

Interim report

JANUARY – AUGUST



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The period at a glance

Two of EKN's largest ever guarantees in respect of private buyers were issued during the period, doubling the guarantee volume.

- The guarantee volume totalled SEK 45.3 billion (SEK 22.8 billion).
- EKN guaranteed more transactions and a bigger guarantee volume to small and medium-sized enterprises. The number of offers and the offer volume increased as well.
- The number of guaranteed transactions fell as EKN issued fewer letter of credit guarantees for export transactions to Iran. The USA's trade sanctions against Iran are slowing down Swedish exports to this country.
- EKN signed an agreement with the European Investment Fund (EIF) in respect of a guarantee limit of SEK 2.0 billion in favour of innovative small and medium-sized enterprises.
- Negative developments in Turkey resulted in a downgrading of the country to country risk category 5 and the risk provision being increased by SEK 50 million.
- The profit for the period totalled SEK 931 million (SEK 793 million).

Amounts in brackets refer to the corresponding period last year.

New transactions and profit/loss	January–August 2018	January–August 2017
New offers (SEK million)	31,207	69,601
New offers, number	1,527	1,569
New transactions, (SEK million)	45,321	22,848
New transactions, number	1,374	1,433
Claims paid (SEK million)	926	560
Profit/loss (SEK million)	931	793

Outstanding exposure and accumulated earnings	31/08/2018	31/12/2017
Offers outstanding (SEK million)	74,648	92,713
Guarantees outstanding (SEK million)	205,825	184,850
Equity	23,791	22,860

Guarantee volume doubles

The period saw the guarantee volume increase by more than 100 per cent compared with the same period last year. The increase is primarily due to two major telecom transactions to the USA. The number of guaranteed transactions has fallen somewhat due to significantly fewer transactions with Iran.

The significant increase in the guarantee volume is a continuation of the significant increase in the offer volume in the corresponding period last year. Then, in 2017, EKN issued offers for the two largest ever transactions in EKN's history to private buyers. These transactions have now been completed and the offers have been converted into issued guarantees. The guarantee volume increased to SEK 45.3 billion (SEK 22.8 billion). The offer volume fell to SEK 31.2 billion (SEK 69.6 billion).

FEWER IRAN TRANSACTIONS

May saw the reintroduction of US trade sanctions against Iran. EKN still offers the facility to guarantee transactions with Iran, but as it is difficult to resolve the question of how payments can be transferred from Iran, it is in practice difficult to do business.

The number of guaranteed transactions totalled 1,374 (1,433). EKN guaranteed more transactions for trading houses and large companies, but fewer transactions with Iran.

INCREASE FOR SMES

There continues to be an increase in the issuing of guarantees for small and medium-sized enterprises (SMEs). The guarantee volume in this segment totalled SEK 1,339 million (SEK 1,064 million). The number of guaranteed transactions increased to 407 (379). The offer volume increased to SEK 1,929 million (SEK 1,146 million) and the number of offers increased to 507 (394).

EKN welcomed 56 small and medium-sized enterprises as new customers.

COLLABORATION WITH EIF AND ALMI

Many companies primarily need financing and in many transactions EKN is involved in sharing the bank's risk in the company. This facility has

now been extended through a partnership with the European Investment Fund (EIF), to the effect that banks can now cover 80 per cent of their risk when they offer working capital credit, overdrafts or investment credit to innovative small and medium-sized enterprises. The banks are now in a position to start using this facility on behalf of their customers. EKN has issued four offers.

EKN has also initiated a collaboration with Almi to help small and medium-sized enterprises borrow from Almi against their trade receivables, with EKN covering the payment risk.

FIVE CHANGED RISK CATEGORIES

EKN upgraded Belarus and Croatia and downgraded Turkey, Zambia and Oman during the period. Turkey is one of the ten countries in which EKN has the highest risk exposure. The downgrading of Turkey to country risk category 5 (4) caused the risk provision to be increased by SEK 50 million.

USA DOMINATES

With almost half of the guarantees issued during the period relating to two transactions, the USA and the telecoms industry dominate. Guarantees issued to the Middle East of SEK 4.7 billion and to Africa of SEK 4.3 billion are essentially at the same levels as the corresponding period last year. Guarantees issued to Latin America rose slightly to SEK 3.5 billion (SEK 2.7 billion).

CLAIMS PAYMENTS AND RECOVERIES

Claims payments related primarily to transactions for which provisions had already been made. EKN's exposure in problem transactions totalled SEK 6.4 billion at the end of the period.

Recoveries increased to SEK 306 million (SEK 108 million).

RESPONSIBLE HANDLING OF RISKS OF ENVIRONMENTAL AND SOCIAL IMPACT

EKN guaranteed 10 new A transactions, 289 B transactions and 147 C transactions. Guarantees issued during the period comprised SEK 756 million for A transactions, SEK 20.8 billion for B transactions and SEK 3.2 billion for C transactions. An A classification means there is a tangible risk of environmental and social impact. In these transactions, EKN has particularly examined the risk of negative impact and assessed how to manage the risk in order to ensure that EKN observes the policy for corporate responsibility in the guarantee business.

Scope for more transactions

The profit for the period totalled SEK 931 million (SEK 793 million). EKN's statutory limit for issuing guarantees totals SEK 450 billion. Limit utilisation fell during the period by SEK 1 billion to SEK 256 billion.

Revenues from premiums¹ during the period totalled SEK 930 million (SEK 1,507 million). Earnings from dissolved provisions were lower compared with the same period last year.

Claims incurred² during the period totalled SEK -197 million (SEK -770 million). Provisions for claims in already known problem transactions decreased. No new substantial claims were incurred during the period.

EKN retains its strong financial position after many years of profit. Statutory limit utilisation has scope for almost SEK 200 billion. EKN has good capacity for future export transactions.

¹) Revenues from premiums comprise premium income, changes in provisions for unearned premiums and unexpired risks, as well as the effects of reinsurance.

²) Claims incurred is the estimated final cost to EKN after taking into account provisions, payments, recoveries and changes in the value of claims.

Summary income statement and balance sheet

SUMMARY INCOME STATEMENT

Amounts in SEK million	January–August 2018	January–August 2017
Premium income	930	1,507
Other income	21	1
Insurance claims	-197	-770
Operating costs	-150	-141
Operating profit/loss	605	597
Financial items	326	196
PROFIT/LOSS FOR THE PERIOD	931	793

SUMMARY BALANCE SHEET

Amounts in SEK million	31/08/2018	31/12/2017
Intangible and tangible fixed assets	9	8
Financial fixed assets	29,723	29,894
Reinsurer's share of actuarially calculated provisions	339	363
Premium receivables and other receivables	40	48
Accruals and deferrals	164	139
Cash and bank balances	4,834	3,569
TOTAL ASSETS	35,109	34,021
Equity	23,791	22,860
Liabilities to the State	108	64
Provisions	10,389	10,465
Other liabilities	809	617
Accruals and deferrals	11	16
TOTAL EQUITY AND LIABILITIES	35,109	34,021

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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