

# Working capital credit guarantee

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## Guarantee holder: **bank**

The working capital credit guarantee makes it easier for small and medium-sized exporting companies to obtain capital. The guarantee reduces the bank's risk on the borrower and increases the scope for new credits. With a working capital credit guarantee, the bank shares the risk with EKN when offering working capital in the form of loans or overdraft facilities. EKN guarantees 50 per cent of the granted amount.

### **CREDITS THAT CAN BE GUARANTEED**

EKN can issue working capital credit guarantees for loans and overdraft facilities where the capital is used to finance export activity. Capital may be required to cover expenses arising before an export order is signed or after the agreement. This must be separate from the borrower's requirement for more long-term venture capital or equity – used to become established as an exporter, for example.

If the application concerns an overdraft facility or loan that is not associated with the financing of a specific export transaction, a considerable proportion of the borrower's sales must relate to exports of Swedish goods and/or services.

The bank shall provide the support data EKN needs to make a decision about the guarantee and premium and other conditions. The duration of the credit shall not normally exceed 24 months, and overdraft facilities shall not exceed 12 months.

The guarantee is designed for banks or other lenders that grant credit to small and medium-sized companies with up to 250 employees and a maximum turnover of SEK 500 million.

### **RISKS COVERED BY THE GUARANTEE**

The working capital credit guarantee protects the bank against losses arising from the borrower's failure to repay the guaranteed credit. In the event of loss, EKN pays the bank compensation for 50 per cent of the

outstanding credit to which the guarantee relates. The loss is calculated as the outstanding capital due, plus interest, minus any amounts the bank has received when foreclosing on pledged security.

### **WHAT ARE THE FEES?**

EKN decides the premium based on the risk assessment of the borrower. The premium usually represents 50 per cent of the bank's risk premium. The minimum premium is SEK 1,500 per guarantee. The premium is paid to EKN when interest and charges applied under the guaranteed credit agreement are due. If the bank does not receive payment from the borrower, it is not required to pay the premium to EKN.

### **WHEN DOES EKN PAY COMPENSATION?**

Compensation is normally paid after a waiting period of three months calculated from the payment due date. No waiting period is applied if the borrower suspends payments or is declared bankrupt, or if EKN has requested the bank to cancel the credit.

Interest on the compensation amount is paid from the payment due date until the date of payment by EKN.

### **CURRENCY**

EKN can issue the guarantee in Swedish kronor, euros, US dollars, Swiss francs or Japanese yen. If the credit currency is one of these currencies, settlement of claims and premium payment will be in the same currency.

## **SECURITY**

EKN and the guarantee holder share the risk in the underlying credit and, therefore, the loss after foreclosure on any pledged security. EKN can request that a specific security is shared, and in such case, offset against the credit.

## **CORPORATE RESPONSIBILITY IN THE ISSUING OF GUARANTEES**

EKN promotes corporate responsibility. In its guarantee operation EKN's considerations include the environment, human rights and labour rights, anti-corruption and the promotion of sustainable lending to poor countries.

## **EKN'S GENERAL CONDITIONS**

The working capital credit guarantee is governed by EKN's General Conditions for Working Capital Credit Guarantees (June 2007).

## **HOW TO OBTAIN A GUARANTEE**

Application forms and supplementary forms can be found at [www.ekn.se](http://www.ekn.se).

### **Apply**

Send your working capital credit guarantee application together with a supplementary form from the exporter to EKN no later than the day on which the credit agreement is signed. The application must be accompanied by your own risk assessment of the borrower. EKN makes its own risk assessment, and if the result is satisfactory, we make an offer.

### **Notify us**

Notify EKN that you wish to have the guarantee issued. Your notification must be received by EKN within 10 days of the signing of the credit agreement.

### **Pay the premium**

EKN will send you the guarantee together with information on how and when to pay the premium. The premium is normally paid when interest and charges under the guaranteed credit agreement are due.