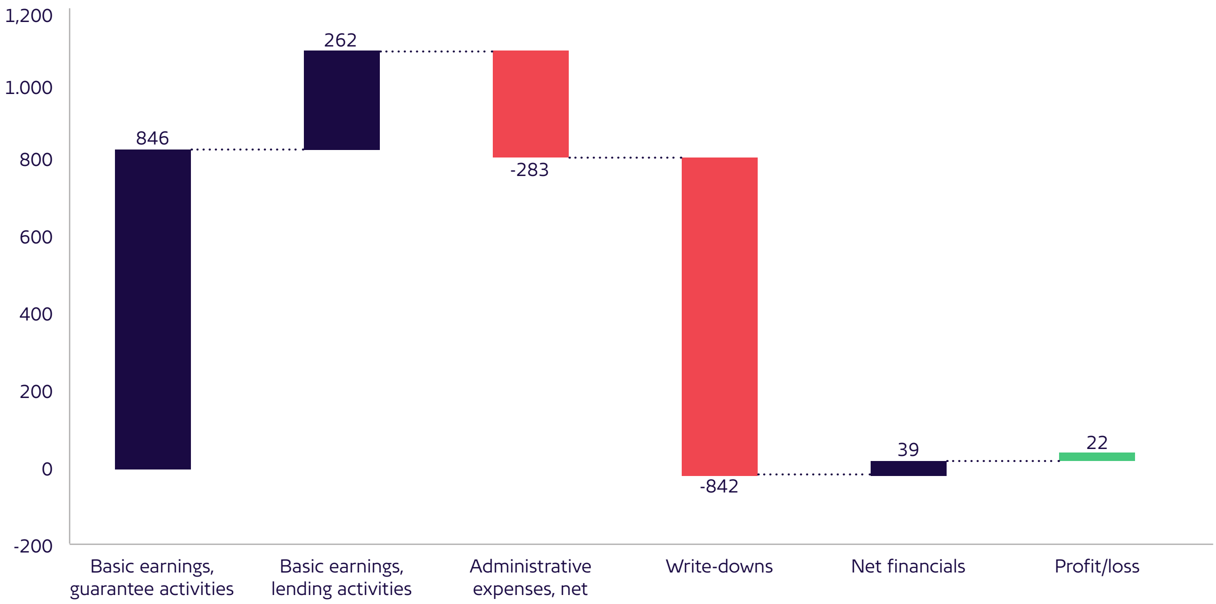
Financial review

Income statement

EKF's net profit for 2022 was DKK 22 million. In the 2021 annual report, EKF anticipated a profit in the region of DKK 100–300 million for 2022. The year was characterised by rising economic and geopolitical unrest, which led to a substantial increase in write-downs totalling DKK 842 million 2022, including DKK 275 million based on a management estimate. In this context, the result is acceptable. Another major factor this year was a lot of activity in new guarantees, with total new guarantees issued amounting to DKK 29.2 billion, compared with DKK 19.2 billion in 2021. This high level of guarantees issued combined with low redemption has resulted in a substantially increased portfolio with revenues rising commensurately

Net profit/loss for the year

DKK million



Basic earnings, guarantee activities

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

Amounts in DKK million	2022	2021
Premium income	1,057	603
Income from fees	102	112
Reinsurance premiums and fees paid	-364	-459
Commission to and from reinsurance	51	110
Change in guarantee provisions and reinsurance share	-	256
Basic earnings, guarantee activities	**846**	**621**

Basic earnings from guarantee activities totalled DKK 846 million in 2022.

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

Basic earnings, lending

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

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

Amounts in DKK million	2022	2021
Interest income	615	546
Income from fees	74	16
Interest and fee expenses	-374	-244
Reinsurance interest and fees paid	-66	-57
Commission to and from reinsurance	13	-
Basic earnings, lending activities	**262**	**261**

Basic earnings from lending activities totalled DKK 262 million in 2022 compared with DKK 261 million in 2021. EKF had a lot of activity this year, with the result that EKF's lending rose from DKK 9.8 billion at the end of 2021 to DKK 13.3 billion at the end of 2022. A substantial proportion of this increase came in the closing months of the year, meaning it has a limited effect on interest income and expenses for this year.

The change in basic earnings in 2022 should be viewed in the context of an adjustment in 2021 to the method of recognising interest income, which produced extraordinary income of DKK 57 million. Adjusted for this, there was progress in basic earnings.

Administrative expenses

Net administrative expenses in 2022 totalled DKK 283 million, compared with DKK 259 million in 2021. This increase derives mainly from rising payroll expenses and provisions for refurbishing and moving out of an existing tenancy.

Write-downs of guarantees and loans

Since EKF's guarantee and lending activities are both stated in accordance with IFRS 9 as of 1 January 2022, write-downs of both guarantees and loans are now stated on the basis of IFRS 9's stage model, in which all activities are classed as stage 1 (transactions for which there is no significant increase in credit risk), stage 2 (transactions for which credit risk has increased significantly) or stage 3 (credit impairment). Stage 1 and stage 2 transactions are written down on the basis of a model calculation. For stage 3 transactions, write-downs are based on an individual assessment.

Amounts in DKK million	2022	2021
Write-downs of guarantees and claims	-543	-154
Write-downs of loans	-24	61
Management estimate	-275	-
Write-downs of guarantees and loans	**-842**	**-93**

Write-downs of guarantees and claims amounted to an expense of DKK 818 million in 2022 including a management estimate of DKK 275 million. Due to the change in accounting policy, write-downs of guarantees for 2022 cannot be compared with claims expenses in 2021.

In 2022 EKF undertook write-downs related to the conflict in Ukraine, the economic situation and subsequent downgrading of Turkey and Turkish banks, and challenges in the construction phase of a large wind farm. There were also minor increases and decreases of write-downs for other impaired transactions this year.

Write-downs of loans in 2022 amounted to an expense of DKK 24 million, as opposed to an income of DKK 61 million in 2021. No indications of impairment of new transactions were registered in 2022. This expense derives from the deterioration (and thus increased impairment ratio) of a single existing stage 3 matter.

In consideration of economic and geopolitical unrest, an amount of DKK 275 million was written down based on a management estimate.

Overall write-downs totalled DKK 842 million in 2022, higher than EKF would normally have expected.

Net financials

To minimise the effects of interest rate and exchange rate fluctuations, EKF uses a high degree of hedging. For this purpose, hedge accounting for loans is applied, resulting in cash flow hedges of variable-interest lending and fair value hedges of fixed-interest lending. This hedge accounting means that the dissimilar practices for valuation of EKF's lending (amortised cost) and the associated funding (market value) will not affect exchange rate adjustments and value adjustments, thus reducing the volatility of the results.

Amounts in DKK million	2022	2021
Exchange rate and value adjustments	74	28
Financial income and expenses	-35	-10
Net financials	**39**	**18**

The change in profit/loss for exchange rate and value adjustments in 2022 is primarily attributable to market changes involving substantial interest rate rises. This affects the fair value of on-lending and the swaps used by EKF in connection with hedging of interest rate risk for on-lending. On-lending and associated swap hedging are not covered by EKF's hedge accounting, and hence exchange rate and value adjustments for these are recorded as profit.

In 2022 net financials amounted to an expense of DKK 35 million, compared with an expense of DKK 10 million in 2021. This change primarily derives from higher costs relating to currency hedging of other balance sheet items, particularly write-downs.

Balance sheet

At 31 December 2022, our assets totalled DKK 30.0 billion, compared with DKK 26.5 billion in the previous year.

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

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

› Reversal of reinsurance share of guarantee provisions and provisions for claims expenses of DKK -2,818 million
› Adjustment of premiums receivable and interest of DKK -1,380 million
› New reinsurance share of write-downs of guarantees of DKK 638 million

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

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

Reduktionen i egenkapital afspejler primært, at EKF efter overgangen til IFRS 9 for garantier har tilbageført The reduction in equity primarily reflects the fact that, after the transition to IFRS 9 for guarantees, EKF has reversed premiums that had been recorded as income according to the previous accounting policy. These premiums will be recognised as income in the coming years in step with the change in the underlying loans. After adjustment and a capital injection of DKK 195 million regarding Eksportpakke 2 (the second relief package), EKF's equity totalled DKK 7,390 million.

Contingent liabilities

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

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

Before reinsurance, EKF's export credit and working capital guarantee exposure totalled DKK 93.3 billion at the end of 2022, compared with DKK 85.4 billion at the end of 2021. After reinsurance, EKF's exposure totalled DKK 47.6 billion at the end of 2022 compared with DKK 45.8 billion at the end of 2021.

Post balance sheet events

No events have occurred after 31 December 2022 that would have a material impact on EKF's financial position. On 1 January 2023, EKF will merge with Vækstfonden and the Danish Green Investment Fund as part of the EIFO Group. On 1 April 2023 EKF will be split, with part of the business moving to EIFO, and as of this date, new transactions will be undertaken by EIFO. Assets will then be transferred continuously from EKF to EIFO.

Outlook for 2023

EKF expects net profit for 2023 to be in the DKK 150–350 million range. This expectation is based on EKF's current business volume. The above restructuring will move a substantial part of the expected profit to EIFO.

The net profit expectations for 2023 are subject to exceptionally high uncertainty due to economic and geopolitical unrest.

Corporate information

EKF Denmark's Export Credit Agency

Lautrupsgade 11, 4. sal
DK-2100 Copenhagen

Telephone: 35 46 26 00
Fax: 35 46 26 11

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

CVR no.: 30 76 37 77

Founded: 19 November 1999

Registered office: Copenhagen.

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, Chair

Dorrit Vanglo, Deputy Chair

Jørgen Høholt

Anne Mette Toftegaard

Anna Marie Owie, elected by the employees

Kenneth Plum, elected by the employees

Management

Peder Lundquist, Chief Executive Officer

Management statement

Today EKF's Board of Directors and Management considered and approved the Annual Report for the financial year 1 January – 31 December 2022 for EKF Denmark's Export Credit Agency.

The annual report was prepared in accordance with the Danish Financial Statements Act. We consider the accounting policies applied to be appropriate and the management estimates made to be reasonable.

We also consider that the transactions covered by the presentation of the financial statements are in compliance with the funding granted, legislation and other regulations, as well as with agreements made and customary practice. Finally, we consider that the necessary financial considerations have been made in the administration of the funds and operation of the activities covered by the financial statements, and that in connection with this, we have established systems and processes to support the principles of economy, productivity and efficiency.

We consider 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, net profit/loss for the year and financial position.

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

Copenhagen, 23 March 2023
Management

Peder Lundquist
Chief Executive Officer

Board of Directors

Christian Frigast
Chair

Anne Mette Toftegaard

Dorrit Vanglo
Deputy Chair

Anna Marie Owie
Employee Representative

Jørgen Høholt

Kenneth Plum
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 for EKF Denmark's Export Credit Agency for the financial year 1 January to 31 December 2022, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including significant accounting policies. The Annual Report is prepared in accordance with the Danish Financial Statements Act, subject to the necessary exemptions and adjustments required as a consequence of EKF Denmark's Export Credit Agency's special position as an independent public company, cf. the Act on EKF Denmark's Export Credit Agency.

In our opinion, the financial statements give a true and fair view of EKF Denmark's Export Credit Agency's assets, liabilities and financial position at 31 December 2022 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 2022 in accordance with the Danish Financial Statements Act.

Basis of opinion

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

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

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

Management's responsibilities for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

Our objective is to obtain a high degree of certainty that the overall financial statements are free from material misstatement, whether due to fraud or error, and to present an auditors' report with an opinion. A high degree of certainty is a high level of certainty, but is not a guarantee that an audit performed in accordance with International Standards on Auditing and the additional requirements applying in Denmark and in accordance with good public auditing practice, given that the audit is conducted on the basis of the provisions of the Act on EKF Denmark's Export Credit Agency and the Act on Audit of the State Accounts, 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 conducted in accordance with International Standards on Auditing and the additional requirements applying in Denmark and in accordance with good public auditing practice, given that the audit is conducted on the basis of the provisions of the Act on EKF Denmark's Export Credit Agency and the Act on Audit of the State Accounts), 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
Ledelsen er ansvarlig for ledelsesberetningen.

Management is responsible for the Management's review.

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

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

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

Statement according to other legislation and regulation

Statement on compliance audit and performance audit

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

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

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

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

Copenhagen, 23 March 2023

Per Rolf Larssen
State-authorised public accountant
Mne24822

Stefan Vastrup
State-authorised public accountant
mne32126

Yvan Pedersen
Head of Department

Marie Katrine Bisgaard Lindeløv
Director

Financial statements 2022

Income statement for the year

1 January to 31 December

Amounts in DKK million	Note	2022	2021
Premium income	1	1,057	603
Income from fees		102	112
Reinsurance premiums and fees paid		-364	-459
Commission to and from reinsurance		51	110
Change in guarantee provisions and reinsurance share	2	-	256
Basic earnings, guarantee activities		**846**	**621**
Interest income	3	615	546
Income from fees		74	16
Interest and fee expenses	4	-374	-244
Reinsurance interest and fees paid		-66	-57
Commission to and from reinsurance		13	-
Basic earnings, lending activities		**262**	**261**
Total basic earnings		**1,108**	**882**
Administrative expenses, net	5	-283	-259
Result before write-downs and net financials		**825**	**623**
Write-downs of guarantees and loans	6	-842	-93
Result before write-downs and net financials		**-17**	**530**
Financial income and expenses		-35	-10
Exchange rate and value adjustments	7	74	28
Profit/loss		**22**	**548**

Distribution of profit

Amounts in DKK million	2022	2021
Distributable amount		
Net profit/loss for the year	22	548
For distribution	**22**	**548**
The Board of Directors proposes the following distribution:		
Recommended capital transfer to EIFO/the Danish state	11	150
Transfer to non-restricted equity	11	398
Distributed	**22**	**548**

Balance sheet at 31 December

Assets

Amounts in DKK million	Note	2022	2021
Cash and demand deposits			
Balance with the Danish State		9,887	6,676
Cash		22	40
Total cash and demand deposits		**9,909**	**6,716**
Loans	8	**13,256**	**9,779**
Securities	9	**1,203**	**822**
Fixed assets	10	**30**	**30**
Receivables			
Claims	11	1,290	1,240
Premiums receivable	12	129	3,865
Derivative financial instruments	13	1,082	710
Prepaid interest expenses	14	1,587	82
Other receivables		89	411
Interest receivable		1	22
Total receivables		**4,178**	**6,330**
Reinsurance shares			
Reinsurance share of guarantee write-downs	18	1,443	2,807
Reinsurance share of claims write-downs		-	11
Total reinsurance share		**1,443**	**2,818**
Total assets		**30,018**	**26,496**

Balance sheet at 31 December

Liabilities

Amounts in DKK million	Note	2022	2021
Equity			
Capital transfer to the Danish state/EIFO		11	150
Reserve for cash flow hedges		-89	-6
Non-restricted equity		7,597	9,220
Total equity		**7,520**	**9,365**
Payables			
Payables to the Danish state (on-lending)	15	14,059	8,985
Derivative financial instruments	13	1,767	391
Prepaid premium and interest income	14	2,933	273
Payables to reinsurers		202	1,714
Payables		43	117
Total payables		**19,003**	**11,480**
Accumulated write-downs, guarantees	**18**	**3,495**	-
Technical provisions			
Guarantee provisions		-	5,116
Provisions for claims expenses		-	535
Total technical provisions		-	**5,651**
Total equity and liabilities		**30,018**	**26,496**
Contingent liabilities			
Guarantee exposure before reinsurance		93,365	85,418
Guarantee exposure after reinsurance		44,570	45,818
Conditional offers exposure		3,815	9,181
Loans granted, but not yet paid		8,583	1,019
Tenancy commitment		-	14

Statement of changes in equity

Amounts in DKK million	Retained earnings (non-restricted)	Capital transfer to the Danish state/EIFO	Restricted equity (tied up)	Exchange rate adjustment reserve	Reserve for cash flow hedges	Total
Equity at 1 January 2021	**6,240**	**100**	**2,425**	**-74**	**-**	**8,691**
Dividend distributed	-	-100	-	-	-	-100
Capital injection in support of rebooting Danish exports	230	-	-	-	-	230
Transferred to restricted equity	2,351	-	-2,425	74	-	-
Net profit/loss for the year	548	-	-	-	-	548
Change in exchange rate adjustment reserve for the year	-	-	-	-	-6	-6
Recommended capital transfer to the Danish state	-150	150	-	-	-	-
Equity at 31 December 2021	**9,220**	**150**	**-**	**-**	**-6**	**9,365**
Adjustment, opening balance, IFRS 9 EKF	-1,829	-	-	-	-	-1,829
Equity at 1 January 2022	**7,390**	**150**	**-**	**-**	**-6**	**7,534**
Dividend distributed	-	-150	-	-	-	-150
Change in the cash flow hedges for the year	-	-	-	-	-83	-83
Net profit/loss for the year	22	-	-	-	-	22
Capital injection regarding Eksportpakke 2	195	-	-	-	-	195
Recommended capital transfer to the Danish state/EIFO	-11	11	-	-	-	-
Equity at 31 December 2022	**7,597**	**11**	**-**	**-**	**-89**	**7,520**

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 adequacy ratio

Amounts in DKK million	2022	2021
Non-restricted equity	7,597	7,390
Capital requirements (VaR 99 percent)	3,478	3,570
Capital adequacy ratio, percent	218	207

Capital adequacy ratio is calculated as non-restricted equity divided by calculated capital requirements (VaR 99 %).

Cash flow statement

Amounts in DKK million	2022	2021
Net profit/loss for the year	**22**	**548**
Adjustments		
Financial costs	-250	-261
Depreciation of fixed assets	9	6
Write-downs	842	93
Exchange rate adjustments	-812	34
Total adjustments	**-211**	**-128**
Changes in operating capital		
Adjustments to securities	44	6
Change in premiums receivable*	81	-93
Change in loans	-3,477	-643
Change in claims	-50	-70
Change in other receivables*	204	-903
Change in payables to the Danish state (on-lending)	5,074	-1,876
Change in guarantee write-downs*	1,480	-54
Change in derivative financial instruments	1,004	666
Change in payables*	-831	224
Other adjustments	-8	-
Total changes in operating capital	**3,520**	**-2,743**
Cash flows from operation before net financials	3,331	-2,322
Interest and fee income	690	562
Interest and fee expenses	-374	-244
Reinsurance premium and fees paid	-66	-57
Cash flows from ordinary operation	250	261
Cash flows from operating activity	3,581	-2,061
Purchase and sale of fixed assets	-8	-18
Purchase of securities	-800	-
Sale of securities	375	150
Cash flows from investment activity	-433	132
Dividend distributed	-150	-100
Capital injection	195	230
Cash flows from financing activity	45	130
Cash flows for year	**3,193**	**-1,799**
Cash and cash equivalents, opening balance	6,716	8,516
Cash and cash equivalents, end of year	9,909	6,717
Distributed as follows		
Cash and cash equivalents	22	40
Balance with the Danish State	9,887	6,676
Cash and cash equivalents, end of year	**9,909**	**6,716**

** The changes in 2022 are affected by the opening balance and cannot be directly reconciled with the balance sheet.*

Notes

Note 1: Premium income

Amounts in DKK million	2022	2021
Gross premium income	-	715
Fees included in gross premiums, separated out	-	-112
Premium income	-1,057	
Premium income	**-1,057**	**603**

Note 2: Change in guarantee provisions and reinsurance share

With effect from 1 January 2022, EKF changed the accounting policy in regard to measurement of guarantees in accordance with IFRS 9. As a result of this change, guarantee provisions and reinsurance share thereof are no longer stated. This note has therefore been removed.

Note 3: Interest income

Amounts in DKK million	2022	2021
Financial income related to loans	-	546
Fees included in financial income, separated out	-	16
Interest income	615	-
Interest income	**615**	**562**

Note 4: Interest and fee expenses

Amounts in DKK million	2022	2021
Financial expenses related to loans	-	-301
Reinsurance interest paid included in financial expenses, separated out	-	57
Interest and fee expenses	-374	-
Interest and fee expenses	**-374**	**-244**

Note 5: Administrative expenses

Amounts in DKK million	2022	2021
Wages and salaries, excluding bonuses	142	136
Bonuses	9	9
Total wages and salaries	**151**	**144**
Pensions	22	20
Other social security expenses	1	1
Education/training and personnel expenses	16	14
Cost of premises	24	19
Travel and transportation expenses	6	2
Remuneration and fees	15	27
Marketing	4	3
IT expenses	27	20
Other expenses	21	14
Administrative expenses before reimbursement related to administered schemes	**287**	**263**
Reimbursement related to administered schemes	-3	-4
Administrative expenses, net	**283**	**259**

Amounts in DKK thousand		
Remuneration of Management	2,977	9,707
Remuneration of the Board of Directors	1,488	1,993
Average number of employees	**172**	**167**

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 6: Write-downs of guarantees and loans

Amounts in DKK million	2022	2021
Claims expenses	-	-183
Change in the reinsurance share of provisions for claims expenses	-	29
Write-downs of guarantees and claims	-543	-
Write-downs of loans	-24	61
Management estimate	-275	-
Write-downs of guarantees and loans	**-842**	**-93**

The Management estimate is described in the Financial Review.

Note 7: Exchange rate and value adjustments

Amounts in DKK million	2022	2021
Exchange rate adjustments		
Exchange rate adjustment loans	-101	-70
Value adjustment on-lending	-6	-6
Exchange rate adjustment derivative financial instruments	280	118
Exchange rate adjustment guarantee and lending write-downs	-48	-87
Exchange rate adjustment claims	92	51
Exchange rate adjustment receivables, payables, banks, etc.	3	118
Hedging of premiums receivable, provisions, claims, etc.	-	-7
Exchange rate adjustment, expected losses	-	-35
Total exchange rate adjustments	**219**	**82**
Value adjustments		
Value adjustment, interest rate swaps	-523	-295
Value adjustment, on-lending	930	225
Cost of hedging	73	-4
Other adjustments	-	8
Value adjustment, on-lending	-626	12
Value adjustment, operational effect	**-146**	**-54**
Total net financials	**74**	**28**

Note 8: Loans

Amounts in DKK million	2022	2021
Opening balance	**10,471**	**9,801**
Additions during the year	5,703	3,629
Repayments during the year	-1,396	-1,200
Prepayments	-16	-1,893
Exchange rate adjustments for the year	-125	211
Loans before write-down etc. before hedge accounting	14,637	10,548
Value adjustment, hedge accounting 2022	-626	-77
Loans before write-down etc. at 31 December	14,011	10,471
Write-down of loans	-755	-692
Carrying amount loans at 31 December	**13,256**	**9,779**

Expected remaining time to maturity of the loans is distributed as follows		
< 1 year	1,593	1,416
1–5 years	5,003	4,792
> 5 years	7,415	4,262
Total	**14,011**	**10,471**

Note 9: Securities

Amounts in DKK million	Held to maturity 2022	Held to maturity 2021	Fair value 2022	Fair value 2021	Total 2022	Total 2021
Balance at 1 January	815	965	-	-	815	965
Additions during the year	-	-	800	-	800	-
Disposals during the year	-375	-150	-	-	-375	-150
Nominal value at 31 December	**440**	**815**	**800**	**-**	**1,240**	**815**
Premium at 31 December	1	2	-	-	1	2
Discount at 31 December	-1	-1	-25	-	-26	-1
Fair value adjustment	-	-	-15	-	-15	-
Interest receivable	3	6	-	-	3	6
Carrying amount at 31 December	**443**	**822**	**760**	**-**	**1,203**	**822**

Note 10: Fixed assets

Amounts in DKK million	Licences, software, etc.	Development projects in progress	Other fixed assets	Refurbishing of leased premises	Deposit	Total
Assets						
Balance at 1 January	75	4	6	0	5	89
Capitalised development projects, prior years	4	-4	-	-	-	-
Additions during the year	3	5	0	0	0	8
Disposals during the year	-	-	0	-0	-	-0
Cost at year-end	**81**	**5**	**6**	**0**	**5**	**97**
Depreciation						
Balance at 1 January	-54	-	-5	-0	-	-59
Depreciation for the year	-8	-	-1	-0	-	-9
Depreciation and write-downs at year-end	-62	-	-6	-0	-	-68
Carrying amount	**20**	**5**	**0**	**-0**	**5**	**30**

Note 11: Claims

Amounts in DKK million	2022	2021
Opening balance	1,240	1,171
Repayment	-77	-113
Depreciation	-20	-372
Indemnification payments	169	496
Exchange rate adjustments	115	95
Change in claim valuation	-137	-36
Total claims at 31 December	**1,290**	**1,240**

Note 12: Premiums receivable

Amounts in DKK million	2022	2021
Current premiums receivable	39	4,257
Premiums receivable, short-term	50	84
Discounting	39	-368
Provisions for bad debts	-	-108
Total premiums receivable at 31 December	**129**	**3,865**
Fall due:		
< 1 year	129	337
1–5 years	-	1,829
> 5 years	-	1,699
Total premiums receivable at 31 December	**129**	**3,865**

Premiums receivable describes the difference in accrual between vesting and payment.

Note 13: Derivative financial instruments

	2022			2021		
Amounts in DKK million	Principal	Positive fair value	Negative fair value	Principal	Positive fair value	Negative fair value
Interest rate swaps on on-lending	23,260	81	-1,354	18,060	377	-
Currency swaps	19,928	998	-182	14,028	324	-365
Forward contracts	4,511	3	-231	3,694	9	-26
Total derivative financial instruments	**47,699**	**1,082**	**-1,767**	**35,782**	**710**	**-391**

Note 14: Prepaid interest expenses and income

Amounts in DKK million	2022	2021
Prepaid premium expenses, opening balance	82	56
Additions during the year	1,756	40
Charged to the income statement during the year	-252	-13
Prepaid premium expenses at 31 December	**1,587**	**82**
Prepaid premium and interest income, opening balance	273	234
Additions during the year	3,194	148
Earned during the year	-534	-109
Prepaid premium and interest income at 31 December	**2,933**	**273**

Prepaid premium expenses covers future reinsurance of the credit risk on loans. The prepayments are recognised at the time of payment and charged to the income statement in accordance with the principal of the loans.

Prepaid premium and 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 premium 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 premium income was paid to the reinsurer despite the risk margin not having been earned. Premiums are recognised as income in line with the principal of the loans.

Note 15: Payables to the Danish state (on-lending)

Amounts in DKK million	2022	2021
On-lending, opening balance	8,627	10,265
Additions during the year	9,300	-
Repayments during the year	-708	-887
Prepayments and other adjustments	-1,782	-750
Nominal principal of on-lending	**15,437**	**8,627**
Fair value adjustments and premium	-1,388	346
Interest payable	10	12
On-lending at 31 December	**14,059**	**8,985**

Note 16: Hedge accounting

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

EKF's risk management strategy is described in more detail in notes 18–20 and in the section on EKF's risk, capital and liquidity management on page 44.

Derivatives designed as hedging instruments.

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

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

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

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

Sources of ineffectiveness may include:

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

The impact of the hedging instrument on the balance sheet at 31 December 2022:

Amounts in DKK million	Nominal value	Carrying amount	Accounting item on balance sheet	Change in fair view for measuring ineffectiveness
Currency swap	4,250	125	Derivative financial instruments	-441

Hedged impact (fixed-rate export loan in foreign currency) in balance sheet at 31 December 2022:

Amounts in DKK million	Nominal value	Carrying amount	Share of carrying amount related to acc. fair value changes	Accounting item on balance sheet	Change in fair value for measuring ineffective-ness for the period
Fixed-rate export loan	3,964	4,484	-703	Loans	546

Ineffectiveness for the period related to fair value hedges of DKK 30 million is recognised in the income statement under unrealised value adjustments.

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

				Maturity		
Amounts in DKK million		Average hedged exchange rate and interest rate	Principal	< 1 year	1-5 year	> 5year
Currency swap						
USD/DKK	Currency	5,901	1,456	163	665	628
	Interest rate	3,189	-	-	-	-
EUR/DKK	Currency	7,448	1,842	69	609	1,165
	Interest rate	1,819	-	-	-	-

Cash flow hedges

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

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

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

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

Sources of ineffectiveness may be due to:

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

EKF has the following currency swap contracts:

Amounts in DKK million		Average hedged exchange rate	Principal	Maturity < 1 year	1-5 year	> 5 year
Currency swap						
AUD/DKK	AUD	5,521	2,245	64	403	1,778
USD/DKK	USD	5,901	6,236	105	6,131	-
NZD/ DKK	NZD	3,940	154	44	110	-
PLN/ DKK	PLN	1,657	629	20	106	504
EUR/ DKK	EUR	7,448	661	325	315	22
JPY/ DKK	JPY	0,057	381	27	113	241

The impact of the hedging instrument on the balance sheet at 31 December 2022

Amounts in DKK million	Nominal value	Carrying amount	Accounting item on balance sheet	Change in fair view for measuring ineffectiveness
Currency swap	17,852	139	Derivative financial instruments	-459

Det sikredes (variabelforrentede eksportlån i fremmed valuta) indvirkning på balancen pr. 31. december 2022:

Amounts in DKK million	Nominal value	Carrying amount	Accounting item on balance sheet	Change in fair view for measuring ineffectiveness
Variable-rate export loan	8,752	8,752	Loans	461

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

Amounts in DKK million	Cash flow hedges reserve including cost of hedging	"Cost of hedging" reserve for fair value hedges	Total
At 1 January 2021	-1	-4	-6
Effective part of unrealised value adjustment	-35	-63	-99
Amount transferred to unrealised value adjustments income statement	-1	6	6
At 31 December 2022	**-37**	**-61**	**-99**

Note 17: Overview of financial instruments

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

Amounts in DKK million	Fair value	Amortised cost price
Financial assets		
Balance with the Danish State	-	9,887
Cash	-	22
Loans	-	13,256
Securities	-	1,203
Deposit	-	5
Reinsurance share of provisions for claims expenses	-	-
Claims	-	1,290
Premiums receivable	-	129
Derivative financial instruments	1,082	-
Prepaid interest expenses	-	1,587
Other receivables	-	89
Total financial assets 2022	**1,082**	**27,467**
Total financial assets 2021	**710**	**22,931**

Amounts in DKK million	Fair value	Amortised cost price
Financial liabilities		
Payables to the Danish state (on-lending)	14,059	-
Derivative financial instruments	1,767	-
Payables to reinsurers	-	202
Prepaid interest income	-	2,933
Other payables	-	29
Provisions for claims expenses	-	-
Total financial liabilities 2022	**15,826**	**3,163**
Total financial liabilities 2021	**9,377**	**2,639**

Note 18: Information about credit risks

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

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

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

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

Amounts in DKK million	2022	2021
Total credit exposure guarantees and loans On-balance sheet items		
Loans after write-downs		
Prepaid interest expenses	13,256	9,779
Claims	1,587	82
Premiums receivable	1,290	1,240
Other receivables	129	3,865
Andre tilgodehavender	89	411
Off-balance sheet items		
Export credits and working capital guarantees after reinsurance	44,570	45,818
Reinsured export credits and working capital guarantees	48,795	39,600
Reinsured loans	6,862	7,512
Conditional loan offers	-	4,365
Loans granted, but not yet paid	8,583	1,019
Total credit exposure guarantees and loans	**125,160**	**113,691**
Financial credit risk		
Balance with the Danish State		
Cash	9,887	6,676
Securities	22	40
Deposit	1,203	822
Positive fair value of derivative financial instruments	5	5
Total credit exposure financial credit risk	1,082	710
Total maximum credit exposure	**12,198**	**8,252**
Maksimal krediteksponering i alt	**137,358**	**121,943**

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

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

EKF 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.

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

EKF's credit risks are continuously monitored and reviewed through annual commitment follow-up, which checks and thus controls developments in the credit quality of commitments selected on the basis of certain financial parameters. In the commitment follow-up for 2022, commitments covered approximately 72 percent of EKF's net exposure, i.e. exposure after correction for reinsurance. EKF's existing portfolio is continuously monitored based on a number of focus areas such as sector, market, country, buyer and exporter. This includes relevant material from the guarantor and exporter as part of the guarantee and loan agreement.

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

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

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

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

Write-downs according to IFRS 9

For *Loans, guarantees and claims* 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, 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

Amounts in DKK million	Stage 1	Stage 2	Stage 3	Total
Loans, opening balance before value adjustment for acc. purposes	8,027	1,821	699	10,548
Stage change	-	-	-	-
Additions during the year, new guarantees	5,459	245	-	5,703
Repayment	-1,119	-277	-	-1,396
Exchange rate adjustments	-202	29	48	-125
Changes in the model	-	-	-	-
Prepayment of loans, excluding depreciation	-	-16	-	-16
Other changes	-	-	-	-
Loans at year-end	**12,164**	**1,802**	**748**	**14,714**
Value adjustment for acc. purposes				-703
Loans before write-down etc. at 31 December				**14,011**

Amounts in DKK million	Stage 1	Stage 2	Stage 3	Total
EKF's loans and drawing rights by debtor rating (before reinsurance)				
AAA - A	154	-	-	154
BBB+ - BBB-	7,148	-	-	7,148
BB+ - BB-	4,519	-	-	4,519
B+ - B-	9,003	1,397	-	10,400
CCC or weaker	-	238	906	1,144
Total	**20,824**	**1,634**	**906**	**23,365**

Amounts in DKK million	Stage 1	Stage 2	Stage 3	Total
EKF's loans and drawing rights by debtor rating (after reinsurance)				
AAA - A	154	-	-	154
BBB+ - BBB-	2,842	-	-	2,842
BB+ - BB-	2,245	-	-	2,245
B+ - B-	2,681	695	-	3,376
CCC or weaker	-	143	821	963
Total	**7,922**	**837**	**821**	**9,579**

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.

Amounts in DKK million	Stage 1	Stage 2	Stage 3*	Total
Write-downs of loans				
Opening balance	30	76	586	692
Change in opening balance due to new accounting policy	1	3	-	4
Adjusted opening balance	31	80	586	697
Write-downs of new loans	4	-	-	4
Completed loans	-0	-0	-	-0
Loan run-offs	-1	-14	-	-14
Stage change	-	-	-	-
Change in rating/provisioning ratio	-3	16	40	53
Change in LGD/PD	-1	-1	-	-2
Other changes	5	-22	-	-17
Depreciation and write-downs	**4**	**-21**	**40**	**24**
Write-downs, total	**36**	**59**	**626**	**720**
Exchange rate adjustments	-0	1	35	36
Year-end	**36**	**59**	**661**	**755**

**Stage 3 write-downs are stated after reinsurance.*

Guarantee exposure

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

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

Amounts in DKK million	Stage 1	Stage 2	Stage 3	Total
EKF's guarantees by debtor rating (before reinsurance)				
AAA - A	433	-	-	433
BBB+ - BBB-	26,932	-	-	26,932
BB+ - BB-	30,455	474	-	30,929
B+ - B-	18,101	8,247	-	26,348
CCC or weaker	44	3,491	5,187	8,722
Total	**75,966**	**12,212**	**5,187**	**93,365**

Amounts in DKK million	Stage 1	Stage 2	Stage 3	Total
EKF's guarantees by debtor rating (after reinsurance)				
AAA - A	433	-	-	433
BBB+ - BBB-	10,986	-	-	10,986
BB+ - BB-	14,530	346	-	14,876
B+ - B-	8,210	6,410	-	14,619
CCC or weaker	44	1,437	2,175	3,656
Total	**34,203**	**8,192**	**2,175**	**44,570**

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.

Write-downs of guarantees

Where the probability that EKF could incur a loss on a transaction exceeding the usual guarantee provisions is deemed to be high, a write-down is 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. At a minimum, reassessment is performed in connection with half-year accounts and year-end.

Amounts in DKK million	Stage 1	Stage 2	Stage 3	Total
Write-downs of guarantees and claims				
Opening balance	-	-	952	952
Change in opening balance due to new accounting policy	146	709	518	1,373
Adjusted opening balance	**146**	**709**	**1,471**	**2,326**
Write-downs of new guarantees	39	9	12	60
Completed guarantees	-3	-2	-224	-229
Guarantee reduction	-26	-174	-126	-326
Stage change 1	-	97	207	303
Stage change 2	-9	-	436	427
Stage change 3	-4	-163	-	-166
Change in rating	-10	350	129	470
Change in LGD/PD	-18	-12	-	-30
Other changes	-6	-51	88	32
Depreciation and write-downs	**-36**	**55**	**523**	**543**
Management estimate				275
Write-downs, total	**110**	**764**	**1,993**	**3,143**
Reinsurance share of write-downs	148	458	818	1,425
Year-end	**258**	**1,222**	**2,811**	**4,568**

Closing balance consists of DKK 3,495 million for guarantees, DKK 1,090 million for claims and DKK -19 million for short-term reinsurance.

Counterparty risks in financial agreements

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

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

Derivative financial instruments subject to ISDA/CSA agreements

Amounts in DKK million	Carrying amount	Set-off	Carrying amount	Right of set-off	Collateral	Net value
2022						
Assets	1,082	-	1,082	-1,517	123	313
Liabilities	1,767	-	1,767	-1,517	-499	-749
Net	**-686**	**-**	**-686**	**-**	**376**	**-1,062**
2021						
Assets	710	-	710	-345	-476	111
Liabilities	391	-	391	-345	87	40
Net	**318**	**-**	**318**	**-**	**390**	**-72**

Note 19: Information about market risks

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

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

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

Interest rate changes will have an effect on the economic value of loans, on-lending, derivative heading and cash investments. The effect was calculated by raising the underlying variable interest rate by 1 percent. The accounting policy has changed relative to 2021 and future premiums no longer entail sensitivity to interest. This reduces interest sensitivity.

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

Sensitivity analysis in DKK million

Amounts in DKK million	Effect on profit/loss	
	2022	2021
Increase in interest rates of 1 percentage point	-25	-130
Increase in exchange rate of 10 percent (USD)	-2	-
Increase in exchange rate of 10 percent (AUD)	-1	-
Increase in exchange rate of 10 percent (GBP)	-2	-
Increase in exchange rate of 10 percent (TWD)	-	-

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

Note 20: Information about liquidity risks

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

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

Financial liabilities by maturity

Amounts in DKK million	Carrying amount	Total due	< 1 year	1 - 5 years	> 5 years
2022					
Payables to the Danish state (on-lending)	14,059	15,437	703	10,310	4,424
Derivative financial instruments with negative market	1,767	164	52	111	1
Prepaid interest income	2,933	2,933	494	1,506	933
Payables to reinsurers	202	202	202	-	-
Payments on concluded loans	-	12,225	890	11,335	-
Loan commitments	-	1,317	1,317	-	-
Total	**18,961**	**32,277**	**3,656**	**23,262**	**5,358**
2021					
Payables to the Danish state (on-lending)	8,985	8,627	2,491	2,587	3,550
Derivative financial instruments with negative market	391	365	49	163	153
Prepaid interest income	273	273	41	148	84
Payables to reinsurers	1,714	1,746	225	948	573
Provisions for claims expenses	535	535	535	-	-
Payments on concluded loans	-	1,186	1,035	151	-
Loan commitments	-	4,365	4,365	-	-
Total	**11,898**	**17,097**	**8,741**	**3,997**	**4,360**

In addition to this, EKF has outstanding guarantee exposure before reinsurance of DKK 93.3 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.

Note 21: Fair value by fair value hierarchy

Amounts in DKK million	Level 1	Level 2	Level 3	Total
2022				
Financial assets				
Derivative financial instruments	-	1,027	54	1,082
Total financial assets	**-**	**1,027**	**54**	**1,082**
Financial liabilities				
Derivative financial instruments	-	1,767	-	1,767
On-lending	-	14,059	-	14,059
Total financial liabilities	**-**	**15,826**	**-**	**15,826**
2021				
Financial assets	-	621	89	710
Derivative financial instruments	-	621	89	710
Total financial assets				
Financial liabilities				
Derivative financial instruments	-	391	-	391
On-lending	-	8,985	-	8,985
Total financial liabilities	**-**	**9,377**	**-**	**9,377**

Fair value hierarchy

Level 1: Fair values measured on the basis of unadjusted quoted prices in an active market

Level 2: Fair values measured using valuation methods and observable market data.

Level 3: Fair values measured using valuation methods and observable and significant non-observable market data.

Level 2 – Derivative financial instruments

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

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

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

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

Payables to the Danish state comprise loans concluded under the Danish state's 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 22: Fair value of financial assets measured at amortised cost

Amounts in DKK million	Carrying amount	Fair value
2022		
Loans	13,256	11,649
Securities	1,203	1,178
Total financial assets measured at amortised cost	**14,459**	**12,827**
2021		
Loans	9,779	11,239
Securities	822	839
Total financial assets measured at amortised cost	**10,600**	**12,078**

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 23: Contingent assets and liabilities

Amounts in DKK million	2022	2021
Contingent liabilities		
Guarantee exposure before reinsurance	93,365	85,418
Provisions for claims expenses related to potential losses and claims	-	-535
Contingent liabilities related to the provision of guarantees	93,365	84,883
Loans granted, but not yet paid	8,583	1,019
Contingent assets		
Reinsured guarantee exposure*	48,795	39,600
Reinsurance share of provisions for claims expenses related to potential losses and claims	-	-11
Contingent assets related to the provision of guarantees	48,795	39,589
Tenancy commitment	-	14

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

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

Note 24: Related parties

In 2022, EKF had transactions with the Danish State as well as other related parties. The balance with the Danish State is determined by agreement with the Danish Ministry of Industry, Business and Financial Affairs. Transactions with other related parties are administration fees for administered schemes.
Settlement is on market terms according to actual consumption.

In 2022, EKF distributed DKK 150 million in dividend for 2021 to the Danish state. In regard to 2022, EKF expects to distribute DKK 11 million in dividend to EIFO.

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 administers Eksport Kredit Finansiering A/S (EKF A/S) CVR no. 20895470 (Slotsholmsgade 10, DK-1216 Copenhagen) on behalf of the Danish state in accordance with Finance Committee Document no. 30 of 27 October 1999. Administration of EKF A/S is charged at an hourly rate.

EKF is also responsible for administration of three schemes to mitigate the consequences of COVID-19 pandemic. This pertains to

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

EKF has entered into a cooperation agreement with Danida Business Finance (DBF) on the administration of the Mixed Credit Programme. The basis of the agreement is Parliamentary Finance Committee Document no. 106 of 24 May 2016 concerning the distribution basis for Danida Business Finance. The arrangement with DBF entails that DBF bears all losses and costs in connection with the provision of guarantees, so that EKF is exempt from paying costs. EKF receives a standard amount from DBF for each guarantee transaction. The total amount for 2022 is set out in note 6.

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

Note 25: EKF's auditors' fee

Amounts in DKK thousand	2022	2021
Statutory audit		
PricewaterhouseCoopers	-844	-934
Rigsrevisionen	-	-
Total auditing services	**-844**	**-934**
Other services	-94	-510
Total fees	**-938**	**-1.445**

Note 26: 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 addition of IFRS 9 and 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.

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 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.

Change in accounting policies

With effect from 1 January 2022, EKF has switched to IFRS 9 in regard to measurement of guarantees. The model used to calculate the expected credit loss under IFRS 9 for guarantees is the same one EKF has used to calculate the expected credit loss for loans. From 1 January 2022, EKF thus uses IFRS 9 for guarantees, loans, on-lending (payables to the Danish state) and hedge accounting of lending.

Comparative figures for 2021 have not been restated, as it was not possible to do this reliably. The accumulated effect of the change was thus recognised in equity on 1 January 2022. Due to the change in accounting policy, income and expenses from guarantee activities in 2022 cannot be compared with 2021. The effect on the affected accounting items as at 1 January 2022 is shown in the table below.
The effect on equity is a reduction of DKK 1,829 million.

Amounts in DKK million	2021 Annual report	IFRS 9 adjustments	Opening balance at 1 January 2022
Assets			
Premiums receivable	3,865	-3,655	210
Prepaid premium expenses	82	1,585	1,667
Interest receivable	22	690	712
Reinsurance share of guarantee provisions	2,807	-2,807	0
Reinsurance share of provisions for claims expenses	11	-11	0
Reinsurance share of guarantee provisions (IFRS 9)	0	638	638
Subtotal	**6,787**	**-3,560**	**3,227**
Other unaffected assets	19,709	0	19,709
Total assets	**26,496**	**-3,560**	**22,936**
Liabilities			
Equity	9,365	-1,829	7,536
Prepaid premium and interest income	273	2,871	3,144
Payables to reinsurers	1,714	-966	748
Guarantee provisions	5,116	-5,115	1
Provisions for claims expenses	535	-532	3
Accumulated write-downs, guarantees	0	2,011	2,011
Subtotal	**17,003**	**-3,560**	**13,443**
Other unaffected liabilities	9,493	0	9,493
Total equity and liabilities	**26,496**	**-3,560**	**22,936**

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

Basic earnings from guarantee activities

Premium income comprises premiums on export credit and working capital guarantees. Premiums are recognised when cover under the guarantee commences or when the policy is issued. This item also includes interest received in connection with claims.

Income from fees is income for the year where structuring and commitment are the main fees.

Reinsurance premiums paid and fees are the share of the premium income and fees for the year ceded to other insurance companies due to reinsurance cover.

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

Basic earnings from lending activities

Interest income includes interest income for the year from loans and derivative financial instruments.

Income from fees is income for the year where structuring and commitment fees are the main fees.

Interest and fee expenses 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.

Reinsurance premiums paid and fees are the share of the interest and fees for the year ceded to other insurance companies due to reinsurance cover.

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

Administration

Administration expenses, net comprises expenses for 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.

Write-downs of guarantees, loans and claims

Write-downs of guarantees, loans and claims comprises write-downs for the year and changes in write-downs of guarantees, loans and claims. Write-downs of guarantees, loans and claims are performed in accordance with IFRS 9. See detailed description under "Loans" and "Accumulated write-downs, guarantees" below.

Net financials

Financial income and expenses comprises interest and exchange rate adjustment of bank deposits, and investment income from securities.

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

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.

Cash is cash at financial institutions.

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 interest income.

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

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

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

Changes in the fair value of cross-currency basis spread on the hedge instruments is recognised directly in equity and is recognised as an expense via the income statement in connection with the settlement of cross-currency basis spread via the ongoing payments on swaps (costs for cash flow hedges).

The value of cross-currency basis spread when switching to hedge accounting is amortised linearly to the income statement across the term of the hedge instrument.

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

Write-downs of loans are made according to the following principles

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 in principle on a trade-off between three scenarios: a best-case scenario, a base-case scenario and a worst-case scenario.

Securities
Securities consists of a held-to-maturity portfolio and a trade portfolio.

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.

Securities classified under the trade portfolio are measured at fair value on initial recognition and subsequently at fair value with value adjustment in regard to the income statement.

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

Development projects in progress relate to software acquisitions that are clearly defined and identifiable. Development expenses are determined as direct expenses incurred.

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

Tangible fixed assets relating to hardware, fixtures and fittings and refurbishing of leased premises are measured at cost less accumulated depreciation and write-downs. Cost includes the purchase price and expenses directly related to the acquisition.

Cost is depreciated on a straight-line basis over the expected useful lives of the assets at a residual value of DKK 0. The expected useful lives of the assets are deemed to be as follows:

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

An impairment test is carried out for tangible fixed assets if there are indications of impairment. The impairment test is carried out for each asset. The assets are written down to the higher of the asset's value in use and net selling price (recoverable amount), if this is lower than the carrying amount.

Deposits concern deposits from rent, etc. Deposits are recognised at cost with subsequent indexation.

Receivables
Claims for which an agreement exists with the counterparty 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.

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 premium expenses comprises prepayments to reinsurance companies. 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 comprises 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

Reinsurance share of accumulated write-downs of guarantees comprises the reinsurers' share of EKF's write-downs. The share is adjusted for EKF's counterparty risk on the reinsurance companies.

Equity and capital ratio

Equity is divided into retained earnings (non-restricted equity), capital transfer to the Danish state/EIFO and a cash flow hedges reserve.

Capital transfer to the Danish state/EIFO is shown as a separate item under equity. Proposed dividend is recognised as a liability on the date the Minister for Industry, Business and Financial Affairs approves the proposed dividend.

The cash flow hedges reserve comprises the effective hedging of future transactions at fair value estimation of derivative financial instruments.

Retained earnings (non-restricted equity) comprises the remaining reserve after the proposed dividend and the cash flow hedges reserve are set off.

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

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

Other 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 in accordance with IFRS 9. 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 premium and 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 reinsurers are recognised at the present value at the date of recognition.

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

Accumulated write-downs, guarantees

Accumulated write-downs, guarantees are in accordance with IFRS 9. EKF uses a proprietary model to calculate the expected credit loss according to IFRS 9. See the description under "Loans" above.

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 exposure and conditional offers

Exposure comprises the largest possible exposure less reinsurance in cases that include both commercial and political exposure. The exposure is regularly written down during the guarantee or loan period on the basis of the repayment profile defined when the transaction 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 loan or the transaction is completed on the expiry date.

Note 27: Definitions of financial highlights and ratios

Equity ratio

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

Return on equity

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

Capital adequacy ratio

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

Write-down ratio for guarantees

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

Write-down ratio for loans

$$\left(\frac{\text{Accumulated write-downs of loans, year end}}{\text{Loans, after reinsurance}}\right) \times 100$$

EKF's Management

Peder Lundquist
Chief Executive Officer

Management positions:
Eksport Kredit Finansiering A/S

Board positions:
Postnord, member of Audit and Risk Committee
Board Leadership Society, member
Evida, member

Christian Ølgaard
Chief Financial Officer

Board positions:
P/F Fønix, Tórshavn, member

Morten Lykke
Chief Credit Officer

No other positions

Peter Boeskov
Chief Commercial Officer Global Wind & Structured Finance

No other positions

Thomas Hovard
Chief Commercial Officer Corporates & Institutions

No other positions

Tine Lønborg
Chief Risk Officer & Compliance officer

No other positions

EKF's Board of Directors

Christian Frigast

Chair of EKF

Chair of Remuneration Committee

Member of Audit, Risk and Compliance Committee

Management positions:
Frigast A/S

Board positions:

Board Leadership Society, Chair

Danmarks Skibskredit Holding A/S, Chair AX IV HoldCo P/S, Chair

Axcel Management A/S, Chair

Industry Association for Active Owners in Denmark, Chair

EKF A/S, Chair

PostNord, Deputy Chair

Pandora A/S, Deputy Chair

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

AX V Nissens II ApS, Member (including Board positions with 2 companies)

Denmark's Export and Investment Fund, member

Danmarks Skibskredit A/S, member

Frigast A/S, member

Associate Professor at Copenhagen Business School

Dorrit Vanglo

Deputy Chair of EKF

Member of Remuneration Committee

Board positions:

Det Danske Hedeselskab and Dalgas Group, Deputy Chair

EKF A/S, Deputy Chair

Denmark's Export and Investment Fund, Deputy Chair

Bikubenfonden, member

Jørgen Høholt

Member of Audit, Risk and Compliance Committee

Management positions:
JH Financial Advisory

Board positions:

DKT Holding ApS, Deputy Chair DKT Finance ApS, Deputy Chair

DKT Telekommunikation ApS, Deputy Chair

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

Nykredit Realkredit A/S, member

TDC Holding A/S, member

EKF A/S, member

Kirk Kapital Advisory Board, member

ATP Ejendomme A/S, member

ATP Real Estate Partners I K/S, member

Norsad Finance Limited, member

EKF's Board of Directors – continued

Anne Mette Toftegaard
Member

Management positions:
Deputy CEO of Alm. Brand A/S

Board positions:

Denmark's Export and Investment Fund, member

EKF A/S, member

Anna Marie Owie
Employee Representative

No other positions

Kenneth Plum
Employee Representative

No other positions

Deloitte
Statsautoriseret
Revisionspartnerselskab
CVR no. 33 96 35 56
Weidekampsgade 6
DK-2300 Copenhagen S

Telephone: +45 36102030
www.deloitte.dk

The independent auditors' opinion regarding CO_2e data

To the Management and stakeholders of EKF Denmark's Export Credit Agency
EKF Denmark's Export Credit Agency ("EKF") has asked us to provide an opinion on the calculation of the data for 2022 concerning CO_2e displacement from renewable energy projects, as presented in the table "Reduction in CO_2e for EKF-financed projects" on page 34 of EKF's Annual Report 2022 ("the report").

Data concern an estimate of the overall CO_2e displacement over the standard useful life from the renewable energy projects financed by EKF (135.4 million tonnes of CO_2e) and EKF's share of the total (28.3 million tonnes of CO_2e) from 1 January to 31 December 2022.

The opinion has two parts: we express an opinion with a high degree of assurance as to whether the calculation was prepared on the basis of the assumptions described in the report and in accordance with the calculation model outlined in the report, and we express an opinion with limited assurance as to whether the assumptions used in the calculation model provide a reasonable basis for the calculation.

A "reasonable basis for the calculation" in this assurance engagement is understood to mean that the assumptions used in the model are relevant, documented and not unrealistic in the context of the purpose of the calculation. The purpose of the calculation is to reflect the estimated CO_2e displacement of EKF's financed projects in 2022. The most important assumptions, the model and methodology are described on pages 34–35 of this report. The actual results are likely to deviate from expected results, since planned events often do not occur as expected. These deviations may be significant.

Management's responsibility
EKF's management is responsible for the calculation on the basis of the assumptions in the calculation model on which the calculation is based. Management is also responsible for ensuring that the assumptions in the model provide a reasonable basis for the calculation. This responsibility includes implementing such internal controls that the management determines are necessary for calculation that is free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is based on our undertaking to express an opinion with a high degree of assurance as to whether the calculation is produced on the basis of the assumptions stated in the calculation model and in accordance with the described method.

Our responsibility also to express an opinion with limited assurance based on our undertaking as to whether the assumptions stated in the calculation model provide a reasonable basis for the calculation.

We have organised and performed our undertaking in compliance with *ISAE 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, and additional requirements ensuing from Danish auditing legislation.

Deloitte Statsautoriseret Revisionspartnerselskab applies the International Standard on Quality Management (ISQM) 1, which requires us to design, implement and operate a quality assurance system, including policies and procedures pertaining to compliance with ethical requirements, professional standards and applicable requirements in law and other legislation.

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

As part of our undertaking, we have obtained all information and every explanation necessary to support our opinion. We have examined whether the assumptions applied provide a reasonable basis for the calculation, and we have recalculated the CO_2e displacement. As part of this, we:

- Reviewed the basic assumptions, procedures, calculations and input data used in the calculation model;
- Reviewed random samples of Marginal Emission Factor values based on energy emission factors, capacity factors, energy requirements and capacity data;
- Performed analytical tests, including recalculations by means of random samples, and audited the internal checks on the collection and calculation of the data concerned;
- Reviewed random samples of data regarding demand and supply of electricity per country from source data and validated assumptions concerning the growth of same from 2040 to 2050;
- Conducted interviews and reviewed documentation for selected 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;
- Queried relevant employees on significant developments in the reported data;
- Received Management's confirmation that all relevant projects are included in the calculation.

In our examinations of the assumptions, on the basis of our knowledge of the scientific research on which the model is based, and the documentation provided by Management, we considered whether anything gave us reason to believe that the assumptions do not provide a reasonable basis for the calculation, including that the assumptions can be regarded as relevant, documented and not unrealistic.

The scope of the actions we performed in our review of the assumptions stated is less than an opinion with a high degree of assurance would require. As a result of this, the level of assurance we have obtained for our opinion on the assumptions used is considerably lower than the assurance that would be obtained if an assurance engagement with a high degree of assurance had been performed.

Opinion
This opinion must be viewed in the context of the purpose of the calculation, as reported in the preamble to this opinion, and on the basis of the understanding of the term "reasonable basis for the calculation", which is also outlined in the preamble to this opinion.

We believe that, in all material respects, the CO_2e displacement from the renewable energy projects financed by EKF (135.4 million tonnes of CO_2e) and EKF's share of this (28.3 million tonnes of CO_2e) from 1 January to 31 December 2022, presented in the figure on page 34 of EKF's Annual Report 2022, is calculated on the basis of the assumptions stated in the calculation model outlined on pages 34–35 of the report.

On the basis of our undertaking and the proof obtained, we have been given no reason to believe that the assumptions do not provide a reasonable basis for the calculation.

Copenhagen, 23 March 2023

Deloitte
Statsautoriseret Revisionspartnerselskab
CVR no. 33 96 35 56

Morten Egelund
State-authorised public accountant
MNE no. 21411

Helena Barton
Lead Reviewer