

Interim Report

January – August

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Offers and guarantees issued continued to increase in both number and volume.

The period at a glance

Guarantees issued continued to increase. EKN guaranteed export transactions worth SEK 22.8 billion (21.8). The number of guaranteed transactions rose significantly to 1,433 (1,160).

EKN issued guarantee offers for export transactions worth SEK 69.6 billion (30.6). Offers for several very large transactions contributed to the increase.

EKN guaranteed 374 transactions for Small and Medium-sized Enterprises (380). The volume of guarantees for this target group was SEK 1.1 billion (1.0).

Claims paid continued for the large transactions reported previously. A provision was set aside for claims associated with an additional major transaction.

Figures in parentheses refer to the corresponding values for the previous year.

Transactions for the period	January – August 2017	January – August 2016
Number of offers	1,569	1,411
Volume of offers (SEK million)	69,601	30,575
Number of guaranteed transactions	1,433	1,160
Volume of guarantees (SEK million)	22,848	21,787
Claims paid	560	929

EKN has transitioned from quarterly to four-month reporting. Given the unavailability of data from the corresponding period, the two income statement items below have thus been reported on a full-year basis.

	January – August 2017	January – December 2016
Earned premiums (SEK million)	1,507	1,534
Profit/loss (SEK million)	793	-1,057

Exposure outstanding and cumulative profit/loss (SEK million)	31 August 2017	31 December 2016
Offers	83,144	63,672
Guarantees	176,820	201,502
Provision for risk exposure	10,448	11,623
Equity	22,302	22,491

Continued increase in guarantees

The trend from the first four months continued. The number of offers and guaranteed transactions increased. A few large companies accounted for most of the increase. The volume of offers and guarantees was also higher.

A few of the big companies accounted for most of the increase in the number of offers and guarantees. These companies have identified opportunities for using the guarantees more strategically, more often and for small recurring transactions as well. Because a number of them began to use EKN more systematically, the number of guaranteed transactions increased.

LARGE TRANSACTIONS AND THE BIGGEST OFFER EVER WITH A PRIVATE BUYER

The volume of offers traditionally varies substantially depending on whether or not offers for very large transactions had been issued during the period. During the second four months, EKN issued offers for a couple of very large transactions. One of the offers was the largest EKN has ever issued for a transaction with a private buyer.

The telecom industry accounted for the largest guaranteed transactions during the period. Whether EKN continues to engage in transactions of this magnitude over the next few years will depend on factors such as trends in the financial market. Large mobile operators that have once used financing through loans guaranteed by EKN often return after a few years for a similar transaction.

MANY TRANSACTIONS IN THE TRANSPORT INDUSTRY

Due to the large number of small transactions, the transport industry accounted for the largest share of the volume of guarantees during the period. The telecom industry, which typically predominates, came in second.

The volume of guarantees was greatest for transactions with high-income OECD countries in which a few large transactions predominated. Africa, where the percentage of transactions increased, was the second largest region. A couple of large transactions predominated there once again.

SOMEWHAT FEWER TRANSACTIONS FOR SME

After having increased for several consecutive years, the number of guaranteed transactions for Small and Medium-sized Enterprises declined by 2% during the period. SMEs contact EKN most often due to financing needs. That the number of transactions guaranteed by EKN for SMEs is not rising certainly reflects the greater inclination of banks to assume risk without sharing it with EKN. However, many SMEs still have great difficulty obtaining access to financing.

CLAIMS PAID AND AN ADDITIONAL LARGE PROBLEM TRANSACTION

Claims payments continue in transactions where claims arose a couple of years ago. Major provisions were set aside for claims paid both now and going forward. Claims paid totalled SEK 560 million during the period. Problems in another large transaction arose during the period. EKN made provisions for future claims associated with the transaction.

SUSTAINABILITY-ASSESSED TRANSACTIONS

Seven of the 1,433 transactions that EKN guaranteed during the period were category A and 547 were category B. Category A transactions are those with organisations that have a pronounced risk for environmental and social impact. EKN closely reviewed the risk of negative impact in these transactions and assessed its management in order to ensure that EKN is following the Corporate and Social Responsibility policy in the guarantee business. B represents a lower risk and impact, as the result of which EKN reviews to a certain extent. Category A and B transactions accounted for SEK 14.5 billion of the SEK 22.8 billion volumes of guarantees during the period.

Positive result

Earned premiums¹ for the period were SEK 1,507 million, compared with SEK 1,534 million for full-year 2016. The primary reason for the increase was liquidation of provisions for transactions that expired during the period and were no longer part of EKN's exposure.

Claims incurred² for the period was SEK -770 million, compared with SEK -3,198 for full-year 2016. The period did not require provisions for claims to the same extent as during 2016.

Costs of operation fell somewhat from the same period of the previous year to SEK 141 million (152). Payroll expenses and other employee-related costs accounted for most of the decrease.

Financial income/expense contributed SEK 196 million (SEK 848 million during full-year 2016) to the result during the first two four-month periods. Return from financial management accounted for most of the result. Exchange differences contributed SEK -55 million (SEK 126 million for full-year 2016) to financial income/expense.

The result for the period totalled SEK 793 million, as opposed to SEK -1,057 million for full-year 2016. The difference was due primarily

to considerably lower provisions for claims and liquidation of provisions for transactions that had expired. After many years of profits, EKN retained its strong financial position.

¹) Earned premiums consist of gross premium income, changes in provisions for unearned premiums and unexpired risks, as well as the effects of reinsurance.

²) Claims incurred consist of estimated final cost for EKN after consideration of provisions, payments and recovery, as well as the effects of reinsurance.

RISK EXPOSURE

SUMMARY OF INCOME STATEMENT

EKN has transitioned from quarterly to four-month reporting. Thus, the income statement items were compared with the entire year as no data were available for the corresponding period.

SEK million	January – August 2017	January – December 2016
Earned premiums	1,507	1,534
Other income	1	2
Claims incurred (net of reinsurance)	-770	-3,198
Costs of operation	-141	-244
Operating profit/loss	597	-1,905
Financial income/expense	196	848
PROFIT/LOSS FOR THE PERIOD	793	-1,057

SUMMARY OF THE BALANCE SHEET

SEK million	31 August 2017	31 December 2016
Intangible and tangible fixed assets	9	10
Financial fixed assets	25,709	24,912
Reinsurer share of actuarial provisions	538	385
Premium and other receivables	4,604	4,696
Cut-off items	180	164
Cash and bank balances	2,968	4,593
TOTAL ASSETS	34,008	34,761
Equity	22,302	21,434
Liabilities to the state	0	487
Provisions	11,003	12,025
Other liabilities	692	772
Cut-off items	11	43
TOTAL EQUITY AND LIABILITIES	-34,008	34,761

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

The logo for EKN, consisting of the lowercase letters 'ekn' in a bold, white, sans-serif font.

The Swedish Export Credits Guarantee Board

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