

ANNUAL REPORT

# Global competi- tiveness .18



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# The year in brief

The volume of guarantees amounted to SEK 56.8 billion. A large proportion of the increase relates to two large individual transactions with private buyers. EKN guarantees growing numbers of companies' smaller, ongoing flows of transactions.

The number of transactions is on a par with the previous year, despite the disappearance of the Iran market in the second half of the year. EKN launched two new financing solutions for smaller companies. Increasing numbers of small and medium-sized companies are using EKN's guarantees in increasing numbers of transactions.

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56.8

The volume of guarantees amounted to SEK 56.8 billion (SEK 39.9 billion)

2,082

During the year, EKN guaranteed 2,082 transactions (2,093 transactions)

682

EKN guaranteed 682 transactions for small and medium-sized companies (575 transactions).

129

The exports that EKN guaranteed went to 129 countries (133 countries). At year-end, EKN had outstanding guarantees for transactions in 137 countries.

1.7

According to expectations, claims paid continued to be high, amounting to SEK 1.7 billion (SEK 1.4 billion). They mainly related to a few transactions with claims that arose in earlier years.

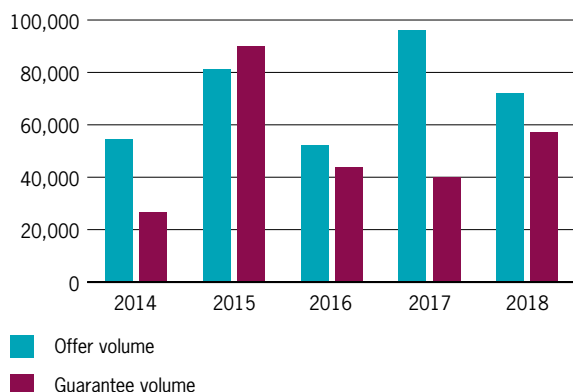
1.0

Profit amounted to SEK 1.0 billion (SEK 1.4 billion). EKN continues to have a stable financial position.

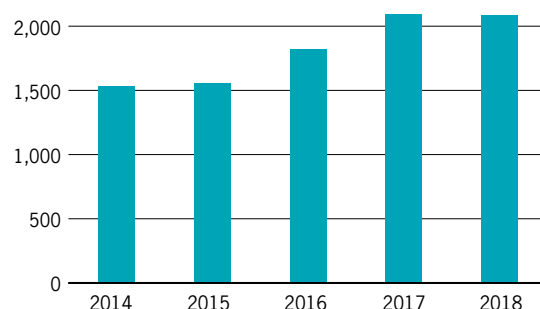
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### 1.1 NEW OFFERS AND GUARANTEES (SEK MILLION)



### 1.2 NUMBER OF TRANSACTIONS



### 1.3 NUMBER OF CLIENTS

	31/12/2018	31/12/2017	31/12/2016	31/12/2015	31/12/2014
Number of clients	419	392	392	389	367

### 1.4 NEW TRANSACTIONS AND PROFIT/LOSS (SEK MILLION)

	31/12/2018	31/12/2017	31/12/2016	31/12/2015	31/12/2014
New offers	71,890	96,023	52,031	81,105	54,243
New guarantees	56,816	39,914	43,610	90,056	26,695
Earned premiums	1,384	2,121	1,534	1,516	1,476
Claims paid	-1,738	-1,410	-1,529	476	537
Profit/Loss	1,004	1,418	-1,057	194	1,824

### 1.5 OUTSTANDING EXPOSURE AND ACCUMULATED EARNINGS (SEK MILLION)

	31/12/2018	31/12/2017	31/12/2016	31/12/2015	31/12/2014
Offers outstanding	94,769	92,443	63,672	72,986	125,814
Guarantees outstanding	193,295	181,485	201,502	214,134	174,245
Provisions	9,031	10,085	11,623	9,833	5,412
Outstanding claims, nominal	11,429	9,925	8,924	6,897	6,725
Outstanding claims, calculated net value	1,727	1,576	1,523	2,055	1,737
Equity	23,863	22,860	21,434	22,737	25,075

# Swedish exports generate domestic and international growth

The past two years have seen Swedish exports grow faster than they have for many years. The extensive scope of guarantees granted by EKN encompasses large as well as smaller and multiple transactions. The Swedish export credit system plays a key role in ensuring the global reach of the country's goods and services, and in assisting the world's development needs.

The past year marked a continuation of a period with high volumes of guarantees granted – a total of SEK 56.8 billion in 2,082 transactions involving 129 countries. Demand shows that EKN guarantees solve the needs of companies of all sizes and covers everything from flows of smaller contracts to major transactions.

Many indicators point to a slowdown of the global economy in the second half of 2019 and in 2020, albeit from a high level of growth. The price of risk is gradually rising, which could generate increased demand for export credit guarantees.

The banking sector remains under continuous pressure to transition and to adhere to regulations, resulting in an increased demand for EKN.

## **EKN PROMOTES SWEDEN'S INTERESTS IN GLOBAL VALUE CHAINS**

Swedish goods exports increased around 10 per cent over the year, which was on a par with the preceding year, when goods exports were higher than they had been for ten years.

The transactions guaranteed during the year helped generate some 30,000 jobs and around SEK 32 billion in GDP for Sweden. Moreover, EKN is often involved in an initial contract that paves the way for additional export transactions in which EKN is not involved.

The internationalisation of Swedish business is critical to Sweden's growth, and companies are increasingly becoming part of global value chains. Research, development and design account for the greatest added value in global value chains, while production and assembly account for an

ever-decreasing share. Consequently, the direct export figures in themselves provide an inadequate overview of the actual value of internationalisation. As part of its guarantee process, EKN assesses the value created in Sweden and the contribution to the country's GDP and job opportunities. For example, EKN guarantees business for foreign subsidiaries of Swedish groups when these transactions generate value for Sweden. The guarantees provided by EKN when foreign companies export Swedish goods and services are another example.

## **NEW FINANCING SOLUTIONS LAUNCHED FOR SMES**

Looking at Swedish exports over the last five years, the greatest increase has been in exports from SMEs. Micro-enterprises with less than ten employees increased their exports by 37 per cent, small enterprises by 11 per cent and medium-sized enterprises by 24 per cent.

It is important for the Swedish economy that a large number of SMEs can expand their operations and be able to export. A common stumbling block is inadequate access to finance. Over the year, EKN has launched two solutions aimed at facilitating for SMEs. One has been developed in partnership with the European Investment Fund and the other together with Almi, a state and regionally owned company offering financing and advice to SMEs.

All countries need to accelerate the exports of their SMEs. Five years ago, EKN undertook an initiative to establish a regional presence. Since then, volumes in this segment have doubled. This year, we have focused particularly on innovation companies – a target group that, traditionally, has

Swedish medtech is part of successful Swedish exports. Guarantees to companies in this industry is increasing, and refer to more countries. Anna-Karin Jatko visiting Getinge.



not used EKN to any great extent, but which is now beginning to show interest. These customers operate in fields ranging from apps and games to environmental technology, batteries and niche industrial solutions.

#### **INVESTMENTS ARE NEEDED TO REACH THE UN SUSTAINABLE DEVELOPMENT GOALS**

Reaching the UN Sustainable Development Goals under the 2030 Agenda requires extensive investments in areas including infrastructure, electrification, agriculture, public transportation, environmental technology and the health sector, and we are already more than a quarter of the way to 2030. These are areas where Swedish industry is at the forefront. One of the conclusions of the Agenda 2030 agreement is that traditional aid flows are insufficient for eradicating global poverty. This is where the Swedish export credit system has a role to play. Long-term, sustainable financing is what is needed for many of the investments required to support the Agenda 2030 goals.

#### **SUSTAINABILITY IN EVERY LINK**

If international trade is to boost development, this will require responsible management of the risks that impact people, the environment, society and climate. The attractive Swedish export credit system enables EKN, together with financiers and

exporters, to stipulate requirements for customers who buy Swedish equipment. EKN works closely with exporting companies and banks to continuously improve screening and monitoring practices.

#### **INNOVATIVE, SWEDISH PRODUCTS, SERVICES AND BUSINESS MODELS**

I meet many committed representatives of exporting companies. They are not just experts in technology, systems and business structures; they are also forward-thinking about improvement and development. Innovative solutions are being identified in traditional and emerging industries that could result in new products or new applications for existing products, or even new production and distribution processes that enable alternative business models.

It has been a successful year for Swedish exports. I would like to take this opportunity to thank the banks and exporters who have entrusted EKN to contribute towards this. I look forward to another year of supporting Swedish companies in their exceptional achievements in the face of intense global competition.

Anna-Karin Jatko,  
Director General

# Mission, delivery and costs

When Swedish goods and services reach out into the world, and when buyers need finance – that is when EKN is needed. Our mission is to promote Swedish exports by insuring the payment risk of companies and banks. Our activities are entirely financed from the insurance premiums.

EKN's task is to offer and issue guarantees, manage the outstanding exposure, indemnify when guarantee holders are not paid and recover claims that arise. For some customers, extensive consultancy is included in the guarantee process.

## OFFERS

With each application, EKN makes an assessment of the risk of non-payment and the possibility of recovery if payment is not made. EKN also assesses any sustainability issues in the transaction. The assessment results in a decision. If the decision is to guarantee the transaction, there is then a decision on the premium and the issue of an offer. Some offers issued during the year have not been taken up. They may be taken up next year, but some transactions are never done or are completed without EKN's guarantee. See page 19 for offers issued during the year.

## TRANSACTIONS

When the company goes through with the transaction or the bank makes a loan, EKN issues a guarantee. Some of the year's guaranteed transactions arise from offers in the same year, others from

offers in previous years. For some transactions only one guarantee is issued. Other transactions may have several guarantees issued. See page 19 for transactions guaranteed during the year.

## CLAIM PAYMENTS

Claim payments are made both in known problem transactions, where earlier payments under the repayment plan have failed, and in transactions where problems have arisen during the year. EKN expects recurrent non-payment to occur with a certain number of transactions and claims provisions are made for these.

## GUARANTEES OUTSTANDING

Guarantees outstanding mainly consist of transactions that follow their amortisation repayment plan, but there are also transactions that require loss prevention work.

## OUTSTANDING CLAIMS AND RECOVERY

When EKN indemnifies, EKN takes over the guaranteed claim and then works to recover all or part of the unpaid amounts. The claims are closed with repayment or write-off.

### 2.1 CLAIM PAYMENTS IN RELATION TO OUTSTANDING GUARANTEES (MSEK)

	2018	2017	2016	2015	2014
Claims paid	1,738	1,410	1,529	476	537
Guarantees outstanding	193,295	181,485	201,502	214,134	174,245
<b>Claims paid/Guarantees outstanding</b>	<b>0.89 %</b>	<b>0.78 %</b>	<b>0.76 %</b>	<b>0.22 %</b>	<b>0.31 %</b>



## COST OF CLAIMS

Most of the premium for the indemnified transactions is retained as provisions to cover any claims. When the guaranteed transaction runs without problems EKN liquefies the reserve. The premium paid for the many transactions that run as planned covers claim payments to the guarantee holders that have not received payment from their customers.

## COST OF OPERATION

Over the last five years, the operating costs have amounted to between 12 and 18 per cent of premi-

um income. The operating costs for a new transaction may vary widely from the average, depending on how time consuming the assessment is. The average has fallen somewhat in recent years as the number of transactions has increased. The cost of managing exposure is affected by the size of the exposure, but also by the number of transactions that involve an increased need for loss prevention work by EKN.

The administrative result is reported in Note 22.

### 2.2 CLAIM PAYMENTS IN RELATION TO OUTSTANDING GUARANTEES (MSEK)

	2018	2017	2016	2015	2014
Operating costs (MSEK)	240	227	244	222	223
Received premiums (MSEK)	1,433	1,356	1,348	1,462	1,577
<b>Costs as a percentage of received premiums</b>	<b>17%</b>	<b>17%</b>	<b>18%</b>	<b>15%</b>	<b>14%</b>
Number of new transactions	2,082	2,093	1,821	1,557	1,529
<b>Operating cost per transaction</b>	<b>115,194</b>	<b>108,689</b>	<b>134,012</b>	<b>142,689</b>	<b>146,029</b>
Exposure (non-binding and binding) (MSEK)	288,064	273,928	265,174	287,120	300,062
<b>Operating cost per million of exposure</b>	<b>833</b>	<b>830</b>	<b>920</b>	<b>774</b>	<b>744</b>

### 2.3 PREMIUM BASED OPERATIONS, ADMINISTRATIVE RESERVE (SEK THOUSAND)

Operations	Administrative reserve 31/12/2016	Result 2017	Income 2018	Costs 2018	Result 2018	Administrative reserve acc. 31/12/2018
<b>Guarantees</b>						
Guarantee operations, administration	413,422	-21,211	192,642	-244,025	-51,383	340,827

The administrative part of the premium that EKN charges for each guarantee has generated an administrative reserve, which amounted to SEK 392,211 thousand as of December 31, 2017. In recent years, EKN's administrative costs have exceeded the administrative revenues. The outcome is -51,383 for 2018, compared with the estimated deficit -60,300. The administrative income in 2018 is in line with budgeted revenues, the outcome is SEK 192,642 thousand compared to budgeted SEK 192,000. The costs are lower than budgeted, which is mainly due to delayed system development projects. EKN is tasked with developing a model for guarantee premium calculation so that a permanent deficit or surplus does not arise and so that the administrative reserve is adjusted by 31 December 2020 at the latest.

# Reporting back on the letter of appropriation

The Swedish government lays out the objectives and reporting requirements in the annual letter of appropriation for the activities, as well as special assignments for the year.

## GOALS

- Promote Swedish exports by issuing guarantees.
- Collaborate with other Swedish export promoters and be part of Sweden's overall export promotion.
- Collaborate with relevant authorities and organisations to support business development and internationalisation.
- Increase awareness among small and medium-sized companies and have a presence in regional export centres.

## REPORTING REQUIREMENTS

**Number and volume of new guarantees in 2018, by industry and market/region:** Issue of guarantees amounting to SEK 56.8 billion, 2,082 transactions, to 129 countries. On pages 15 and 19, Swedish exports and export credit guarantees are presented by region in the world, and by industry.

**Number of new customers among small and medium-sized companies:** During the year, 419 companies were customers of EKN, 102 of which were new. Of these, 286 customers and 92 new customers were small and medium-sized companies. Read more on page 20.

**Collaboration with other organisations that conduct export-promoting activities aimed at large as well as small and medium-sized companies:** On pages 30–31 there is a description of collaboration with Almi, Business Sweden, the Swedish Export Credit Corporation (SEK) and

the Swedish Agency for Economic and Regional Growth (Tillväxtverket). The collaboration refers to regional export collaboration, development of new financing solutions and marketing.

**Increase awareness among small and medium-sized enterprises and the effects of regional presence:** 48 per cent of small and medium-sized companies are aware of EKN. Among companies in need of financing and customer financing, awareness is 53 per cent. Read more about the focus on small and medium-sized companies on page 31.

**Other measures taken to increase knowledge about the services:** Company visits, collaboration with banks, regional export collaboration and promotional campaigns are described on page 30.

**Costs and income for the risk-based part of the activities and the administrative activities:** Cost and

income for the risk-based activities are reported in the income statement on page 42. Costs and income for the administrative activities are reported on page 9 and in note 22 on page 55.

**Reinsurance on the private market:** During 2018, there were two private reinsurance transactions. Read more on page 25.

**Requirement for terms and conditions that are consistent with collective agreements for procurements exceeding threshold values (Public Procurements Act chapter 17):** EKN's purchases often refer to qualified consultancy services where requirements for specific labour law conditions are not needed. The consultants are then part-owners of the company instead of employees, for example in a law firm or advertising agency. In the few procurement where it is necessary, there are requirements for specific labour law conditions, for example, in internal service procure-



During the year, 419 companies were customers of EKN.

ment where care of premises is included. EKN also makes call-off orders for services where a state framework agreement can be applied.

**Measures for information security with raised alert levels:** A series of measures have been carried out during the year, e.g. for increased monitoring of IT systems. Read more on page 34. Contribution to the government's feminist foreign policy: By promoting exports in, for example infrastructure, public transport and electrification, EKN contributes indirectly to the development and improvement of women's situation. EKN follows IFC's Performance Standards, such as evaluating questions with a bearing on women's situation. Read more on page 23.

**The development of the activities' administrative costs and measures to rationalise and streamline activities:** Continued work in the strategic development areas Customer focus, Awareness and Work Forms

through increased digitalisation and more efficient processes. Read more about increasing efficiency on page 34. Administrative costs are reported in note 22 on page 55.

**Fair and sustainable global development and responsible business practice according to international goals and guidelines:** On page 21, there is a description of responsible business practice in this year's issue of guarantees and on page 33 there is a description of EKN's collaboration on sustainability issues.

## ASSIGNMENTS

**Present Sweden's case in international fora where regulatory issues relating to export credits are discussed:** On page 32, there is a description of international collaboration and issues in which EKN has participated and been a driving force.

**The Swedish Export Credit Agency shall, within the framework of the government's export strategy and in collaboration with others, contribute with support and expertise within its area:** On pages 30–31, there is a description of regional export collaboration and collaboration within Team Sweden.

**Action Plan for environmental quality goals and the generation goal:** In line with environmental quality goals, EKN has clarified application of the OECD agreement on transactions for coal-fired power stations. Read more on page 33.

**Contributions to modern preparedness jobs in the state:** EKN strives to employ persons in preparedness jobs who are far from the labour market, including new arrivals. EKN has hired one newly arrived person in a preparedness job; see page 34.



A construction worker wearing a yellow hard hat and a high-visibility green vest is working on a large, complex structure made of vertical and horizontal steel reinforcement bars (rebar). The worker is positioned on the left side of the frame, facing right, and is holding onto one of the vertical bars. The background is slightly blurred, showing more of the construction site and some distant buildings.

# Global outlook

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This section describes the conditions for Swedish exports in the context of the global economy, and reports the distribution of guarantees issued by markets and regions.

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# The peak of economic activity passed

Global growth has been good but is beginning to slow down. Many countries' high indebtedness means that they have no tools to increase growth. Asia's contribution to growth continues to increase.

The year has been marked by different views on trade policy and economic relations between the major economies. So far, world trade is increasing. But the tariffs that the USA introduced during the year on steel and aluminium risk leading to a reduced rate of growth in both global trade and the economy. The countries that are subject to the USA's customs tariffs are certainly taking countermeasures, but are not using the tariff weapon to create benefits for their own trade. Other OECD countries continue on a line of reduced trade barriers.

Global economic growth continued to be good during 2018. The forecast from the IMF points to a growth of 3.7 per cent, which is in line with 2017. During the year, the USA continued to show a robust economic expansion. But much suggests that both the USA's economy and the world economy are now entering a calmer phase and that 2018 marked the peak of the economic cycle.

## HIGH LEVEL OF DEBT

An expansionary fiscal policy has characterised the Trump government, with tax cuts and increased expenses, which has contributed to a public budget deficit of just over five per cent of GDP. Public sector indebtedness is increasing and has passed 100 per cent of GDP. High public indebtedness is something that the USA shares with many of the OECD's high income countries. For example, Japan's public debt corresponds to nearly 240 per cent of GDP, France's almost 100 per cent and Italy's 130 per cent. In any coming recession, this would mean that highly-indebted countries are less able to pursue an expansionary fiscal policy and contribute to an increased growth rate.

## REDUCED LIQUIDITY AND INCREASING PRICE OF RISK

2018 also marked the end of the European Central Bank's net purchase of bonds and other interest-bearing securities. The USA's central bank ended its corresponding programme as early as 2014. The American central bank's gradual increase in the key interest rate has contributed to reduced liquidity on the capital markets. Another effect has been that the risk margins for corporate bonds in the second half of 2018 showed a gently rising trend.

## ASIA'S ROLE IS BECOMING EVER GREATER FOR THE GLOBAL ECONOMY

The ongoing shift in economic power of the past couple of decades from Western Europe's and North America's high-income countries to Asia's emerging economies is steadily increasing its footprint in the global economy. China's economy accounts for about 15 per cent of the global economy, but contributes almost 30 per cent of annual growth. The rest of Asia contributes almost a further 20 per cent. This creates growing markets for Swedish exporting companies, but at the same time, the region's companies are also becoming increasingly serious competitors, not least Chinese companies.

## BETTER FOR COMMODITY EXPORTING COUNTRIES

Countries in Latin America, Sub-Saharan Africa, the Middle East and within the CIS are to varying degrees dependent on commodity exports for earning foreign currency, public budget revenues and economic activity. The recovery from the years of relatively low commodity prices that prevailed three four years ago has been gradual. In particular, this applies to the commodity exporting countries in Sub-Sahara Africa. However, 2018 was a better growth year than 2017 for most of these regions.



# Sweden hooks onto the Asian success

Swedish exports and EKN's guarantees increased. Transactions to Asia and Latin America plus a few very big transactions to the USA account for the increase in guarantee volume.

Swedish exports of goods continued to have a high rate of increase of approximately ten per cent. Asia's share of Swedish exports of goods in the past ten years has increased from 7.8 per cent to 10.5 per cent. China's share has more than doubled to 4.6 per cent. Swedish companies are thus participating in the Asian success, a participation that increases market diversification.

## SMALL COMPANY EXPORTS TO ASIA

Guarantees for transactions to Asia increased to SEK 4.5 billion. The increase began the previous year, having been around SEK three billion for several years.

Transactions to Indonesia accounted for around 30 per cent of guarantees in Asia, followed by China with almost 20 per cent. Both countries have had a stable and high growth rate and thus a

continuously growing need for imports of goods and services. The majority of the increase in the number of guaranteed transactions referred to small and medium-sized companies. No major transactions in infrastructure were guaranteed during the year. Both suppliers of equipment to infrastructure and financing are often available locally or regionally. This is also an expression of the modernisation that is taking place in many countries in Asia.

## SANCTIONS STRIKE AGAINST IRAN'S IMPORTS

Economic growth in the Middle East is expected to be two per cent 2018, slightly higher than the previous year. But for Iran, the American trade sanctions have hit the economy hard. As more sanctions have been imposed, guaranteed transactions have declined and ceased. Thus guarantees for transactions to the Middle East fell to SEK 5.8 billion from



Swedish exports to Asia increase.

SEK 7.3 billion and the number of transactions fell by 40 per cent.

### PROTRACTED RECOVERY IN AFRICA AND LATIN AMERICA

The economic recovery in the commodity-dependent countries of Africa and Latin America has been protracted since low commodity prices impacted economic growth in 2015. In Africa, growth was higher in 2018 than 2017 and is expected to reach just over three per cent. In Latin America, it continues to be weak. In the region's largest economy, Brazil, there is political uncertainty and difficulties in implementing profound economic reforms.

Demand for guarantees for transactions to countries in Africa is stable and relatively high. The combination of undeveloped capital markets, weak banking systems and a much higher risk of payment problems creates a demand for risk cover. Transactions to Egypt, South Africa and Ghana accounted for about half of the guarantee volume. Guarantees for transactions to Latin America increased by 34 per cent to SEK 5.7 billion.

### TURKEY'S GROWTH IS SLOWING

From an almost overheated economy in 2017, Turkey experienced a sharp slowdown in 2018, with the rate of growth being more than halved to 3.5 per cent. Imbalances in the economy led in the

summer to distrust of the policies being pursued, with a falling exchange rate as a result. The more negative outlook has consequences for the willingness to invest, including for investments in infrastructure.

Guarantees for transactions to the Balkans, where Turkey is dominant, were halved to SEK 1.5 billion. Guarantees for transactions to the CIS region amounted to SEK 3.3 billion. This is the level that has been seen in recent years, apart from 2017, when a single very large guarantee gave a higher level.

### GUARANTEES TO HIGH INCOME COUNTRIES FLUCTUATE

In the years when EKN increases the issue of guarantees for transactions to high income countries in the OECD, this is due to individual, very large transactions. During the year, guarantees to the OECD amounted to around SEK 29 billion, the highest volume ever. A few transactions to the USA accounted for the majority.

There are a number of explanations for the fluctuating guarantee volume to the high income countries. Export contracts can be large and several forms of funding are then in demand. Payment risk, the total financing costs and demand for diversification of lenders from the debtor's side are other driving forces.

## 3.1 ISSUE OF GUARANTEES AND NUMBER OF TRANSACTIONS BY REGION (SEK MILLION)

	2018		2017		2016		2015		2014	
	Number	MSEK	Number	MSEK	Number	MSEK	Number	MSEK	Number	MSEK
Asia	227	4,457	191	3,925	163	2,928	162	2,934	149	2,731
Latin America	525	5,686	533	4,254	345	6,442	231	53,434	250	3,084
CIS	146	3,258	105	6,023	94	2,049	80	4,386	99	3,120
Balkans	54	1,452	67	2,933	46	1,493	27	2,326	37	1,061
Africa	428	5,934	381	6,626	368	4,424	371	5,765	364	6,262
Middle East	166	5,754	279	7,301	214	5,766	150	6,281	142	3,515
OECD high-income	105	29,037	128	7,215	127	19,069	98	4,965	115	5,402
Sweden	429	1,182	405	1,602	461	1,423	435	9,770	372	1,506
Other countries	2	56	4	35	3	16	3	195	1	14
<b>TOTAL</b>	<b>2,082</b>	<b>56,816</b>	<b>2,093</b>	<b>39,914</b>	<b>1,821</b>	<b>43,610</b>	<b>1,557</b>	<b>90,056</b>	<b>1,529</b>	<b>26,695</b>

Israel, Japan and South Korea are included in the OECD's high-income countries (not Asia or Middle East). Kazakhstan and Uzbekistan are included in CIS (not in Asia). Turkey is included in the Balkans (not in Asia). Sweden is reported separately (not included in the OECD's high-income countries).



# Issuing of guarantees

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This section reports on guarantees issued by industry.

EKN has a special mission concerning small and medium-sized enterprises' exports and regional presence. This is also reported in this section.

The operations are to be conducted in accordance with international guidelines for human rights, working conditions, the environment, anti-corruption and freedom on the Internet. This section reports on reviews and requirements in this year's transactions.

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# Many transactions and two very large ones

The year's issue of guarantees increased significantly to SEK 57 billion. Two large telecommunications transactions to the USA dominated. Russia is in second place in terms of guarantee volume. The number of guaranteed transactions remains at a high level after the increase in recent years.

The strong increase in the guarantee volume, to SEK 57 billion from SEK 40 billion the previous year, is mainly explained by two American telecommunication operators' purchase of Swedish telecom equipment. A major effort is underway to extend 5G in the USA and Swedish 5G equipment is world-leading. Buyers need to diversify their funding and EKN acts as a complement.

The two telecommunication contracts are the two single largest transactions to private buyers that EKN has ever guaranteed. The guarantees were offered during 2017. The strong increase in offers in 2017 corresponds to the strong increase in guarantees in 2018.

Russia is the country that is second to the USA in guarantee volume, and exports of construction equipment and vehicles represent the majority of the volume. Italy was the third largest country in terms of volume and the telecom industry dominates.

## INCREASE IN THE TRANSPORT SECTOR

The transport industry is the second largest industry in 2018 with guarantee volume trebled since 2014. Trading house transactions in paper and pulp that EKN guarantees have also had a steady increase in recent years and the industry is the fourth largest during the year.

During the year, EKN has seen increased demand for guarantees in sectors where volumes have historically been very low. Guarantees to medical technology companies have increased to SEK 699 million, from SEK 43 million five years ago.

## INCREASED DEMAND FOR SUPPLIER CREDITS

Customers of Swedish exporting companies are demanding credit from their suppliers to an increasing extent, including for larger and longer-term export transactions. They wish to avoid burdening their balance sheets with long-term, interest-bearing liabilities. Previously, the most common alternative was a loan from a bank to the buyer. The bank insured its risk with EKN. Now it is becoming increasingly common for the supplier to offer credit and then it is the supplier's risk that EKN covers. EKN has seen a steady increase in demand for loss of claim guarantees for suppliers, for larger and longer-term transactions. When the supplier offers credit and insures the risk with EKN, it is common for the supplier to sell the claim, with the guarantee as security.

## LARGE NUMBER OF TRANSACTIONS

The trend in recent years of a large number of guaranteed transactions continues. The number of guaranteed transactions is at the same level as the previous year, at 2,082, although demand for guarantees for Iran transactions ceased after the reinstatement of trade sanctions.

## INVESTMENT GUARANTEE

EKN's investment guarantee covers the risk of government intervention in the investment country, leading to a situation that prevents you from using the facility that has been invested in. During the year, EKN issued an investment guarantee for an investment in the food industry in Russia. It is many years since an investment guarantee was last requested.



## PAYMENTS FROM IRAN

EKN, together with the involved companies and banks, has to a large extent succeeded in bringing forward payments in the guaranteed Iran transactions, to avoid payment problems. Iranian banks and companies have prioritised early payment. A few transactions could not be paid before the trade sanctions were reintroduced and for most of these EKN has commenced payment of compensation. Given the good payment experience from Iran, the assessment is that EKN will probably be able to recover these payments as soon as it is possible for payments to be made from Iran.

## CLAIMS PAID IN THE MIDDLE EAST, RECOVERIES FROM CHILE

EKN has continued to pay compensation for transactions in the transport and contracting sectors in the Middle East, where payment problems arose with past oil price falls. Oil prices have increased but this has not been reflected in increasing payments from buyers.

In previous claims transactions, where provisions have previously been made, EKN continues to indemnify. These mainly consist of one transaction in the power sector in Spain, two bus transactions in Latin America and a telecom transaction in India.

During the year, EKN has not seen any major new claims. However, payment problems have arisen in a transaction to a mine in Armenia, which EKN guarantees.

Recoveries for the year amounted to SEK 398 million, an increase from SEK 236 million the previous year. During the year there were substantial recoveries from a bus transaction in Latin America.

## EKN's guarantees

EKN offers guarantees for the entire transaction process, from sales and negotiation to manufacture and delivery and up until the customer's last payment.

**A guarantee for loss on claim for exporting companies** protects the company against the risk of not receiving payment in accordance with the purchase agreement. Insuring receivables facilitates financing.

**For lenders, the loss on claim guarantee** gives protection against the risk of not being paid by the borrower. The guarantee makes it easier for buyers of Swedish exports to finance their purchases.

**The loss on production guarantee**, which is given in combination with the loss on claim guarantee, protects against losses if the buyer cancels the agreement during the manufacturing period and the costs incurred cannot be invoiced.

**A guarantee for unfair calling** for exporting companies protects against the risk that the customer unfairly claims a contract guarantee.

**With a counter guarantee**, the bank issuing the contract guarantee shares the recourse risk on the exporting company with EKN, should the contract guarantee be claimed.

**With a bill of exchange guarantee**, EKN insures the bank against the payment risk in discounted bills of exchange. The guarantee improves the exporting company's liquidity when the bank takes over bills of exchange and pays the company.

**The letter of credit guarantee** shares the bank's risk in confirmed letters of credit. The guarantee makes it possible for the company to get more letters of credit confirmed by the bank.

**An investment guarantee** gives a company that has invested abroad compensation if it cannot dispose of the investment or the payment of the investment loan is not made, due to government intervention in the investment country.

**The working capital credit** and the Investment capital credit guarantees share the bank's risk in working capital or investment credits to small and medium-sized enterprises. During the year, an extended guarantee was developed in collaboration with EIF, the European Investment Fund.



## 4.1 NEW GUARANTEES, SEK MILLION, BY INDUSTRY

INDUSTRY	2018		2017	
Telecom	28,591	50%	8,499	21%
Transport	10,803	19%	10,419	26%
Machinery	9,328	16%	9,294	23%
Paper and pulp	3,962	7%	2,997	8%
Mining and steel	1,812	3%	1,688	4%
Power	285	1%	4,677	12%
Others	2,034	4%	2,340	6%

## 4.2 NUMBER OF NEW TRANSACTIONS, BY INDUSTRY

INDUSTRY	2018	2017	2016
Telecom	61	73	40
Transport	254	235	199
Machinery	623	754	706
Paper and pulp	688	648	520
Mining and steel	110	72	46
Power	11	8	16
Others	335	303	294

## 4.3 NEW OFFERS DURING THE YEAR

	2018		2017		2016	
	MSEK	Number	MSEK	Number	MSEK	Number
Guarantee for loss on claim for exporters	33,233	1,924	28,763	1,959	26,918	1,743
Loss on production and loss on claim	373	27	1,074	19	134	11
Guarantee for loss on claim for lenders	28,552	28	56,473	46	13,081	26
Guarantee for unfair calling	142	4	1	1	325	5
Counter guarantee	6,460	273	4,399	270	3,998	349
Letter of credit guarantee	2,476	280	3,927	325	6,865	241
Bill of exchange guarantee	41	2	496	6	142	4
Investment guarantee	0	0	396	1	0	0
Working capital credit guarantee <sup>1</sup>	614	206	495	151	568	156
<b>TOTAL</b>	<b>71,890</b>	<b>2,744</b>	<b>96,023</b>	<b>2,778</b>	<b>52,031</b>	<b>2,535</b>

<sup>1</sup> for small and medium-sized enterprises

## 4.4 NEW GUARANTEES DURING THE YEAR

	2018		2017		2016	
	MSEK	Number	MSEK	Number	MSEK	Number
Guarantee for loss on claim for exporters	22,968	6,431	20,135	5,978	14,390	4,059
Loss on production and loss on claim	131	15	168	14	15	2
Guarantee for loss on claim for lenders	28,001	47	12,707	35	25,180	40
Guarantee for unfair calling	57	4	1	1	27	2
Counter guarantee	2,262	250	2,428	276	1,129	337
Letter of credit guarantee	2,519	280	3,857	322	2,275	239
Bill of exchange guarantee	112	20	153	17	125	16
Investment guarantee	251	1	0	0	0	0
Working capital credit guarantee <sup>1</sup>	516	190	465	143	468	144
<b>TOTAL</b>	<b>56,816</b>	<b>7,238</b>	<b>39,913</b>	<b>6,786</b>	<b>43,610</b>	<b>4,839</b>
<b>Number of transactions that the guarantees issued refer to</b>		<b>2,082</b>		<b>2,093</b>		<b>1,821</b>

<sup>1</sup> for small and medium-sized enterprises

# New solutions for small and medium-sized companies

An increasing number of small and medium-sized companies are using EKN's guarantees in more and more transactions. It is primarily the need for funding that makes EKN's guarantees in demand. EKN has launched two new solutions to meet this need.

Guarantees to small and medium-sized companies amounted to SEK 2.2 billion, an increase of 29 per cent compared with the previous year. Of the 286 companies in this customer group that performed transactions with the support of EKN guarantees, 92 companies were new customers. Of the previous year's small business customers, 66 per cent have returned during the year. Many of these companies need EKN's guarantees at intervals of some years.

## EXPORT-INTENSIVE VÄSTRA GÖTALAND

EKN's local office in Gothenburg has been much in demand. Many small and medium-sized exporting companies are active in Västra Götaland and almost half of the guarantee volume to this segment was to companies operating in the region. EKN also has a local office in Malmö. Region Skåne is in second place with 23 per cent of the guarantee volume to small and medium-sized companies.

## FINANCING SOLUTIONS LAUNCHED

Exports often involve an increased need for funding. For a new market, for example, an increased workforce, larger stocks, a focus on marketing or investment in new machines might be needed. EKN often comes in at such a stage and can offer a solution to the funding needs. Companies need working capital credits and investment credits from the bank and EKN covers the bank's risk on the company. To better meet the funding needs, EKN launched two new solutions during the year:

- Extended guarantees for working capital credits and investment credits
- Extended loan opportunities at Almi

The extended guarantee means that EKN can cover 80 per cent of the bank's risk when the bank

provides a working capital or an investment credit. In the past, EKN has offered 50 per cent risk cover. The increase to 80 per cent is possible through collaboration with the EIF, the European Investment Fund. The EIF's participation also leads to an interest discount for companies, which makes the solution extra attractive. The solution is for innovative companies. The EIF applies a broad definition of innovative companies. Collaboration with the EIF is supported by InnovFin's guarantee instrument for small and medium-sized companies with financial support from the European Union within the framework of Horizon 2020 Financial Instruments.

The extended loan opportunity at Almi means that companies can use an account receivable as security to obtain a loan from Almi, when EKN insures the payment risk. This creates a financing opportunity for the companies.

## SMALL AND MEDIUM-SIZED COMPANIES' EXPORTS ARE GROWING FASTEST

Sweden's total exports have increased greatly during the last five years and it is the smallest companies that are increasing the most. From 2013 to 2017, micro-companies, with 1–9 employees, increased their exports by 37 per cent. Small companies, with 10–49 employees, increased their exports by 11 per cent. Medium-sized companies, with 50–249 employees, increased their exports by 24 per cent. Large companies increased their exports by 3 per cent.

EKN's employees conduct more than a thousand company visits every year and meet companies that export to both neighbouring countries Norway and Germany and markets all over the world.

# Corporate responsibility in the year's guarantees

EKN assesses risks of negative impact on people and the environment from the facilities where the exported goods or services will be used. EKN specifies requirements for responsible risk management and monitors that action plans are implemented.

EKN classifies transactions for risks on the environment and human rights. Category A means that exports will be used in an activity with a risk of significant negative impact, B in activities with a risk of some impact and C in activities with little or no impact.

In 2018, EKN guaranteed 39 category A, 932 category B and 656 category C transactions. Sometimes several transactions are destined for the same end-user, either to new projects or existing activities. This year's 39 category A transactions were destined to 20 end-users. Guarantees issued during the period amounted to SEK 1.8 billion for category A transactions, SEK 31 billion for B transactions and SEK 21 billion for C transactions. In the category A transactions, EKN has specifically assessed the risk of negative impact and how this is handled.

During 2018, EKN has updated the guidelines for environmental and social risk classification. The update includes, among other things, that starting 1 July 2018, EKN classifies new transactions to fossil-fuelled power plants and extraction of fossil fuels (coal mines, oil and gas fields) in the highest environmental risk category A due to the climate impact of fossil-based power production. Other examples of risk situations that are classified A include exports to large-scale operations in the extractive industries, due to general environmental impact, and transactions involving goods that do not require an export license to military buyers in high-risk countries.

## A AND B PROJECTS

When EKN issues guarantees for exports in A and B transactions:

- that exceed SEK 100 million,
- that are projects (new or expanded facilities),
- and where the credit period exceeds two years,

the guarantees are reported to the OECD.

This procedure is followed by all government export credit agencies within the OECD.

The projects that EKN reported during the year are described below. EKN's assessment is that the risks in these projects are managed responsibly by the buyer and in line with the frameworks that EKN follow.

## RAILWAY PROJECT IN ETHIOPIA: A

Second phase of a project that EKN first guaranteed in 2015 where a state-owned company is building 400 km of railway. The main risks are linked to soil erosion, water scarcity, road safety and loss of land for local residents. EKN has specified requirements for all these areas. EKN has particularly followed up on road safety issues, land issues and new income opportunities for people whose land has been lost. The project has also been evaluated in accordance with the guidelines for sustainable lending to highly indebted low-income countries. EKN has visited the project.

## UNDERGROUND MINE IN MEXICO: A

New underground mine in the Chihuahua province. Primarily production of silver and zinc. The main environmental risks are linked to potential impacts on groundwater, biodiversity, management of emissions to water and mining waste. Management plans to mitigate these risks meet EKN's requirements. EKN has particularly examined opportunities for workers to engage in trade union activities in a meaningful way.

## UNDERGROUND MINE IN CANADA: B

Underground mine on Vancouver Island to be re-opened after a long downtime. The mine is located in a protected area where some mining

has been allowed since the mid 60s. Dialogue with stakeholders takes place with every change to the environmental permit.

#### TISSUE FACILITY IN ARGENTINA: B

Expansion of an existing tissue factory in an established industrial area. The main risks are emissions to air and water. Emission levels are below IFC's guidelines. Additional investments in water treatment plants are underway. The pulp will be certified.

#### MONITORING

During the year, EKN monitored 13 large category A projects where EKN has set special conditions for responsible risk management as well as 42 other category A transactions. In total, 55 transactions were monitored. Projects that require a lot of land are particularly challenging, especially in situations where vulnerable people's livelihoods may be affected. EKN's conditions include requirements on how to handle land issues, including new income opportunities for the people whose land has been

affected. This may include, for example, large-scale infrastructure projects and pulp and paper projects.

#### UNACCEPTABLE SUSTAINABILITY RISKS

Responsible risk management requirements, as a condition to EKN's participation in the transaction, are a means of influencing a situation. In transactions with risk of significant impact on people and the environment, where plans for responsible risk management are missing and where EKN's requirements are not met, means that EKN does not participate.

Usually such applications are not taken up for formal rejection but are instead often terminated during EKN's review process. Sometimes EKN does not receive documentation or answers to questions and can therefore not take a decision. In some cases, the exporter chooses to withdraw the application. Examples of transactions which have not been completed this year include transactions related to one hydropower project that involved extensive relocation of people and one hydropower project next to a protected natural area.

#### 4.5 SUMMARY OF A TRANSACTIONS NOT REPORTED TO THE OECD, EITHER BECAUSE THE EXPORT IS TO EXISTING OPERATIONS (NOT PROJECT) OR BECAUSE THE EXPORT IS LESS THAN SEK 100 MILLION.

MAIN RISK AREAS	EKN'S ASSESSMENT AND ACTION	TRANS-ACTIONS	GUARANTEE VOLUME, MSEK
Personal integrity and freedom of expression. Telephone and internet surveillance.	Questionnaire on how requests from the state are handled. Assessment of the operating company's proximity to the state. Only export of standard telecom technology.	2 (1 end-user)	278
Emission of greenhouse gases from combustion of the extracted raw material (coal).	Greenhouse gases are produced when raw material is combusted. EKN cannot mitigate the climate impact.	3	47
Risks of illegal detention and civilian victims in the military's anti-terrorist campaign in two different countries.	The exported goods are civilian spare parts (that do not require a export permit) for existing military installations with no direct link to the identified risks.	19 (3 end-users)	33
Risk of emission of radioactive material.	The exported goods are installed within a major safety upgrade programme and directly counteracts the risk of radioactive emissions.	2 (1 end-user)	10
Health and safety of local communities and minor relocation of people. Risks that waste management and emissions affect groundwater and surface water. Working environment and working conditions.	Measures have been taken to manage the identified risks.	9 (8 end-users)	495
General environmental risks in large-scale mining.	No indications of unacceptable environmental impact.	2	17

# Growth, employment and global development

EKN's goal is to contribute to increased growth. By insuring their credit risks with EKN, exporting companies are increasing their business opportunities. Transactions that lead to jobs and increased GDP in Sweden and frequently also contribute to growth and technological development in the countries that exports go to.

During 2018, the transactions that EKN guaranteed contributed to around 30,300 jobs in Sweden and approximately SEK 32 billion of Swedish GDP. This is an increase of around 30 per cent compared to 2017 due to the year's larger volume of guarantees. The calculations are made according to a model based on the Swedish content of the guaranteed exports and industry sector multipliers from the Central Bureau of Statistics for added value and employment. Different industries contribute differently, depending, for example, on the proportion of imported input goods and labour intensity.

## EXPORTS TO MORE DIFFICULT MARKETS

EKN has great significance for exports to countries in the highest country risk categories 5, 6 and 7. For the period October 2017 to September 2018, EKN contributed SEK 12.8 billion in guarantee volume to countries in country risk categories 5, 6 and 7. (Export statistics for the full year are not available when the annual report is produced.) This corresponds to 24 per cent of the Swedish exports of goods to these countries. EKN's share of the total exports during the same period was 4 per cent.

## SMALL AND MEDIUM-SIZED COMPANIES' EXPORTS

Small and medium-sized companies are especially important for the development of Swedish exports. EKN therefore has a special mandate to promote exports from these companies and in 2018 guaranteed SEK 2.2 billion for their transactions. This represents a contribution to Swedish GDP of SEK 1.27 billion and 1,570 jobs. A total of approximately 5,100 people are employed in small and medium-sized companies that use EKN's guarantees.

## FINANCIAL RESOURCES FOR DEVELOPMENT

Around 40 per cent of the investments that need to be made to achieve the UN Development Goals in Agenda 2030 are expected to be made by commercial stakeholders and the rest by public stakeholders. Regardless of whether it is private or public stakeholders that make the investments, the investments will need to be financed.

Export credits guaranteed by the Swedish government, which have the highest creditworthiness, give low-income countries investment opportunities that they would otherwise have been referred to expensive borrowing to implement. Guaranteed export credits are a type of funding with a great capacity for long-term financing, which is needed for many of the investments that support the UN Development Goals.

One example is investment in low-income countries in telecommunications. Indicator 9C in the UN Development Goals is "significantly increase access to information and communications technology". During the year, EKN contributed to a financing solution for telecom equipment in a low-income country by guaranteeing the payment risk of SEK 278 million.



A person is silhouetted against a bright light source, standing in a doorway of a large industrial building with a grid-like structure. The light creates a strong lens flare effect. The person is walking away from the camera towards the light.

# Risk developments

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The issue of guarantees generates a risk exposure in the form of outstanding guarantees and claims. This section describes the exposure and how it has changed compared to the previous year.

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# Increased exposure and higher concentration

EKN's outstanding guarantees increased to SEK 193.3 billion. Two major transactions to the USA led to a higher concentration of risk in the USA.

At the end of 2018, EKN had outstanding guarantees and claims in 137 countries. Outstanding guarantees increased in 2018 to SEK 193.3 billion at year-end, from SEK 181.5 billion at the end of December 2017.

## LOWER RISK IN EXPOSURE

EKN reserves the anticipated loss of each transaction. In the financial reporting, anticipated loss includes "Provisions for unearned premiums and unexpired risks before reinsurance" and "Provision for claims incurred before reinsurance". Provisions in relation to exposure decreased to 5.1 per cent in 2018. The lower level is due to increased guarantees in transactions with a low risk profile.

Provisions for claims are made for transactions without payments or where there is a high risk of non-payment. Provisions for claims at year-end amounted to SEK 2.8 billion (3.5). As a percentage of exposure, provisions for claims correspond to 1.4 per cent (1.9 per cent), a decrease as a result of

both a reduced provision for claims and increased exposure.

## LARGE CONCENTRATION INCREASE IN THE USA

A large part of EKN's exposure is concentrated on a few countries. Brazil represents the largest country risk concentration, due to a single large transaction. 64 per cent of exposure relates to transactions to five countries and 84 per cent to 15 countries. Exposure in the 15 largest countries has increased since the previous year-end, from SEK 148.8 billion to SEK 163.3 billion. The increase is mainly due to two new guarantees in the USA. During 2018, concentration on the USA has almost trebled compared with 2017 as a result of these two guarantees.

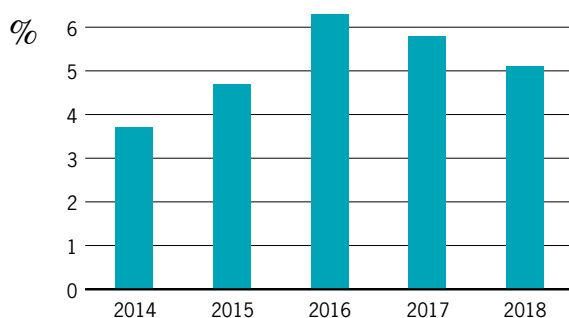
## TELECOM CONTINUES TO DOMINATE

During 2018, guarantees issued in telecom increased, which increases the concentration in EKN's portfolio. This change is also due to two individual large guarantees. The defence sector remains a large industry, as a result of the export of Gripen aircraft. Due to long maturities of guarantees in the telecom and defence industries, concentrations are expected to remain high during the next years.

## PRIVATE REINSURANCE FOR REDUCED RISK

In order to reduce the concentration risks in EKN's portfolio, EKN has reinsured two transactions during 2018. One way of measuring concentration risks is so-called un-anticipated losses. Un-anticipated losses in 2018 decreased by SEK 1,978 million, 13 per cent, as a result of private reinsurance. The corresponding decrease for 2017 was SEK 552 million, 4 per cent.

5.1 PROVISIONS FOR ANTICIPATED LOSS AS A PERCENTAGE OF EKN'S EXPOSURE



CLAIMS

The total amount of outstanding claims has increased in recent years, which also applies to 2018. It is the commercial claims that account for the increase, mainly due to large individual claims paid for transactions in Spain, Chile and India and a number of transactions in Saudi Arabia.

Recoveries from commercial claims have also increased and amounted to SEK 217 million, of which SEK 97 million is repayment in a transaction in South America.

Most of the political claims, i.e. claims from governments, continue to be paid according to agreement. The governments that do not pay are North Korea, Syria, Venezuela and Zimbabwe.

New political claims are for transactions to Iran that were not concluded before the trade sanctions entered into force.

5.2 OUTSTANDING OFFERS AND GUARANTEES BY INDUSTRY

2018

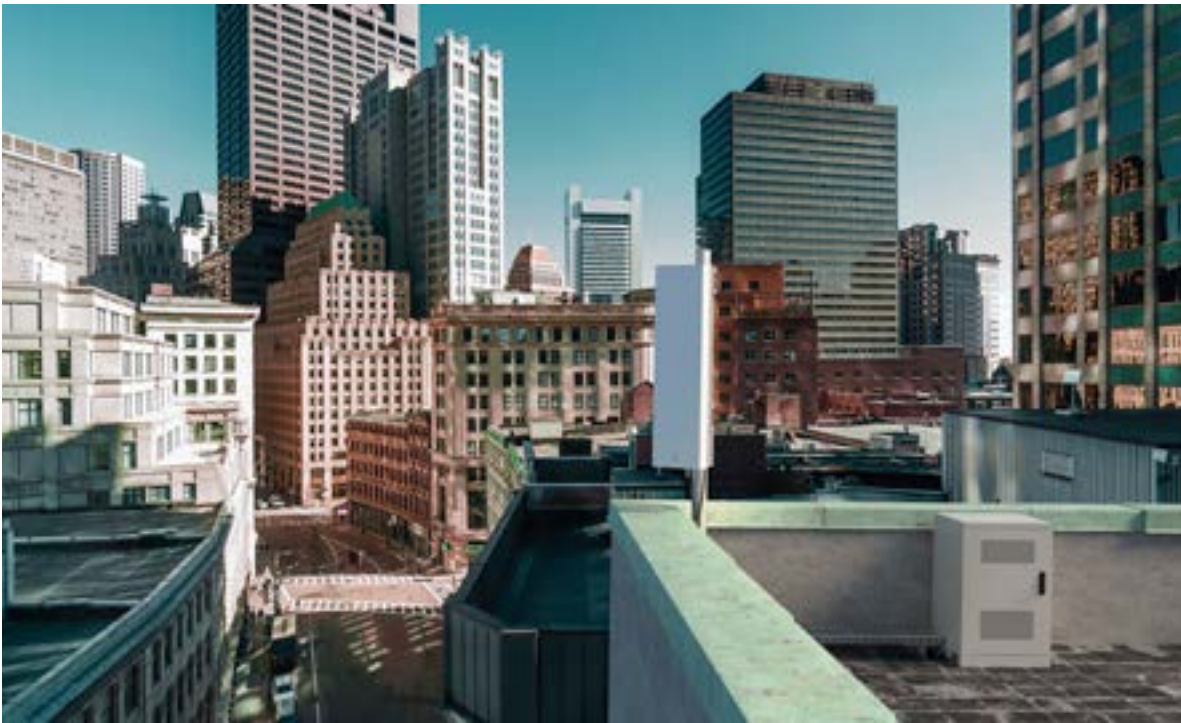
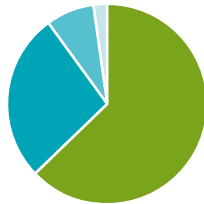
- Telecom 37% (2017, 36%)
- Defence 27% (2017, 29%)
- Power 10% (2017, 10%)
- Machinery 10% (2017, 10%)
- Transport 9% (2017, 8%)
- Contract work 3% (2017, 3%)
- Others 4% (2017, 5%)



5.3 OUTSTANDING OFFERS AND GUARANTEES BY COUNTERPARTY

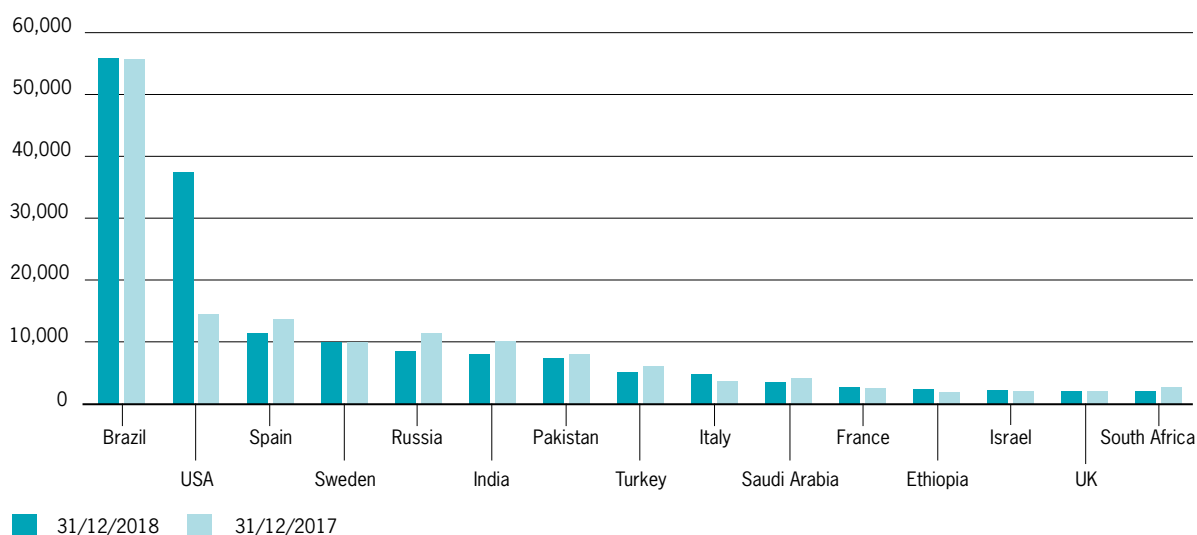
2018

- Foreign companies 63% (2017, 60%)
- Public buyers 27% (2017, 28%)
- Swedish companies 8% (2017, 8%)
- Banking/finance 2% (2017, 4%)



Concentration in the United States has trebled because of two transactions.

## 5.4 THE 15 LARGEST COUNTRIES – OUTSTANDING GUARANTEES (SEK MILLION) 31/12/2018



## 5.5 POLITICAL RECOVERIES, CLAIMS PAID, OUTSTANDING CLAIMS (SEK MILLION)

	RECOVERIES 2018	PAYMENT OF CLAIMS 2018	OUTSTANDING CLAIMS 31/12/2018
Argentina	21	0	48
Bosnia and Herzegovina	7	0	24
Indonesia	15	0	35
Iraq	40	0	368
Iran	0	31	47
Kenya	4	0	3
Cuba	18	0	1,785
North Korea	0	0	2,753
Pakistan	79	0	563
Serbia	5	0	40
Syria	0	0	10
Venezuela	0	0	5
Zimbabwe	0	0	43
Standard distribution of recoveries	-5		
<b>TOTAL</b>	<b>185</b>	<b>31</b>	<b>5,723</b>

Totals for 2017: Recoveries 161, Claims paid 0, Outstanding claims 5 765. Totals for 2016: Recoveries 804, Claims paid 0, Outstanding claims 6 021.

Totals for 2015: Recoveries 246, Claims paid 76, Outstanding claims 5 335. Totals for 2014: Recoveries 114, Claims paid 186, Outstanding claims 5 403.

## 5.6 OUTSTANDING OFFERS

	13/12/2018		13/12/2017		13/12/2016	
	MSEK	Number	MSEK	Number	MSEK	Number
Guarantee for loss on claim for exporters	26,296	1,579	19,076	1,478	22,740	1,325
Loss on production and loss on claim guarantee	1,139	9	978	7	654	11
Guarantee for loss on claim for lenders	51,753	52	58,610	57	17,988	37
Unfair calling guarantee	87	1	279	1	299	3
Counter guarantee	13,475	55	11,143	43	19,690	59
Letter of credit guarantee	0	0	77	3	600	2
Bill of exchange guarantee	285	2	495	7	125	4
Working capital credit guarantee <sup>1</sup>	323	57	234	54	331	58
Investment guarantee	1,411	2	1,551	2	1,245	2
<b>TOTAL</b>	<b>94,769</b>	<b>1,757</b>	<b>92,443</b>	<b>1,652</b>	<b>63,672</b>	<b>1,501</b>

<sup>1</sup> for SMEs

## 5.7 OUTSTANDING GUARANTEES

	13/12/2018		13/12/2017		13/12/2016	
	MSEK	Number	MSEK	Number	MSEK	Number
Guarantee for loss on claim for exporters	16,341	4,911	15,805	4,556	14,761	3,558
Loss on production and loss on claim guarantee	761	28	803	24	841	15
Guarantee for loss on claim for lenders	153,550	326	142,893	322	162,201	406
Unfair calling guarantee	259	6	233	5	345	6
Counter guarantee	19,170	350	17,186	394	17,337	448
Letter of credit guarantee	1,526	138	3,263	206	1,918	134
Bill of exchange guarantee	61	15	131	26	114	28
Working capital credit guarantee <sup>1</sup>	475	181	369	136	486	148
Working capital credit guarantee <sup>2</sup>	0	0	0	0	2,645	4
Investment guarantee	1,152	2	802	1	853	1
<b>TOTAL</b>	<b>193,295</b>	<b>5,957</b>	<b>181,485</b>	<b>5,670</b>	<b>201,502</b>	<b>4,748</b>

<sup>1</sup> for SMEs    <sup>2</sup> for large companies (temporary solution)





# Collaboration

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This section reports on how EKN is building and promoting awareness of EKN's services amongst small and medium-size enterprises.

EKN has the task of collaborating with other export promotion actors and reports the collaboration here.

EKN's mission includes participating in relevant international activities as reported in this section.

In collaboration with other actors, EKN will contribute to the UN Development Goals, Sweden's policy for global development and the Addis Abeba Action Agenda for development financing. This is reported here.

EKN's competence supply is reported, as well as the ongoing work to improve the organisational efficiency.

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# Team Sweden regionally and internationally

During the year, regional export collaboration has been established in every county in the country. This means that more small and medium-sized companies have easier access to advice and financing. EKN has a special business area targeted at small and medium-sized companies, with employees who carry out about a thousand company visits nationwide.

EKN's close collaboration with Almi and Business Sweden has strengthened with the regional export collaboration. A large number of joint regional activities have been carried out during the year. EKN and Almi have also jointly launched a financing solution. The regional export collaboration also includes the Swedish Agency for Economic and Regional Growth's regional pages at [verksam.se](http://verksam.se).

The export promotion organisations have carried out a joint training programme to help companies to make contact with the right organisation based on their specific needs.

## INNOVATIVE COMPANIES

EKN also has commercial partnerships to increase its local presence. Di Gasell is one such partnership, which means that during the year EKN has participated in network meetings for companies and banks on 14 occasions in 11 locations. EKN also awards a prize, the Export Gazelle, to celebrate the most successful fast-growing company with exports to growth markets.

New for the year is the partnership with Serendipity Techarena. Serendipity is aimed at innovative technology companies that have begun to commercialise their innovations and reach a wider market. These companies often have a great need for financing and it has been important to reach them in EKN's launch of the new, extended working capital credit guarantee.

## REACHING OUT TO BUYERS AND FINANCIERS

Business Sweden organises business delegations where Swedish companies meet prospective buyers

of Swedish goods and services. Together with the Swedish Export Credit Corporation (SEK) and Swedfund, EKN offers financing solutions in selected, very large projects in the world, so-called High Potential Opportunities.

Swedish exports are strengthened by international banks being aware of the Swedish export credit system. The banks need to know what benefits it provides, when the projects and installations that they are financing choose Swedish goods and services. EKN therefore participates with speakers at a selection of the international conferences about trade finance that are held across the world every year. One of the conferences is held annually in Stockholm, where EKN is a partner. EKN also arranges conferences and seminars itself.

## WIDENING THE CUSTOMER BASE

It is part of EKN's mission to widen the customer base and increase small and medium-sized companies' awareness of what EKN offers. EKN has increased its publishing of articles on export and financing solutions. These are distributed to small and medium-sized companies and bank branches via purchased channels.

EKN has also increased its contacts with editorial departments in the national press, local press and industry press. An article in *Företagarna's* members magazine, a national newspaper or a feature on local radio for example will contribute to increased awareness of EKN. During the year, EKN has been mentioned in 562 features in the media, compared to 185 in 2017.

Two promotional campaigns have been carried



Campaign page for Almi loans with EKN-guaranteed receivables.



Banner on di.se.



Advertising on LinkedIn.



Campaign page for extended working capital credit guarantees.

out, mainly in digital media and as digital mailings. The campaigns have focused on the two new financing solutions – Almi loans with EKN-guaranteed receivables and expanded working capital credit guarantees. About 150 companies have activated themselves on the campaign page at [ekn.se](http://ekn.se) and clicked that they wish to have contact with EKN's regional managers and/or continue to receive information from EKN.

#### COMPANIES MEET THE BANKS' RELATIONSHIP MANAGERS

The single most important distribution channel for reaching companies is the banks' relationship managers. The relationship managers are well aware of EKN. According to surveys that EKN has previously made, awareness of EKN is approximately 90 per cent. The deeper the knowledge they have about how EKN's guarantees can be used, the more they can contribute to export transactions being financed and taking off. EKN has therefore conducted two training courses for relationship managers and bank branch managers. This has also been an opportunity to talk about the new, extended working capital credit guarantee. The courses have been in demand and EKN will continue with them during 2019.

#### AWARENESS IS A PERISHABLE PRODUCT

Every year a large number of companies start to export. At the same time, there are companies terminating their export business. Some go bankrupt. Others grow and are defined as a large company. The target group "exporting small and medium-sized companies" is an agile one, with a large inflow and outflow every year. The work of creating awareness of EKN in the target group must therefore constantly be renewed and streamlined.

The awareness survey carried out in December 2018 shows that 48 per cent of exporting small and medium-sized companies are aware of EKN. Of the companies that offer their customers credit and/or have a need for financing, 53 per cent are aware that EKN offers solutions.

The awareness survey carried out in December 2017 was done in a partially different way and the results are therefore not fully comparable. The previous year's measurement showed an awareness of EKN of 39 per cent. Among companies with a need for financing and customer financing, awareness was 45 per cent.



# International collaboration

A revised proposal on Anti-corruption is up for discussion the OECD. In the so-called Arrangement, an increase of the permitted share of local costs in export transactions is also being discussed. The global debt situation is discussed in the Paris Club.

In the OECD, government export credit institutions have agreed on common guidelines regarding financial terms, conditions, and premium. The aim is to ensure competitive neutrality between exporting countries. The Paris Club is the forum where public and publicly guaranteed credits are renegotiated, when a country has such large payment problems that the country can no longer honour its commitments. Strengthened

## STRENGTHENED OECD RECOMMENDATION ON ANTI-CORRUPTION

EKN and Sweden have been a driving force for strengthening the OECD recommendation on bribery and have, among other things, worked to ensure that the guidelines shall also include bribes in the private sector. The revised proposal is now up for discussion.

## LOCAL COSTS

The OECD countries' agreement on the financial terms and conditions for government export credit

guarantees, The Arrangement on Officially Supported Export Credits, specifies the maximum portion of the export contract value which is permitted to be local costs in the recipient country when a government provides export credit guarantees. The limit at present is 30 per cent. EKN has repeatedly raised the issue of an increase to 50 per cent and pushed for a change to be brought about in 2019. There is a preliminary agreement among the EU member states to submit a proposal for an increase.

## THE PARIS CLUB

In 2018, it has become clear that the global debt situation in many of the world's countries is anything but favourable. Among low-income countries and emerging economies that are being discussed in the Paris Club, there are a large number of states with unsustainable debt situations that may lead to suspension of payments with serious national problems as a result. EKN has significant exposure in a number of these countries, not least in Africa.



The OECD headquarters in Paris.

# Collaboration on sustainability

Climate change has been in focus for EKN's own work related to environmental quality goals, in international collaboration and in EKN's stakeholder dialogue with civil society organisations.

EKN collaborates within the OECD to achieve competitive neutrality. This applies to pricing, the length of credit periods to be permitted, and which sustainability requirements are to be set.

## **AGREEMENT ON COAL-FIRED POWER PLANTS**

There is an agreement within the OECD on government export credit institutions and transactions for coal-fired power plants. The aim is to limit the possibilities for OECD countries to contribute to negative climate impact. Export credit guarantees shall not be offered to coal-fired powerplants, except for to the world's poorest countries. This creates a level playing field amongst exporting companies in the OECD and a united front against increased coal burning.

The OECD agreement is a first step. It does not apply to transactions with short credit periods nor to exports of equipment to coal mines. During this year, EKN has clarified its application of the OECD agreement and decided to also apply it to transactions with short credit periods. Starting 1 July 2018, EKN is therefore not guaranteeing any products or services to be used in coal-fired power plants or in new industrial projects involving coal-fired power plants. This decision is in line with EKN's implementation plan for environmental quality goals and has been presented to other export credit institutions within the OECD.

## **CLIMATE CHANGE**

EKN and SEK carried out a stakeholder dialogue with civil society organisations. The topic was how EKN and SEK deal with climate-related issues in export transactions.

## **INCREASING OUR LEVERAGE**

In some transactions, both EKN and the exporting company have limited leverage on influencing environmental and human rights risks.

This applies, for example, when the exporting company is selling equipment to infrastructure contractors in states with where governments are failing their obligations to protect the environment and human rights. In 2017, EKN initiated a dialogue with the Ministry for Foreign Affairs on opportunities for more effective leverage on addressing human rights impacts. In 2018, the International Council of Swedish Industry (NIR) was instructed by the Ministry for Foreign Affairs to initiate a pilot project on how this could be done.

EKN has continuous dialogue, training and exchange of experience with exporting companies and banks about the management of sustainability risks in export transactions and EKN's requirements.

## **UN SUSTAINABLE DEVELOPMENT GOALS (SDGS, AGENDA 2030)**

In 2018, EKN's Director General was elected to participate in an operational task force which aims to coordinate and strengthen Swedish authorities' contribution to Agenda 2030, the UN sustainable development goals. This provides EKN with an opportunity for further interaction with other authorities on Agenda 2030, to which EKN can contribute with a business and international perspective.



# Provision of competence

The annual workforce and staff turnover are on par with the past few years. Courses have been given in collaboration with other export promotion organisations. Efficiency enhancements have been made to cope with the increase in transactions. The administrative rules and case system have led to efficiency improvements.

During 2018, 13 employees have been appointed and 10 employees have left permanent employment. The number of FTEs was 136 at year-end, compared to 135 at the end of 2017. EKN still needs to secure the long-term provision of competence.

One person was hired within the framework of modern preparedness jobs.

## JOINT TRAINING PROGRAMMES

A training programme has been carried out together with Business Sweden and the Swedish Export Credit Corporation. The aim has been to provide increased knowledge about the export promotion organisations and increase collaboration. Five employees participated. An exchange programme has also been carried out with SACE, Italy's equivalent of EKN. Two employees participated.

Training has also been carried out in IT security, travel safety, industry knowledge and the GDPR.

## PROCEDURES, SYSTEM SUPPORT AND DELEGATION

During the year, changes have been made in the delegation and work arrangements, which have given more efficient procedures. Efficiency has also

been the aim of the changes made in the various systems support. Improved efficiency is necessary to cope with the increase in the number of transactions of over 30 per cent in the last five years. Continued development of different forms of system support is ongoing.

## NEW TERMS AND CONDITIONS

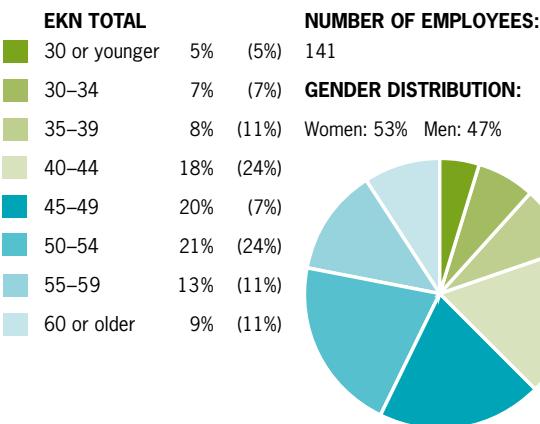
A new customer portal has been launched. This gives the opportunity to launch new terms and conditions. In the new terms and conditions there is a solution that makes it easier for banks that purchase guaranteed receivables to use the guarantees in their capital adequacy. There is great demand for this solution and EKN therefore launched it separately at the beginning of 2019.

## SECURITY

Monitoring of incidents in the IT system has been extended. A number of measures have led to more secure solutions and procedures regarding different aspects of information security.

The crisis management team carried out an exercise.

### 6.1 AGE AND GENDER DISTRIBUTION OF PERSONNEL



### 6.2 SICKNESS ABSENCE AS A PERCENTAGE OF DAYS WORKED

EKN TOTAL	2018	2017	2016
Younger than 30	2.42	0.8%	2.2%
Between 30 and 49	1.22	1.6%	3.3%
50 or older	2.69	3.0%	1.9%
Women	2.69	2.4%	4.0%
Men	0.98	1.8%	1.3%
<b>TOTAL SICKNESS ABSENCE</b>	<b>1.89</b>	<b>2.1%</b>	<b>2.8%</b>
Long-term sickness absence* as a proportion of total absence	31.14	42.5%	41.2%

\*Long-term absence refers to 60 days or more

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# Statutory limit utilisation

Refers to guarantee amounts in SEK million

EXPORT CREDIT GUARANTEES	31/12/2018	31/12/2017	31/12/2016	31/12/2015	31/12/2014
Maximum amount of liability permitted by Swedish parliament	450,000	450,000	450,000	500,000	500,000
Authorisation given to EKN by Swedish government	450,000	450,000	450,000	500,000	500,000
Outstanding guarantee exposure (guarantees and offers)	254,001	250,380	238,482	259,497	243,857
<b>INVESTMENT GUARANTEES</b>					
Maximum amount of liability permitted by Swedish parliament	10,000	10,000	10,000	10,000	10,000
Authorisation given to EKN by Swedish government	10,000	10,000	10,000	10,000	10,000
Outstanding guarantee exposure (guarantees and offers)	2,563	2,158	2,094	4,633	4,755

The Swedish parliament decides on the maximum amount to which EKN may commit the Swedish government in guarantees. The full amount of guarantees and binding offers is offset against the statutory limits, while 50 per cent of the amount of non-binding offers is offset. An offer becomes binding for EKN when the guarantee holder signs an agreement with the respective counterparties.

At the end of 2018, EKN had utilised SEK 254 billion of the statutory export credit guarantee limit. Statutory limit utilisation was SEK 250.4 billion at the same time last year.

The share of the statutory limit utilisation comprising guarantees and binding offers totaled SEK 222.5 billion and the share comprising non-binding offers was SEK 63 billion. The statutory export credit guarantee limit for 2018 was SEK 450 billion.

A statutory limit of SEK 10 billion is granted by the Swedish parliament for investment guarantees. Statutory limit utilisation at the end of 2018 was SEK 2.6 billion, compared to SEK 2.2 billion in 2017.

EXPORT CREDIT GUARANTEES	31/12/2018	31/12/2017	31/12/2016	31/12/2015	31/12/2014
Binding offers	30,358	48,502	13,239	24,260	20,106
Non-binding offers	62,999	42,390	49,188	45,981	102,894
Guarantees	192,143	180,683	200,649	212,246	172,304
<b>TOTAL</b>	<b>254,001</b>	<b>250,380</b>	<b>263,076</b>	<b>282,488</b>	<b>295,304</b>
<b>INVESTMENT GUARANTEES</b>					
Binding offers	1,411	1,162	1,237	2,737	2,814
Non-binding offers	0	389	8	8	0
Guarantees	1,152	802	853	1,888	1,941
<b>TOTAL</b>	<b>2,563</b>	<b>2,158</b>	<b>2,098</b>	<b>4,633</b>	<b>4,755</b>

# Financial reporting principles

EKN complies with the Annual Reports and Budget Documentation Ordinance (2000:605) (FÅB), as well as the Ordinance on the Bookkeeping of Government Agencies (2000:606). EKN has opted for convergence with the policies of IFRS and insurance accounting. The layout is based on the Annual Accounts Act for Insurance Companies (1995:1560).

In order to do this, EKN has been granted an exemption from the National Financial Management Authority (ESV) with respect to the layout of income statements, balance sheets and cash flow statements as stipulated in FÅB.

Unless otherwise specified, all amounts are reported in SEK thousands.

## CHANGES IN FINANCIAL REPORTING PRINCIPLES

With effect from December, EKN is included in the currency group account structure of the National Debt Office, which means that the National Debt Office's closing rate is used for revaluation of balances of the bank accounts for the currencies EUR, USD, CHF and JPY.

## PREMIUMS

The premiums shall cover the expected losses and operating costs over time. Income from guarantees is entered when a guarantee is issued and liability is incurred. Liability is incurred when the insurance period has begun or the guarantee premium has fallen due for payment. At the same time as the income is recognised, a provision is made for unearned premiums which relate to the part of the premium that accrues after the year-end closure. The premium is earned during the guarantee period and adjustments are made for changes in the unexpired risk.

EKN's premiums reflect the expected loss in each guarantee, in accordance with the Ordinance on Lending and Guarantees. With controls against

international rules, the premium may deviate from the expected loss based premium. One case arises when one of EKN's established premiums is less than the minimum premium in international agreements and EU's state aid rules. The premium is adjusted to be at the level of the minimum premium and exceeds the expected loss based premium. Earned excess premiums are reported as debt to the Swedish state. The second case is when EKN, in the context of the EU's regulations for export credit guarantees, takes a lower premium than the expected loss based premium, due to matching of other countries Export Credit Agencies premiums. This is reported as claim to the Swedish state.. In accordance with its instruction, EKN has the right to use each year's estimated deficit because of matching against the corresponding surplus. A deduction for deficits may only be used in the year a surplus arises. EKN reports separately the parts of premiums that are higher or lower than the expected loss. When a guarantee is earned over several years and may be liquidated early during the maturity period, each year's earnings from the premiums that are not expected loss based and the year's cost of matched premiums are calculated and the net amount is reported as a liability to the government. The next year the liability to the government is regulated in accordance with EKN's instruction.

Reinsurance costs and reinsurer's share of unearned premiums and unexpired risks are separately reported. Administrative revenue is not accrued because accrual of administrative expenses and revenue would have difficulty providing a truer and fairer image in light of the operations of the agency. The reason is that a large portion of the work is spent on the offer process, i.e. before there was a guarantee, while the term of an individual guarantee can be very long.

	31/12/2018	31/12/2017	31/12/2016	31/12/2015	31/12/2014
USD	9.0211	8.2322	7.9725	8.8386	9.0971
EUR	10.3527	9.8497	9.4839	9.6222	9.5669
CHF	9.1233	8.4281	8.2707	8.9018	8.9111
JPY	0.0800	0.0731	0.0722	0.0794	0.0777

The rates are attached to each period's reports. In the table, rates have been rounded to four decimal points.

## VALUATION OF EXPOSURE

EKN's outstanding exposure consists of outstanding guarantees, recently overdue amounts in problem transactions and reported delays. Provisions for the outstanding risk exposure are divided up into two parts for accounting purposes on the income statement and balance sheet. One part refers to provisions for unearned premiums and unexpired risks, the other refers to provisions for future claims.

EKN values all outstanding guarantees every tertiary on the basis of the risk assessment applicable at the time for transactions with equivalent remaining terms. Provisions for unearned premiums and unexpired risks referred to on-going guarantees that retain their original value, or where a minor value adjustment has been made. These are guarantees that EKN could enter into again at the time of valuation. After they are entered into, transactions can be valued at a lower risk than was the case when the guarantee was issued as the result of an improvement in the underlying risk. In these cases, this results in a positive effect on profit for the period. However, the premature redemption of a guarantee assessed at a lower value would result in a corresponding lower repayment of the remaining premium. As a result, prepayments reflect the new lower value. If the guarantee assessed at a lower value remains in EKN's exposure, the premium paid also remains in EKN's provision.

Provisions for claims are provisions for guarantees with such a risk that EKN could not have agreed to issue a new guarantee at the time of valuation. Given that the time is long from the indication that claims payment is highly likely to the point when indemnification is actually made, this provision is required. Amounts are deducted from provisions for the portion of the premium that, ac-

cording to calculation, corresponds to the administration costs. In cases where reinsurance has been taken out, the risk associated with the reinsurer is calculated in the same way as for other exposures.

## VALUATION OF INDEMNIFIED CLAIMS

In the event of claims payment, EKN takes over the claim from the guarantee holder. Claims increase as a result of stipulated capitalized interest, past due unpaid interest and accrued interest not yet due according to new repayment agreements. Claims decrease as interest is paid and repayments are made or when written down. A decision in favour of a write-down is made when the possibilities of recovery are considered exhausted, in EKN's opinion, or when the debtor is granted debt relief. The value of the claims reflects the expected recoveries. All claims exceeding SEK 10 million are valued every tertials. The claims are valued at incremental five per cent levels. The basis for assessing sovereign risks is the country's debt, its income level and how well it has honoured its debt payments. This assessment is supplemented with information about the general risk situation in the country, and how long the remaining term is on EKN's claim. Other additional information that is used may include the ability to dispose of assets, realise collateral or the prospects of debt reduction.

## FOREIGN EXCHANGE MANAGEMENT

Currency effects on the asset and liability sides are recognised under financial items. EKN balances assets and liabilities in all guarantee currencies every quarter. This is to reduce the effect of exchange rate changes on profit/loss. Assets and liabilities in foreign currencies have been measured at the bid price on the balance sheet date at the Riksbank.



### CONCENTRATION RISKS

A large portion of EKN's exposure is concentrated on a limited number of countries and counter parties. Claims in respect of these risks can have a significantly more negative outcome than normally expected, or in other words can result in unexpected losses. Indemnified claims are also concentrated to a limited number of countries. EKN uses an in-house developed simulation model to calculate both the expected and unexpected loss in order to analyse, assess and report the cumulative risk of loss associated with the portfolio. EKN simulates a large number (600,000) of potential future outcomes to obtain a loss distribution curve which can be used to see how much provisions and buffer equity EKN needs to have to keep its operations self-sustaining over time for a given level of confidence. In accordance with the adopted portfolio risk policy, EKN's provisions and equity shall be equivalent to a level of confidence of at least 95 per cent for the horizon of the entire portfolio's term, which was defined as 20 years. This means that 95 per cent of all simulated scenarios meet the requirement that the premiums are to cover the costs of EKN's operations, which has been deemed a satisfactory level of confidence.

The unexpected loss in the exposure and claim portfolio is instead included in equity and recognised separately as a Note under the equity line item in the balance sheet.

### MISCELLANEOUS

Other assets and liabilities have been valued and other revenue and expenses have been accrued under the rules of the FÅB and generally accepted accounting practices. Operating costs in excess of SEK 50,000 are accrued over the period to which the cost relates. Fixed assets include purchases

in excess of SEK 20,000. Computers and other IT equipment are depreciated over three years. Other office equipment is depreciated over five years. EKN capitalises costs for intangible assets and these are depreciated over five years. EKN's financial assets, in the form of investments with the Swedish National Debt Office (Riksgälden) and bonds in foreign currency are planned to be held to maturity.

### CALCULATION OF LIMIT UTILISATION

The full amount of guarantees and binding offers and half of the amount of non-binding offers are offset in the calculation of the utilisation of the guarantee limits adopted by the Swedish parliament. Binding offers are offers for which unconditional agreements have been reported between the exporter and the buyer, but where no guarantee agreement has been issued between EKN and the guarantee holder. Non-binding offers arise when EKN decides to issue an offer. However, no underlying agreement between the exporter and the buyer has been reported for a non-binding offer, nor has a guarantee agreement been issued by EKN.

# Profit analysis

EKN had a profit of SEK 1,004 million (SEK 1,418 million). Premiums decreased compared with the previous year, in spite of increased volumes, which is due to lower risk in new transactions. Costs for EKN's claims decreased during the year, but the payments remain high, which relates to previous years' claims. The profit from financial items was higher than the preceding year.

The weaker profit, compared with the previous year, is mainly attributable to lower guarantee income, 1,384 for 2018 compared with 2,121 the previous year. During the year, EKN's claims costs amounted to SEK -559 million and net claims paid to SEK 1,738 million.

The profit from financial items increased during the year as the result of favourable interest rates in Swedish kronor and weakening of the krona against foreign currencies. Following an amendment to the Ordinance (2011:211) on loans and guarantees, the bond portfolios in euros and US dollars were liquidated. Sales of assets resulted in an effect of SEK -130 million on profit. Present value changes in receivables in Swedish kronor and a positive currency result contributed to an increase in the profit from financial items. In total the profit from financial items amounted to SEK 390 million.

## PREMIUMS

Income from premiums during the year amounted to SEK 1,384 million, which is lower than the previous year's SEK 2,121 million. Guarantee income amounted to SEK 890 million, which is lower than the previous year's SEK 1,266 million. The year's lower guarantee income is mainly due to some major transactions being attributable to OECD countries. The issue of guarantees in OECD countries normally means lower premiums, since the risks are often lower.

EKN's premiums generally reflect the risk in the transaction. In some transactions, the premium differs from EKN's risk assessment. When the premium deviates, it may be higher or lower than the assessed risk. The parts of the premiums that do not correspond to the expected price of the transaction are reported as payment on revenue heading, a payment to the treasury. The year's earnings

from premiums over expectation amount to SEK 148 million and the year's expenses for matched premiums amounts to SEK 1 million. For 2018, SEK 135 million will be paid in 2019.

The provision requirement for unearned premiums and unexpired risks was reduced by SEK 219 million, compared with the previous year when SEK 698 million was reversed. In 2018, the need for provisions for current transactions was relatively unchanged. This is explained by the lower discount rates and new guarantees counteracting amortisation of existing exposure.

## OTHER REVENUES

Other revenues amounted to SEK 29 million, which is 26 million more than the previous year. The increase is due to EKN receiving compensation for previously paid legal fees in claims cases. Of the other income, SIDA accounted for SEK 0.6 million.

## LOWER CLAIMS INCURRED

Claims incurred amounted to SEK -559 million in 2018. In the previous year, they amounted to SEK -731 million. The reduction in claims incurred is mainly explained by the large transactions that were a part of EKN's portfolio in 2016, not followed by new, large claims in 2017 or 2018. Indemnified claims amounted to a nominal SEK 11,550 million at the end of the year and are valued at SEK 1,727 million.

## LOWER CLAIM COMPENSATION AND INCREASED RECOVERIES

Net claims paid amounted to SEK 1,738 million and increased from SEK 1,410 million the previous year. The largest payments refer to transactions to Spain, Saudi Arabia and Chile.

The net recoveries of claims amounted to SEK 398 million. This is an increase from SEK 236 million in 2017. Of the year's recoveries, payments from Chile, Pakistan, Spain and Iraq accounted for the majority.

## REINSURANCE

During the year, EKN signed a new reinsurance and an existing reinsurance has been expanded and extended. The cost of reinsurance amounted to SEK 219 million, which compares with SEK 24 million the previous year. The reinsurance share of the change in unearned premiums and unexpired risks amounted to SEK 346 million, which compares with SEK 70 million the previous year. The reinsurance share of the change in provisions for claims incurred amounted to SEK 26 million compared with SEK -174 million the previous year.

## INCREASED OPERATING COSTS

Operating costs amounted to SEK 240 million, which is SEK 12 million above the previous year's level. The vast majority of EKN's operating costs refer to personnel expenses which, as in previous years, account for almost two-thirds of the total operating costs. These amounted to SEK 148.0 million and increased by SEK 5 million. The increase in personnel expenses is mainly due to pension provisions, wage developments and competence exchange.

Travel costs amounted to SEK 5.6 million, a reduction of SEK 2.5 million.

Cost of premises amounted to SEK 18.5 million, at the same level as the previous year.

Operation of the offices amounted to SEK 2.3 million, a somewhat lower cost than the previous year.

Consultancy costs amounted to SEK 42.3 million, an increase of SEK 10.1 million, mainly due to IT development projects.

Other items decreased by SEK 1.3 million and amounted to SEK 23.9 million, which is mainly explained by lower IT operating costs.

During 2018, EKN has also taken internal claims-prevention costs against the risk provision, in accordance with the Ordinance on Lending and

Guarantees (2011:211). These costs amounted to SEK 13 million.

EKN's administrative result for 2018 was minus SEK 51.4 million, which can be compared with the previous year's minus SEK 21.2 million (see Note 22).

## FINANCIAL MANAGEMENT

At year-end, EKN's financial assets amounted to SEK 27,658 million, which is an increase from SEK 27,388 million at the end of 2017. Of the financial assets, SEK 19,905 million was in Swedish kronor; foreign currency investments were phased out during the autumn of 2018. In connection with the liquidation of bonds issued in EUR and USD the average return on the bond portfolio decreased from 1.3 per cent in 2017 to 1.2 per cent in 2018.

Income from financial management amounted to SEK 531 million, which is an increase from the previous year's SEK 360 million. Changes in the present value of premium receivables contributed to the increased income. The currency result for 2018 was positive and amounted to SEK 32 million, an increase over the previous year's minus SEK 44 million. Most of the foreign exchange earnings are unrealised. The overall financial management profit was SEK 390 million, which can be compared with profit for the previous year of SEK 253 million.

## FINANCIAL POSITION

EKN's mission is long-term and the agency must be self-sustaining over time. Thus the mandate means that after many years with lower claims costs than income, years with higher claims costs can be sustained. At the end of 2018, EKN had a strong financial position and good financial results. EKN's equity increased during the year to SEK 23,863 million, from SEK 22,860 million.

# Income statement

Amounts in SEK thousand

OPERATING INCOME AND EXPENSES		2018	2017
<b>EARNED PREMIUMS (NET OF REINSURANCE)</b>			
Gross premium income <sup>1</sup>	Note 1	889,840	1,265,642
Premiums paid for reinsurance		-218,842	-24,415
Change in provision for unearned premiums and unexpired risks	Note 2	219,000	698,000
Reinsurer's share of unearned premiums and unexpired risks	Note 2	346,000	70,000
Earnings for the year, over expectation premiums	Note 17	147,581	112,194
<b>TOTAL EARNED PREMIUMS (NET OF REINSURANCE)</b>		<b>1,383,579</b>	<b>2,121,421</b>
<b>OTHER REVENUE</b>			
Other revenue	Note 3	29,220	2,877
<b>TOTAL</b>		<b>29,220</b>	<b>2,877</b>
<b>CLAIMS INCURRED</b>			
Claims incurred (gross of reinsurance)	Note 4	-1,284,443	-1,066,302
Reinsurer's share of change in paid claims incurred	Note 5	-10,027	-4,770
<b>TOTAL CLAIMS INCURRED</b>		<b>-1,294,471</b>	<b>-1,071,072</b>
<b>CHANGE IN PROVISIONS FOR CLAIMS (GROSS OF REINSURANCE)</b>			
Change in provisions for claims gross of reinsurance	Note 2	857,000	600,000
Reinsurer's share of change in provisions for claims incurred	Note 2	26,000	-174,000
<b>TOTAL CHANGE IN PROVISIONS FOR CLAIMS (GROSS OF REINSURANCE)</b>		<b>883,000</b>	<b>426,000</b>
<b>YEAR'S EXPENSES MATCHED PREMIUMS</b>			
Year's expenses matched premiums	Note 6	-12,573	-14,527
<b>TOTAL YEAR'S EXPENSES MATCHED PREMIUMS</b>		<b>-12,573</b>	<b>-14,527</b>
<b>COST OF SUBMISSION OF BELOW EXPECTED LOSS BASED PREMIUMS</b>			
Cost of submission of below expectation premiums	Note 17	-135,008	-71,613
<b>TOTAL COST OF SUBMISSION OF BELOW EXPECTED LOSS BASED PREMIUMS</b>		<b>-135,008</b>	<b>-71,613</b>
<b>TOTAL CLAIMS INCURRED (NET OF REINSURANCE)</b>		<b>-559,052</b>	<b>-731,212</b>

Amounts in SEK thousand

		2018	2017
<b>OPERATING COSTS</b>	Note 7	<b>-239,833</b>	<b>-227,486</b>
<b>OPERATING PROFIT/LOSS</b>		<b>613,915</b>	<b>1,165,601</b>
<b>INTEREST INCOME AND OTHER FINANCIAL INCOME</b>	Note 8		
Return – treasury management		312,713	416,568
Other interest income		132,172	-57,194
Other financial income		85,567	27
Capital gain on sale of long-term investments		122	298
<b>TOTAL INTEREST INCOME AND OTHER FINANCIAL INCOME</b>		<b>530,574</b>	<b>359,699</b>
<b>INTEREST EXPENSES AND OTHER FINANCIAL COSTS</b>	Note 9		
Interest expenses loans		-17,171	-3,882
Expenses – treasury management		-20,075	-352
Other interest expenses		-5,092	-1,266
Capital loss on sale of long-term investments		-130,503	-57,767
<b>TOTAL INTEREST AND OTHER FINANCIAL COSTS</b>		<b>-172,841</b>	<b>-63,266</b>
<b>EXCHANGE RATES DIFFERENCIES</b>	Note 2, 10,13		
Realised exchange rate gains		11,112	5,231
Unrealised exchange rate gains		2,419,015	1,849,924
Realised exchange rate losses		-2,750	-46,620
Unrealised exchange rate losses		-2,395,462	-1,852,270
<b>TOTAL EXCHANGE RATES DIFFERENCIES</b>		<b>31,915</b>	<b>-43,735</b>
<b>TOTAL FINANCIAL ITEMS</b>		<b>389,649</b>	<b>252,699</b>
<b>PROFIT/LOSS FOR THE PERIOD</b>		<b>1,003,564</b>	<b>1,418,300</b>



# Balance sheet

Amounts in SEK thousand

ASSETS		31/12/2018	31/12/2017
<b>Intangible and tangible fixed assets</b>			
Intangible fixed assets	Note 11	5,362	7,326
Tangible fixed assets	Note 12	2,151	577
<b>TOTAL INTANGIBLE AND TANGIBLE FIXED ASSETS</b>		<b>7,513</b>	<b>7,903</b>
<b>FINANCIAL FIXED ASSETS</b>			
Other non-current securities holdings	Note 15	19,905,000	23,819,350
Stocks and shares	Note 14	16,316	17,112
Premium receivables	Note 16	4,468,742	4,441,392
Actuarially-calculated net worth of indemnified claims		0	39,583
Reinsurer's share of net worth of indemnified claims	Note 13	1,769,000	1,619,000
Pension assets	Note 13	-42,000	-43,000
<b>TOTAL FINANCIAL FIXED ASSETS</b>		<b>26,117,058</b>	<b>29,893,437</b>
<b>Reinsurer's share of actuarially-calculated provisions</b>			
Reinsurer's share of unearned premiums and unexpired risks	Note 2	617,000	255,000
Reinsurer's share of provisions for claims incurred	Note 2	140,000	108,000
<b>TOTAL REINSURER'S SHARE OF ACTUARIALLY-CALCULATED PROVISIONS</b>		<b>757,000</b>	<b>363,000</b>
<b>RECEIVABLES</b>			
Account receivables		3,058	3,977
Under expectation premium share	Note 17	34,200	44,382
Other receivables		158	159
<b>TOTAL RECEIVABLES</b>		<b>37,416</b>	<b>48,518</b>
<b>ACCRUALS AND DEFERRALS</b>			
	Note 18		
Prepaid expenses		7,134	8,414
Accrued income		127,278	130,950
<b>TOTAL ACCRUALS AND DEFERRALS</b>		<b>134,412</b>	<b>139,364</b>
<b>CASH AND BANK BALANCES</b>			
National Debt Office	Note 19	7,265,940	2,035,386
Cash and cash equivalents	Note 20	486,813	1,533,225
<b>TOTAL CASH AND BANK BALANCES</b>		<b>7,752,753</b>	<b>3,568,611</b>
<b>TOTAL ASSETS</b>		<b>34,806,152</b>	<b>34,020,834</b>

Amounts in SEK thousand

<b>EQUITY AND LIABILITIES</b>		<b>31/12/2018</b>	<b>31/12/2017</b>
<b>EQUITY</b>	Note 21		
Retained earnings	Note 22	22,859,599	21,441,300
Profit/loss for the period		1,003,564	1,418,300
<b>TOTAL EQUITY</b>		<b>23,863,163</b>	<b>22,859,599</b>
<b>LIABILITIES TO THE STATE</b>	Note 23		
Liabilities to the state		135,008	64,005
<b>TOTAL LIABILITIES TO THE STATE</b>		<b>135,008</b>	<b>64,005</b>
<b>PROVISIONS</b>			
Provision for unearned premiums and unexpired risks gross of reinsurance	Note 2	6,984,000	6,988,000
Provision for claims gross of reinsurance	Note 2	2,804,000	3,460,000
Provisions for pension liabilities	Note 14	15,414	16,580
<b>TOTAL PROVISIONS</b>		<b>9,803,414</b>	<b>10,464,580</b>
<b>LIABILITIES</b>			
Borrowings for fixed assets, National Debt Office	Note 24	7,513	7,841
Over expected loss based premium share	Note 17	478,588	285,089
Trade payables		9,002	13,010
Liabilities to guarantee holders	Note 17	6,883	9,272
Other current liabilities	Note 25	487,962	301,743
<b>TOTAL LIABILITIES</b>		<b>989,948</b>	<b>616,955</b>
<b>Accruals and deferrals</b>	Note 26		
Accrued costs		14,620	15,694
Prepaid income		0	0
<b>Total accruals and deferrals</b>		<b>14,620</b>	<b>15,694</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>34,806,152</b>	<b>34,020,834</b>

# Statement of appropriations

Amounts in SEK thousand

REVENUE HEADING	ESTIMATED AMOUNT	REVENUE
2127 001 Surplus transfer from the Swedish Export Credit Agency	—	64,005
2811 Other income	—	—

# Cash flow statement

Amounts in SEK thousand

OPERATIONS FOR THE YEAR		2018	2017
Profit/loss for the year		1,003,564	1,418,300
Depreciation/amortisation charged against earnings	Note 11,12	4,116	3,441
Retirements	Note 11,12	0	-446
Change in current receivables		16,054	36,737
Change in current liabilities		372,245	-180,125
Payment to government	Note 23	-64,005	-486,892
<b>Change below expected loss based premiums</b>		<b>135,008</b>	<b>71,613</b>
<b>Cash flow from operations for the year</b>		<b>1,466,982</b>	<b>862,627</b>
<b>INVESTMENTS</b>			
Investment in fixed assets	Note 11,12	-3,726	-1,045
Disposals Note	Note 13	0	0
Change in actuarially-calculated net worth of indemnified claims	Note 13	-151,000	-53,000
Change in premium receivables		-27,350	189,798
Change in pension assets	Note 14	797	643
Change in shares		39,583	-39,583
Change in other non-current securities holdings	Note 15	3,914,350	-487,274
<b>TOTAL INVESTMENTS</b>		<b>3,772,654</b>	<b>-350,878</b>
<b>Remainder after net investments</b>		<b>5,239,636</b>	<b>511,749</b>
<b>FINANCING ETC.</b>			
Change in provisions for actuarially-calculated risk of exposure	Note 2	-1,054,000	-1,538,000
Change in provisions for pension liabilities	Note 14	-1,166	-775
Change in Borrowings for fixed assets, National Debt Office	Note 24	-327	2,329
<b>TOTAL FINANCING</b>		<b>-1,055,494</b>	<b>-1,536,446</b>
<b>CHANGE IN CASH AND CASH EQUIVALENTS</b>		<b>4,184,142</b>	<b>-1,024,697</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>3,568,611</b>	<b>4,593,309</b>
<b>Cash and cash equivalents at end of year</b>		<b>7,752,753</b>	<b>3,568,611</b>

Cash and cash equivalents are defined as short-term investments, and as cash and bank balances.

# Notes to the income statement and balance sheet

Amounts in SEK thousand

## NOTE 1. GROSS PREMIUM INCOME

	2018	2017
Premium income – risk-based share	1,262,119	1,223,892
Premium income – administrative share	233,048	205,391
Premium repayments/refunds	–95,920	–58,181
Change in premiums in arrears and counter guarantees	–196,208	–73,302
Over expected loss based premium share	–313,198	–32,158
<b>TOTAL PREMIUM INCOME</b>	<b>889,840</b>	<b>1,265,642</b>

Premium payments are divided into a share for risk-based operations and an administrative share. EKN's guarantee holder can redeem the premium for the remaining risk period if the guarantee holder terminates the insurance before everything has been paid.

Income from total premiums for premiums in arrears is recognised when the guarantee enters into force. Payments of premiums in arrears are recognised as premium payments when they are paid on an ongoing basis during the period of validity of the guarantee. The change in premiums in arrears covers all new revenue from premiums in arrears (present value and risk-adjusted) less the premiums in arrears due for payment during the period and decreases premium receivables. Premiums can be both below or exceeding expected loss based premium. A share of premiums exceeding expected loss based premium reduces gross premium income, because EKN is not entitled to retain this share and it is recognised as a latent liability. They are paid to the treasury under EKN's revenue heading each year after the premium shares have been earned and a surplus has been accumulated

## NOTE 2. CHANGE IN PROVISION FOR UNEARNED PREMIUMS AND UNEXPIRED RISKS

	Closing balance 31/12/17	Change	Exchange rate changes	Closing balance 31/12/18
<b>ASSETS</b>				
Reinsured share of unearned premiums and unexpired risks	255,000	346,000	16,000	617,000
Reinsured share of provisions for claims incurred	108,000	26,000	6,000	140,000
<b>TOTAL REINSURED SHARE OF PROVISIONS</b>	<b>363,000</b>	<b>372,000</b>	<b>22,000</b>	<b>757,000</b>
<b>LIABILITIES</b>				
Provision for unearned premiums	–6,465,000	224,000	–214,000	–6,455,000
Provision for unexpired risks	–523,000	–5,000	–1,000	–529,000
<b>TOTAL PROVISION PREMIUMS AND UNEXPIRED RISKS</b>	<b>–6,988,000</b>	<b>219,000</b>	<b>–215,000</b>	<b>–6,984,000</b>
<b>Provision for claims gross of reinsurance</b>	<b>–3,460,000</b>	<b>857,000</b>	<b>–201,000</b>	<b>–2,804,000</b>
<b>TOTAL CHANGE IN PROVISION FOR UNEARNED PREMIUMS AND UNEXPIRED RISKS</b>	<b>–10,085,000</b>	<b>1,448,000</b>	<b>–394,000</b>	<b>–9,031,000</b>

**NOTE 3. OTHER REVENUE**

	<b>2018</b>	<b>2017</b>
Administration income within government	933	1,358
Administrative income outside of government	28,229	1,462
Administrative income service exports*	58	58
<b>TOTAL</b>	<b>29,220</b>	<b>2,877</b>

\*Refers to consultation on export credit insurance issues provided to EKN's counterpart in New Zealand and constitutes EKN's service exports.

**NOTE 4. CLAIMS INCURRED (GROSS OF REINSURANCE)**

	<b>2018</b>	<b>2017</b>
Recoveries net*	398,280	236,119
Claims paid net*	-1,737,723	-1,410,420
Change in indemnified claims	1,120,000	1,104,000
Change in provision for expected loss indemnified claims	-1,065,000	-996,000
<b>Total claims incurred (gross of reinsurance)</b>	<b>-1,284,443</b>	<b>-1,066,302</b>

\*Costs of recovery and claim prevention measures are included in the amounts.

**NOTE 5. REINSURER'S SHARE OF CLAIMS INCURRED**

	<b>2018</b>	<b>2017</b>
Recoveries net	-7,027	-7,770
Change in indemnified claims	0	12,000
Change in provision for expected loss indemnified claims	-3,000	-9,000
<b>TOTAL REINSURER'S SHARE OF CLAIMS INCURRED</b>	<b>-10,027</b>	<b>-4,770</b>

**NOTE 6. COSTS FOR MATCHED PREMIUM**

EKN's premiums are set to correspond to the anticipated loss in each guarantee in accordance with EKN's mandate. There are exceptions to the main rule. Where, in the framework of the EU rules, EKN charges a lower premium than the expected loss based premium, so-called matching of premiums, a provision is made for the expected loss and the transaction is entered with a loss. The year's cost for the matched premiums, 12,573 (14,527), reduce transfer to the government, not expected loss based premiums, see also note 23.



**NOTE 7. OPERATING COSTS**

	<b>2018</b>	<b>2017</b>
Payroll expenses (excluding employer's contributions, pension premiums and other charges according to law and agreement)	-81,622	-77,320
Of which, payroll expenses non-employed personnel	-550	-584
Social costs	-30,048	-29,242
Other costs for personnel	-36,093	-35,647
Premises costs	-18,551	-18,331
Other operating costs	-69,403	-63,504
Depreciation	-4,116	-3,441
<b>TOTAL OPERATING COSTS</b>	<b>-239,833</b>	<b>-227,486</b>

SEK 82,500 was paid to the Chair of the Board Hans Lindberg.

Director General Anna-Karin Jatko was paid salary of SEK 1,521,331 including luncheon voucher benefits. No remuneration was paid for the office of Board Member of EKN.

Peter Yngwe, Vice Chair, received SEK 82,500.

Inger Dovlin, Fredrika Gullfot, Camilla Melander, Elisabeth Nilsson, Åke Nordlander and Jan Roxendahl received SEK 55,000 each. Ola Asplund and Erica Nylander received SEK 27,500 each.

Jan Roxendahl and Ola Asplund left the board on 30 June 2018. Erica Nylander joined on 1 July.

No other benefits or future obligations have been agreed for EKN's Board of Directors and Director General.

Information about the board's other offices as board members of other Swedish government agencies or board positions in limited companies is presented, in accordance with chapter 7 section 2 of the Annual Reports and Budget Documentation Ordinance, in the section of the annual report on the board and management.

**NOTE 8. INTEREST INCOME AND OTHER FINANCIAL INCOME**

	<b>2018</b>	<b>2017</b>
Return on treasury management	312,713	416,568
Other interest income	132,172	-57,194
Other financial income	85,567	27
Capital gains on sale of long-term investments	122	298
<b>TOTAL INTEREST INCOME AND OTHER FINANCIAL INCOME</b>	<b>530,574</b>	<b>359,699</b>

\* Change in other interest income is explained by an increase in the present value of premium receivables due to lower discount rate.

**NOTE 9. INTEREST EXPENSES AND OTHER FINANCIAL COSTS**

	<b>2018</b>	<b>2017</b>
Expenses – treasury management	-20,075	-352
Interest expenses loans	-17,171	-3,882
Other interest expenses	-5,092	-1,266
Loss on disposal of securities	-130,503	-57,767
<b>TOTAL INTEREST EXPENSES AND OTHER FINANCIAL COSTS</b>	<b>-172,841</b>	<b>-63,266</b>

The increase in realised losses on the disposal of long-term investments is attributable to sale of US dollar securities that was performed in autumn 2018 in connection with the liquidation of the bond portfolio in foreign currencies. The market value of these bonds was lower than the corresponding accrued acquisition value due to the rising interest rates in US dollars during the investment period.

**NOTE 10. EXCHANGE RATE DIFFERENCES**

	<b>2018</b>	<b>2017</b>
Realised exchange rate gains	11,112	5,231
Realised exchange rate losses	-2,750	-46,620
Unrealised exchange rate gains	2,419,015	1,849,924
Unrealised exchange rate losses	-2,395,462	-1,852,270
<b>TOTAL EXCHANGE RATE DIFFERENCES</b>	<b>31,915</b>	<b>-43,735</b>

During 2018, the Swedish krona weakened against the euro and US dollar by SEK 0.43 and SEK 0.74; in the previous period 2017 the Swedish kronor strengthened against the dollar by SEK -0.86 and weakened against the euro by SEK 0.28. This resulted in higher realised exchange gains and lower realised exchange losses in 2018 compared with 2017. Unrealised exchange gains and losses increased in absolute terms due to increased volatility in exchange rates during the year.

**NOTE 11. INTANGIBLE FIXED ASSETS**

	<b>31/12/2018</b>	<b>31/12/2017</b>
Opening balance cumulative acquisition value	14,790	13,828
Acquisitions for the year	1,442	962
Retirements	0	0
<b>Closing balance cumulative acquisition value</b>	<b>16,232</b>	<b>14,790</b>
Opening balance cumulative depreciations	-7,464	-4,573
Depreciation for the year	-3,405	-2,892
Retirements	0	0
<b>Closing balance cumulative depreciations</b>	<b>-10,869</b>	<b>-7,465</b>
<b>TOTAL INTANGIBLE ASSETS</b>	<b>5,362</b>	<b>7,326</b>

**NOTE 12. PROPERTY, PLANT AND EQUIPMENT**

	<b>31/12/2018</b>	<b>31/12/2017</b>
Opening balance cumulative acquisition value	9,979	10,341
Acquisitions for the year	2,284	83
Retirements	0	-446
<b>Closing balance cumulative acquisition value</b>	<b>12,262</b>	<b>9,979</b>
Opening balance cumulative depreciations	-9,400	-9,298
Depreciation for the year	-711	-549
Retirements	0	446
<b>Closing balance cumulative depreciations</b>	<b>-10,111</b>	<b>-9,400</b>
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>2,151</b>	<b>577</b>

**NOTE 13. ACTUARIALLY CALCULATED NET WORTH OF INDEMNIFIED CLAIMS**

	<b>Closing balance 31/12/17</b>	<b>Change</b>	<b>Exchange rate changes</b>	<b>Closing balance 31/12/18</b>
Gross value of outstanding claims	10,046,000	1,120,000	384,000	11,550,000
Provision for expected loss, gross	-8,427,000	-1,065,000	-289,000	-9,781,000
<b>Actuarially calculated net worth of indemnified claims</b>	<b>1,619,000</b>	<b>55,000</b>	<b>95,000</b>	<b>1,769,000</b>
Reinsurer's share of net worth of indemnified claims	-121,000	0	0	-121,000
Provision for expected loss – reinsurer's share	78,000	-3,000	4,000	79,000
<b>Reinsurer's share of net worth of indemnified claims</b>	<b>-43,000</b>	<b>-3,000</b>	<b>4,000</b>	<b>-42,000</b>
<b>Total actuarially calculated net worth of indemnified claims</b>	<b>1,576,000</b>	<b>52,000</b>	<b>99,000</b>	<b>1,727,000</b>

**NOTE 14. PENSION ASSETS AND PROVISION FOR PENSION LIABILITY**

Pension assets of KSEK 16 316 (17 112) have been funded by the National Debt Office for future pension payments. Pension liabilities refer to the former employees who received an occupational pension as per 31 December 2003.

**NOTE 15. OTHER NON-CURRENT SECURITY HOLDINGS**

Provisions and accumulated earnings from EKN's operations are invested with the National Debt Office to balance the market risk in the balance sheet. At the beginning of 2018, the investments consisted of investments in long-term securities in Swedish kronor at the National Debt Office and bonds issued in euros and US dollars. Bonds in euros and US dollars were liquidated in accordance with an amendment to the Ordinance (2011:211) on lending and guarantees. As of year-end 2018, EKN has only restricted investments at the National Debt Office in the form of long-term securities. This resulted in a decrease in other long-term securities holdings of SEK 3,914 million. Total investments in Swedish kronor at the National Debt Office amounted to SEK 19,905 million at year-end 2018, compared with SEK 19,855 million in 2017.

**NOTE 16. PREMIUM RECEIVABLES**

	31/12/2018	31/12/2017
Receivables related to premiums charged	75,109	43,845
Receivables related to premiums for counter guarantees and investment guarantees	128,733	143,734
<b>Total receivables for advance premiums</b>	<b>203,842</b>	<b>187,579</b>
Receivables related to premiums in arrears, nominal	4,793,710	4,944,259
Receivables related to premiums in arrears, present value adjusted	-221,943	-355,410
Receivables related to premiums in arrears, risk adjustment	-306,867	-335,035
<b>Receivables related to premiums in arrears, net</b>	<b>4,264,900</b>	<b>4,253,813</b>
<b>TOTAL PREMIUM RECEIVABLES</b>	<b>4,468,742</b>	<b>4,441,392</b>

Receivables relating to premiums in arrears relate almost entirely to JAS Brazil.

**NOTE 17. NOT EXPECTED LOSS BASED PREMIUMS**

	Closing balance 31/12/2017	Change during the year	Of which non- disposable premiums earned during the year	Exchange rate change	Closing balance 31/12/2018
Asset – Share of premiums below expected loss based premium	44,382	0	-12,573	2,392	34,200
Liability – Share of premiums exceeding expected loss based premium	-173,985	-313,198	118,969	-23,386	-391,600
Liability – Share of premiums exceeding expected loss based premium (matrix)	-111,104	0	28,611	-4,495	-86,988
<b>Total liabilities to government – share of premiums exceeding expected loss based premium</b>	<b>-285,089</b>	<b>-313,198</b>	<b>147,581</b>	<b>-27,881</b>	<b>-478,588</b>
<b>TOTAL LIABILITIES TO GOVERNMENT – SHARE OF PREMIUMS EXCEEDING EXPECTED LOSS BASED PREMIUM</b>			<b>135,008</b>		

## NOTE 18. ACCRUALS AND DEFERRALS

<b>PREPAID EXPENSES AND ACCRUED INCOME</b>	<b>2018</b>	<b>2017</b>
Prepaid rent first quarter of next year	5,827	4,274
Other prepaid expenses, annual fees	1,307	4,140
Prepaid pension expenses	0	0
<b>TOTAL PREPAID EXPENSES</b>	<b>7,134</b>	<b>8,414</b>
Accrued interest income	95,931	129,224
Accrued premiums	31,347	1,726
<b>TOTAL ACCRUED INCOME</b>	<b>127,278</b>	<b>130,950</b>
<b>TOTAL ACCRUALS AND DEFERRALS</b>	<b>134,412</b>	<b>139,364</b>

## NOTE 19. NATIONAL DEBT OFFICE

	<b>31/12/2018</b>		<b>31/12/2017</b>	
Currency	Amount in foreign currency	Equivalent value SEK	Amount in foreign currency	Equivalent value SEK
SEK	3,058,441	3,058,441	2,035,386	2,035,386
USD	183,602	1,646,913	—	—
EUR	241,838	2,485,735	—	—
CHF	178	1,624	—	—
JPY	901,724	73,226	—	—
<b>TOTAL NATIONAL DEBT OFFICE</b>		<b>7,265,940</b>		<b>2,035,386</b>

With effect from December 2018, EKN is part of the National Debt Office's currency group account structure. During 2018, investments in foreign currencies, EUR and USD, were liquidated and instead invested in the on demand account at the National Debt Office.

## NOTE 20. LIQUID ASSETS

	31/12/2018		31/12/2017	
Currency	Amount in foreign currency	Equivalent value SEK	Amount in foreign currency	Equivalent value SEK
SEK	33,456	33,456	44,946	44,946
USD	40,521	363,512	108,138	890,215
EUR	7,394	75,976	53,092	522,937
CHF	1,438	13,088	1,137	9,587
JPY	9,619	781	896,790	65,541
<b>TOTAL LIQUID ASSETS</b>		<b>486,813</b>		<b>1,533,225</b>

Liquid assets are invested in Swedish commercial banks.

## NOTE 21. RETAINED EARNINGS

	Change in equity	Equity – administrative reserve	Equity for con- centration risks in exposure	Equity for con- centration risks in indemnified claims	Equity for con- centration risks in reinsurance	Profit/Loss for the period	Total
<b>Closing balance 2017</b>	<b>6,835,090</b>	<b>392,210</b>	<b>14,702,000</b>	<b>64,000</b>	<b>-552,000</b>	<b>1,418,300</b>	<b>22,859,599</b>
<b>A Opening balance 2018</b>	<b>6,835,090</b>	<b>392,210</b>	<b>14,702,000</b>	<b>64,000</b>	<b>-552,000</b>	<b>1,418,300</b>	<b>22,859,599</b>
Change in equity last year	1,418,300					-1,418,300	0
Change current year	797,382	-51,383	691,000	-11,000	-1,426,000	0	0
Revenue heading 2811	0	0	0	0	0	0	0
Change in equity this year	0	0	0	0	0	1,003,564	1,003,564
<b>B Total change this year</b>	<b>2,215,682</b>	<b>-51,383</b>	<b>691,000</b>	<b>-11,000</b>	<b>-1,426,000</b>	<b>-414,736</b>	<b>1,003,564</b>
<b>C Closing balance 2018</b>	<b>9,050,772</b>	<b>340,827</b>	<b>15,393,000</b>	<b>53,000</b>	<b>-1,978,000</b>	<b>1,003,564</b>	<b>23,863,164</b>



## NOTE 22. EKN'S ADMINISTRATIVE AND RISK BASED INCOME AND EXPENSES

<b>ADMINISTRATIVE INCOME</b>	<b>2018</b>	<b>2017</b>
Administrative share of premium	189,609	205,391
Administrative remuneration Sida, other government	933	729
Administrative remuneration of service exports	58	58
Other administrative income	2,,042	2,032
<b>TOTAL</b>	<b>192,642</b>	<b>208,210</b>
<b>Claims incurred</b>		
Costs of claim prevention	-60	-226
Administrative expenses for recovery of claims	-2,637	86
<b>TOTAL</b>	<b>-2,697</b>	<b>-140</b>
<b>Operating costs</b>		
Salaries	-81,622	-77,321
Other personnel costs	-66,141	-64,889
Premises costs	-18,551	-18,331
Other operating costs	-69,403	-63,504
Depreciation	-4,116	-3,441
<b>TOTAL</b>	<b>-239,833</b>	<b>-227,486</b>
<b>Accumulated shortfall/surplus of operating profit/loss</b>	<b>-49,888</b>	<b>-19,416</b>
Interest on accumulated administrative surplus	-1,495	-1,795
<b>Results of operations, administrative</b>	<b>-51,383</b>	<b>-21,211</b>
<b>Accumulated administrative surplus</b>	<b>340,827</b>	<b>392,211</b>
<b>Administrative reserve, share of equity</b>	<b>340,827</b>	<b>392,211</b>
<b>EKN's risk-based operations</b>		
Operating profit/loss, risk-based*	663,803	1,185,017
Financial items, risk-based	391,144	254,494
<b>Results of operations, risk-based*</b>	<b>1,054,947</b>	<b>1,439,511</b>
<b>SHARE OF EQUITY FOR RISK-BASED OPERATIONS</b>	<b>23,522,336</b>	<b>22,467,388</b>

\* Corrected comparison figure for 2017 Operating profit, risk-based and Results of operations, risk-based.

**NOTE 23. SUBMITTED TO THE GOVERNMENT**

	2018	2017
Undisposed premiums to report against revenue heading*	135,008	97,668
Adjustment last years payment	0	-33,664
<b>TOTAL SUBMITTED TO THE GOVERNMENT</b>	<b>135,008</b>	<b>64,005</b>

\* Not expected loss based premiums to report against revenue heading are paid to the treasury the following year; refers to premiums above expected loss based and matched premiums.

**NOTE 24. BORROWINGS FOR FIXED ASSETS, NATIONAL DEBT OFFICE**

EKN's loan limit for fixed assets was SEK 13,000 (14,000) thousand at 31 December 2018\*.

	31/12/2018	31/12/2017
Undisposed premiums to report against revenue heading	7,841	10,170
Profit settlements relating to working capital credit guarantees to large companies	997	0
Total submitted to the government	-1,324	-2,329
<b>Total Loan for fixed assets, The National Debt Office</b>	<b>7,513</b>	<b>7,841</b>

\* See notes 11–12 for specification of the assets.

**NOTE 25. OTHER CURRENT LIABILITIES**

	31/12/2018	31/12/2017
Liabilities Swedish Tax Agency	3,678	4,704
Employee taxes	2,948	2,601
Liabilities KÅPAN, EKN's sports association, recreation deduction	48	541
Liabilities to reinsurers*	441,034	255,542
Liabilities to reinsurers (present value-adjusted)	-3,710	-7,814
Future premium repayments	27,346	5,201
Reserve recovered claims	0	39,583
Reserve for staff turnover	1,168	884
Liabilities to SIDA	15,449	234
Other current liabilities	0	267
<b>TOTAL OTHER CURRENT LIABILITIES</b>	<b>487,962</b>	<b>301,744</b>

\*Liabilities to reinsurers consist of premiums for purchased reinsurance not yet paid, because the premiums are due annually.

**NOTE 26. ACCRUALS AND DEFERRALS**

<b>Accrued expenses and deferred income consisted of:</b>	31/12/2018	31/12/2017
Accrued holiday and overtime pay	9,409	9,796
Audit and annual report for 2018	0	1,117
Other accrued costs	5,211	4,781
<b>TOTAL ACCRUED COSTS</b>	<b>14,620</b>	<b>15,694</b>
<b>TOTAL ACCRUALS AND DEFERRALS</b>	<b>14,620</b>	<b>15,694</b>

# Summary of key information

PURSUANT TO CHAPTER 2 SECTION 4 OF THE ANNUAL REPORTS AND BUDGET DOCUMENTATION ORDINANCE

(SEK million)	2018	2017	2016	2015	2014
Credit with the National Debt Office for indemnifications, <u>granted</u>	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
Credit with the National Debt Office for indemnifications, <u>utilised</u>	0	0	0	0	0
Loan limit with the National Debt Office for fixed assets, <u>granted</u>	13,0	13,0	14,0	14,7	13,0
Loan limit with the National Debt Office for fixed assets, <u>utilised</u>	7,5	7,8	10,2	11,0	8,8
Income from appropriated revenue	1,223	1,997	1,285	1,002	-811
Income from unappropriated revenue*	135	65	487	515	2,288
<b>Profit/loss for the year</b>	<b>1,004</b>	<b>1,418</b>	<b>-1,057</b>	<b>194</b>	<b>1,824</b>
<b>Retained earnings</b>	<b>22,860</b>	<b>21,441</b>	<b>22,491</b>	<b>22,542</b>	<b>20,964</b>
Number of employees, Full Time Equivalents	136	135	141	141	141
Average number employees	146	140	145	148	157
Operating costs per Full Time Equivalent, SEK thousand	1,763	1,680	1,731	1,576	1,584

\* Revenues from premiums not disposed relate to the annual net earnings from premiums divergent from expected loss, under and over, respectively. During the years 2014 to 2016, an adjustment was made to revenue relating to the working capital credit guarantees that were issued during the financial crisis, which meant that the risk premiums for these were recognised as a transfer to the Treasury. In addition, during 2014 the administrative reserve was adjusted downwards to a level that corresponded to the receivable as of December 31, 2007.



Stockholm, 13 February 2019

We affirm that the annual report provides a true and fair view of the agency's results of operations, expenses, revenues and financial position.

Hans Lindberg

Inger Dovlin

Fredrika Gullfot

Anna-Karin Jatko

Camilla Mellander

Elisabeth Nilsson

Åke Nordlander

Erica Sjölander

Peter Yngwe

# Board of Directors



**Hans Lindberg, Chairman**

CEO of the Swedish Bankers' Association.  
Board member since 2016.

Other board memberships:

Chair of Affärsbankernas Service AB,  
Betainfrastruktur i Sverige AB and  
Financial Benchmarks Sweden AB. Member  
of the Royal Swedish Academy of Engineering  
Sciences IVA. Member of the executive board  
of the Swedish Bankers' Association.



**Peter Yngwe, Vice Chairman**

Former CEO and President,  
AB Svensk Exportkredit.  
Board member since 2014.



**Inger Dovlin**

Former director of Ericsson and Nordea.  
Board member since 2013.



**Fredrika Gullfot**

CEO Simris Alg AB.  
Board member since 2016.

Other board memberships:

Board member of Simris Alg AB and Svensk  
Egenvård.



**Anna-Karin Jatko**

Director General EKN.  
Board member and Director General since  
2016.





**Camilla Mellander**

Ambassador and Head of the Department of Trade Promotion, Nation Branding and CSR at the Ministry for Foreign Affairs.  
Board member since 2016.



**Elisabeth Nilsson**

County Governor of Östergötland until 31 August 2018.  
Board member since 2016.

Other board memberships:  
Chair, AB Göta Kanalbolag. Vice chair, Skandia council. Board member of Boliden and the Royal Swedish Academy of Engineering Sciences IVA.  
Special investigator.



**Åke Nordlander**

Budget Director, Ministry of Finance.  
Board member since 2015.



**Erica Sjölander**

Head of Co-ordination Office, The Swedish Unions within Industry.  
Board member since 2018.

Other board memberships:  
Member of the Board, Fourth AP Fund.



**Bo Lindgren, Staff representative**

Underwriter in the SME and Midcorp team.  
Employed at EKN since 1988 and has been a staff representative on the board since 2008.

# Executive Management



**Gun Lidholm**, Director of HR, **Johan Damell**, General Counsel, **Marie Aglert**, Director of business area for large corporates, **Anna-Karin Jatko**, Director General, **Carl-Johan Karlsson**, Director of business area for small and medium-sized companies and midcorp, **Peter Tuving**, Chief Credit Officer, **Beatrice Arnesson**, Director of Communications.

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## **EKN – CREATING CONFIDENCE IN YOUR EXPORTS**

EKN is a government agency that supports Swedish exports and the internationalisation of Swedish industry. We offer exporting companies and banks guarantees for payment and financing, together with advice on business structure and risk management. Our services provide an additional level of confidence, increased competitiveness and more opportunities for successful export transactions



The Swedish Export Credit Agency

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