



ANNUAL REPORT 2006



ekn

EXPORTKREDITNÄMNDEN



EKN increased the issue of guarantees for difficult risks – such as transactions with Cuba.
Photo: Mark Henley / Silver Photo



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HIGHLIGHTS OF THE YEAR

- During the year EKN issued offers for exports to 102 countries and guarantees for exports to 95 countries.
- Guarantees issued during the year increased in both volume and number. The increase in volume is due to a very large transaction in Pakistan. The increase in number is due partly to many new customers, and also to considerable demand for a specific country, namely Iran.
- The volume of guarantees increased to SEK 39.6 billion in 2006, compared to SEK 27.2 billion for the previous year. The number of guarantees increased to 2,101 from 1,808.
- Indemnifications were down to a record low of SEK 27 million.
- The trend towards prepayment by debtor countries continued. Recovered amounts were not quite as high as the record SEK 3 billion in the previous year, but were nevertheless high at SEK 1.7 billion.
- EKN has launched a vigorous initiative to reach out to small and medium sized enterprises (SMEs) with appropriate products. During the year, EKN issued offers in support of exports to a total of 192 exporting companies. Of these, 74 were new to EKN. This represents more than a doubling of new companies. The overwhelming proportion of these new companies are SMEs.
- The working capital guarantee was launched. This is a guarantee that makes it easier for Swedish companies to arrange through their banks the financing needed to handle export transactions.
- The collaboration with Almi has expanded. Eight Almi regions are now selling EKN's counter guarantee.
- The premium system has been enhanced in several respects, and the level of premiums is generally lower.
- During the year, EKN sent out a survey to everyone who had received guarantees or indemnifications. This is one way of getting immediate and continuous information about how satisfied customers are. The survey will continue to be used in 2007.

KEY FINANCIAL FIGURES

Key figures in SEK million

BUSINESS VOLUMES	2006	2005
Total amount for offers during the year	50,851	38,745
Total amount for guarantees during the year	39,555	27,204
Premium income	1,591	775
Indemnifications	27	199
Recoveries	1,715	3,160
Net result for the year	1,787	1,925
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OUTSTANDING EXPOSURE AND ACCUMULATED RESULTS	31 DEC 2006	31 DEC 2005
Outstanding offers	59,697	63,318
Outstanding guarantees	91,576	82,945
Provisions for estimated risk exposure	8,431	8,743
Outstanding indemnified claims, nominal	8,264	10,573
Outstanding indemnified claims, estimated net value	1,913	3,114
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ACCUMULATED RESULT	7,617	5,830

AN EKN OFFER is a promise, free of charge, to issue guarantees once there is an unconditional contract, or when delivery takes place. The offer specifies the conditions for the guarantee, such as the premium or which amounts are covered.

AN EKN GUARANTEE means that the Swedish State assumes responsibility for the risks that the guarantee covers.

MESSAGE FROM THE DIRECTOR GENERAL

THE HEALTHY GROWTH of the world economy continued during 2006, and we have seen continuing growth in Swedish exports. At the same time, liquidity – and the willingness to take risks – has increased in the private risk capital market. Despite this increase, the demand for our guarantees continued to increase, and we issued more than 2,100 guarantees for Swedish exports to nearly 100 countries. Our total exposure, in the form of commitments and offers, amounts to over SEK 150 billion, spread among nearly 130 countries.

We have also significantly increased the number of our customers – mostly among small and medium sized enterprises. This gives us reason to believe that the extensive marketing campaign that we launched during 2006 and intensified in the spring of 2007 will yield some excellent results. This campaign is being run in close cooperation with the Almi Group. During the current year, all Almi's 21 regional subsidiaries will be working in partnership with us both in marketing and in issuing guarantees. This gives us another very important channel direct to exporters.

During the year, we also intensified our collaborative efforts with several other players. In this connection, I want to draw attention to the Swedish Trade Council, SEK AB and Swedfund International AB. We have good reason to expect a great deal from this collaboration in the future.

Starting in the spring of the current year, we will be able to further increase our level

of service by making it possible to apply for certain guarantees online.

In the year just passed, we also launched several new or modified types of guarantees. We particularly want to draw attention to the new working capital guarantee, which makes it easier to provide capital for exporters for small and medium sized enterprises.

This initiative in the SME sector does not of course mean that our services to our larger and well-established customers is in any way reduced. On the contrary. Thanks to ongoing reorganisation and rationalisation measures, we have been well able to meet the demands from this customer base. Here too we have an expanded product range, lower premiums and shorter administrative processing times. We have been able to collaborate in many large export transactions, on more and more high risk markets. All this has been received very positively by exporters and banks.

Healthy economic trends worldwide have also yielded great results, both in terms of indemnifications and in recovering claims. The level of indemnifications was the lowest in modern times, while recoveries were the second highest ever – only in 2005 were they higher.

EKN is in a strong position facing the future – financially, and in terms of the product range, the organisation and the skills. This provides a firm foundation for even higher levels of service to Swedish exporters.

It is therefore with a feeling of optimism that I am leaving my job at EKN, after seven



EKN guarantees Standard Chartered Bank's and ABN Amro's loan agreement with Warid Telecom Pakistan for Ericsson's delivery of GSM networks. Olof Rydh represented EKN when the transaction was concluded.

years as Director General. It has been an interesting and enjoyable journey. I want to take this opportunity to thank all my colleagues, EKN's board, customers and partners for all we have done together, and for the great commitment from your side.

I will now hand over the baton to my successor, Karin Apelman.

Olof Rydh



Karin Apelman took over as the new Director General in March 2007.
Foto: Kenneth Hellman

OVER THE last five years, I have been involved in EKN's vital activities through my work on the board. These are good times, with many export opportunities for Swedish companies. For both large and small compa-

nies, EKN is often a precondition for doing more business, and for daring to take a step into new markets. It is therefore important that our guarantees continue to provide this. So it is with high hopes and expectations that I take over from Olof Rydh.

Karin Apelman
Director General

NEW BUSINESS

The willingness to take risks, and liquidity, have both increased in the private market. But in more difficult markets, EKN's provision of guarantees is very often a precondition for new transactions taking place at all. During the year, we have been striving with undiminished energy to pursue our ambition to issue guarantees – even in high-risk markets. Compared to the previous year, the number of new customers has more than doubled.

SWEDISH EXPORTS have continued to flourish, in step with the favourable trends in the world economy. At the same time, the risk profile has generally improved, and that in turn means that the financing costs for buyers have fallen. This applies above all to EKN's major and more important debtor countries, as well as for private debtors.

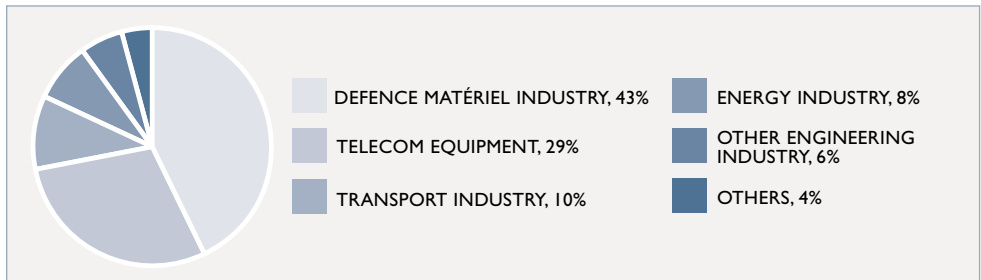
The generally strong world economy has not led to any weakening in the demand for EKN's services, as happened in previous economic booms. On the contrary, the volume of offers increased during the year by over 30 percent to a total of SEK 50.9 billion. This is all the more remarkable, bearing in mind that the sums that EKN has paid out in premium repayments during the year have continued to increase from an already high level. Premium repayments are a right that the

guarantee holder is entitled to in the event of prepayment of guaranteed credits. The occurrence of such early redemptions can be explained by good access to alternative sources of finance and risk coverage on the market on better terms than those offered by an EKN guarantee. Despite this, the demand for EKN's services has increased.

Increased demand for African countries and Iran

The willingness to take risks and the liquidity in private markets means that EKN's activities are increasingly focused on the more difficult risks. This is shown by the increased demand for EKN to collaborate in transactions in various African countries. In general, there has been an increase in the provision of guarantees within what is known as the GSL facility

ISSUED GUARANTEES, BY SECTOR, IN 2006





The demand for counter guarantees and basic guarantees has continued to increase. During the year, new customers have mainly used these guarantees. Among the customers are Nordica Paper & Machinery Trading, FMC Food Tech AB and Gyptech AB.

(providing guarantees for normally off cover countries). Another example is Iran, where for the time being the private market has limited opportunities to offer the risk cover demanded. For EKN's part, a reduction in the volume of business with Iran is evident, but the actual number of transactions has doubled. For many exporters, EKN's guarantees have been a precondition for doing business with Iran. The relatively large demand for risk cover for Iran, despite that country's strong external trade balance, can largely be explained by concern about developments in that country's relationships with the rest of the world.

Business sectors

In the telecom sector, EKN is playing a growing role in insuring risks for new entrants to the market. Very often, the companies that dominate this market have such high creditworthiness that they attract the interest of the private financing and insurance market. EKN has instead been able to support exports by taking on risks presented by new operators in established markets. This applies, for example, to operators in countries like India, Algeria and the Ukraine. The large proportion for the defence matériel industry relates to one single transaction.

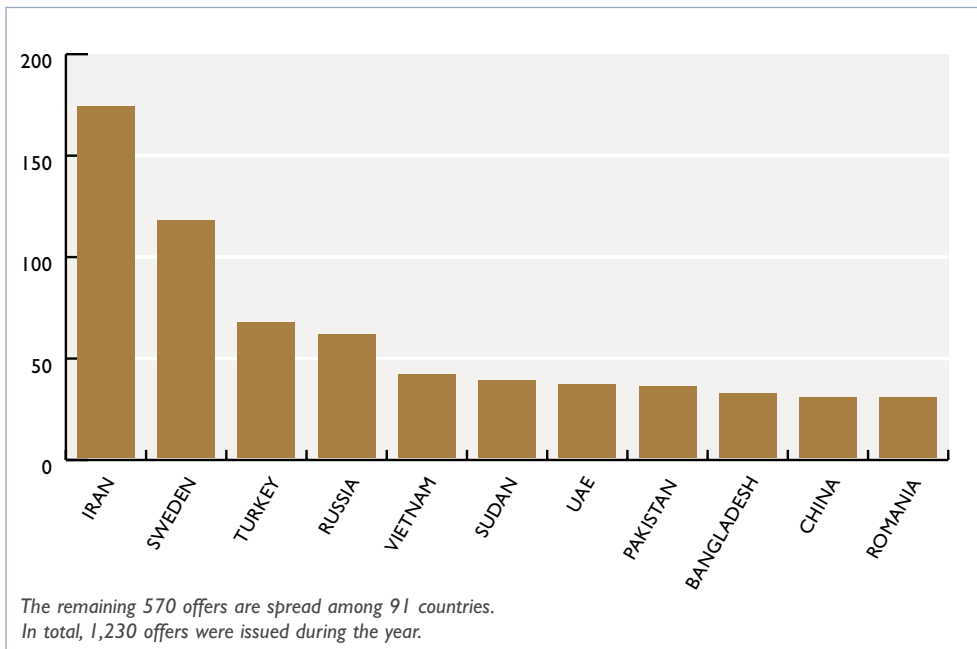
More transactions

The number of guarantees issued during the year was 2,101, compared to 1,808 the previous year. The international distribution of guaranteed export transactions remains high. During the year EKN issued offers for exports to 102 countries and guarantees for exports to 95 countries. If we look at the number of offers – which best reflects the activities of exporters during the year in various markets – Iran tops the list. Sweden comes second, because of the large demand for counter guarantees to banks for contract guarantees in export transactions, in which EKN carries risks of recourse to Swedish companies. After that, there is a relatively large spread of risks across many countries.

Greater volume

If we look instead at the guarantee amounts, the international spread is not as great. As in earlier years, ten countries account for 80 percent of the volume of guarantees issued. Pakistan was the single largest country during 2006. The reason was a very large transaction to do with the sale of an airborne surveillance system. Other major countries include Russia, Saudi Arabia, Turkey, the Ukraine, China and Iran. To a large extent, the need for EKN's involvement was because these were large transactions with elements of project finance, mostly in the telecom sector. This is the reason why even well-developed market economies such as Spain and Italy feature in the group of the ten largest countries.

NUMBER OF OFFERS PER COUNTRY DURING 2006





EKN's guarantees are needed in telecom transactions in places like the Ukraine.

Photo: Global Reporting / David Isaksson

During 2006, EKN issued guarantees to a total value of SEK 39.6 billion. The increase of 45 percent compared to the previous year is because of the Pakistan transaction.

Continuing demand for counter guarantees and basic guarantees

Interest in the counter guarantee that was improved in the previous year has remained high. We have also noted continuing increased demand for the basic guarantee,

the simplified loss on claim guarantee issued to SMES. As for the new products – the bill of exchange guarantee, the credit guarantee and the working capital guarantee launched during the spring – it is too early to assess the market demand. The marketing of the investment guarantee has had to take second place to the marketing of other products to SMES. No new offers or guarantees for investment guarantees have been issued during the year.

ISSUED COUNTER GUARANTEES

	2006		2005	
	SEK.m	number	SEK.m	number
OFFERS	11,859	112	2,838	110
GUARANTEES	2,293	107	2,628	105

ISSUED BASIC GUARANTEES

	2006		2005	
	SEK.m	number	SEK.m	number
OFFERS	150	143	128	92
GUARANTEES	125	322	106	190

SCOPE OF GUARANTEE OPERATIONS

	2006		2005		2004	
	SEK m	number	SEK m	number	SEK m	number
ISSUED DURING THE YEAR						
OFFERS						
Guarantees to exporters:						
Loss on claim	7,206	775	5,100	632	3,943	652
Loss on production / loss on claim	4,194	45	3,911	38	4,016	31
Guarantees to lenders	23,814	65	20,063	55	36,148	61
TOTAL	35,214		29,074		44,107	
Guarantee for physical loss	-	-	-	-	-	-
Guarantee for unfair calling	2,086	22	4,077	17	46	3
Counter guarantee	11,859	112	2,838	110	10,209	81
Letter of credit guarantee	1,559	194	2,756	243	3,907	131
Guarantee for bill of exchange	88	10	-	-	-	-
Working capital guarantee	45	7	-	-	-	-
Investment guarantee	-	-	-	-	-	-
TOTAL	50,851	1,230	38,745	1,095	58,269	959
GUARANTEES						
Guarantees to exporters:						
Loss on claim	5,756	1,665	3,539	1,351	3,190	1,545
Loss on production / Loss on claim	2,363	23	1,377	14	3,192	16
Guarantees to lenders	25,245	90	16,777	85	8,502	63
TOTAL	33,364		21,693		14,884	
Guarantee for physical loss	-	-	-	-	-	-
Guarantee for unfair calling	2,473	19	144	11	13	2
Counter guarantee	2,293	107	2,628	105	1,742	68
Letter of credit guarantee	1,396	189	2,739	242	3,811	129
Guarantee for bill of exchange	20	6	-	-	-	-
Working capital guarantee	9	2	-	-	-	-
Investment guarantee	-	-	-	-	-	-
TOTAL	39,555	2,101	27,204	1,808	20,450	1,823

SCOPE OF GUARANTEE OPERATIONS

	31 Dec 2006		31 Dec 2005		31 Dec 2004	
	SEK m	number	SEK m	number	SEK m	number
OUTSTANDING AT YEAR-END						
OFFERS						
Guarantees to exporters:						
Loss on claim	5,511	735	3,380	474	3,501	523
Loss on production /						
Loss on claim	2,466	23	3,631	26	1,243	15
Guarantees to lenders	35,006	61	42,951	49	44,210	57
TOTAL	42,983		49,962		48,954	
Guarantee for physical loss	-	-	-	-	-	-
Guarantee for unfair calling	1,092	6	1,640	4	36	2
Counter guarantee	15,489	40	11,607	20	11,538	32
Letter of credit guarantee	36	3	109	2	136	3
Guarantee for bill of exchange	61	7	-	-	-	-
Working capital guarantee	36	5	-	-	-	-
Investment guarantee	-	-	-	-	-	-
TOTAL	59,697	880	63,318	575	60,664	632
GUARANTEES						
Guarantees to exporters:						
Loss on claim	4,178	1,232	2,393	879	2,050	957
Loss on production /						
Loss on claim	3,037	36	4,251	33	3,803	30
Guarantees to lenders	71,797	346	65,141	373	53,616	476
TOTAL	79,012		71,785		59,469	
Guarantee for physical loss	-	-	12	1	24	1
Guarantee for unfair calling	2,300	16	230	11	149	4
Counter guarantee	7,157	133	5,747	116	3,738	70
Letter of credit guarantee	847	116	2,600	82	3,385	100
Guarantee for bill of exchange	17	4	-	-	-	-
Working capital guarantee	9	2	-	-	-	-
Investment guarantee	128	1	133	1	127	1
SLV guarantee	2,106	42	2,438	42	2,141	42
TOTAL	91,576	1,928	82,945	1,538	69,033	1,681

New customers more than doubled

During the year, EKN issued offers in support of exports to a total of 192 exporting companies. Over and above these, there are also exporting companies behind letter of credit guarantees issued to banks. The 192 companies represent everything from large multilateral groups to companies with very limited operations. Of these companies, 74 were new to EKN. This represents more than a doubling compared to the previous year. The new exporting companies involved with EKN during the year are mainly SMEs. They are the target group for the intensified marketing efforts made by EKN during the year. On the marketing front, the previously initiated collaboration with Almi was further expanded during the year. Four Almi regions began during the year to issue EKN's counter guarantee. Subsequently, several other regions have joined in as resellers. There are plans to expand the product range, and all 21 Almi regions throughout the country will be able to arrange these.

Opportunities for difficult risks

As part of the effort to maximise support to Swedish exporters within the set restrictions for issuing guarantees, EKN has for a number of years been developing guarantees for normally off cover countries. This means that there are covers for transactions where the exporter can demonstrate good experience with transactions in the country, and where



"Good financing solutions give us an important competitive edge," emphasises Christer Parkgren, MD for VG Power in Västerås, talking about EKN's counter guarantee.

other individual risk-improving efforts can be demonstrated, for example clear import priorities in the host country or the certainty of receiving export revenues. The number of guarantees for off cover countries issued during the year increased sharply from 15 to 58, for exports to Cuba, the Ivory Coast, Angola, Libya and Nigeria. The total for such guarantees increased by 60 percent, to a total of SEK 135 million, of which two-thirds related to exports to Cuba. Against the back-

GOVERNMENT OBJECTIVES

- To promote Swedish exports by issuing guarantees, and to launch these as part of Sweden's export promotion, in collaboration with other parties involved.
- To increase the understanding of and interest in EKN's activities on guarantees, and to adapt products and services to meet customer demand.
- To increase and expand the initiatives for guarantees to small and medium-sized enterprises with the objective of at least 50 new customers during 2006.
- To promote Swedish exports by offering competitive export credit guarantees and investment guarantees. To offer guarantee terms that are at least the equivalent of those in the world at large, provided that the business achieves a balanced result in the long term.



Guarantees for transactions in the Czech Republic have become cheaper during 2006.

Photo: Silver Photo

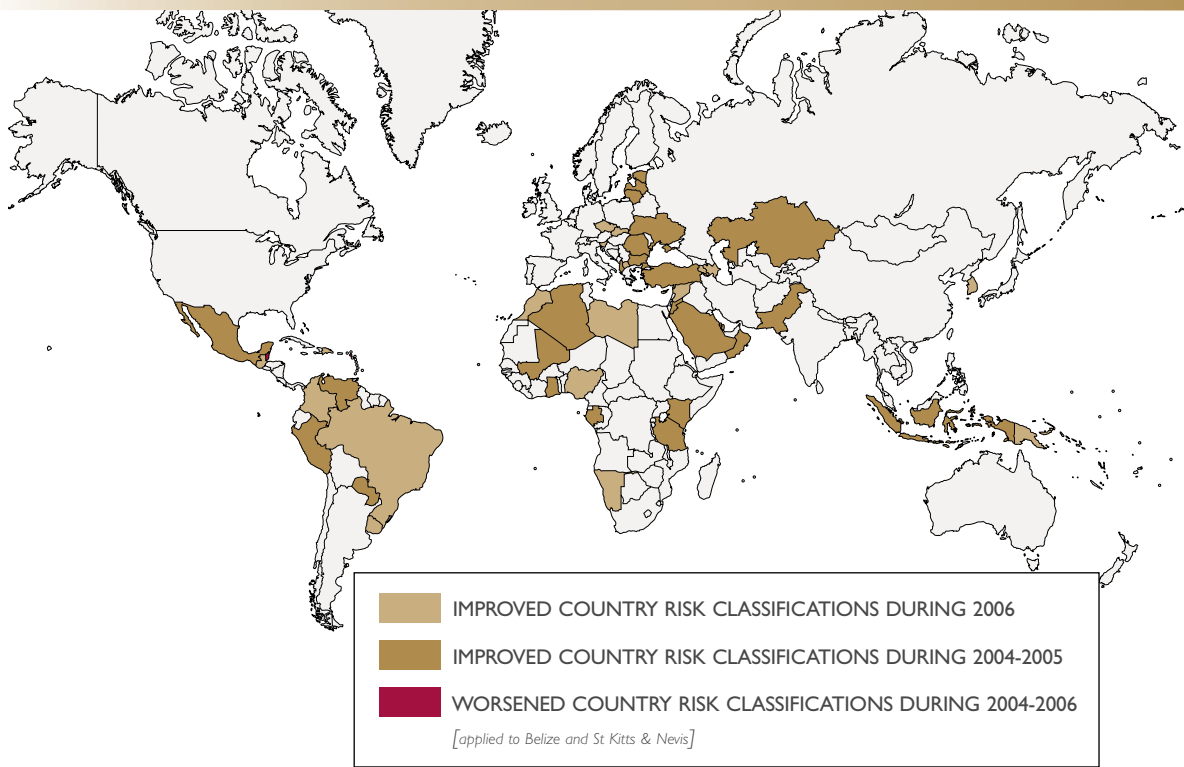
ground of the good experience that EKN has had for several years in this business, EKN has been able to offer more favourable terms, such as lower premiums and larger guarantee amounts.

Increased premium income with lower premium levels

EKN's premium income rose strongly during 2006. For several years, premium incomes have been in the range SEK 0.5–1 billion annually. In 2006 they were just short of SEK 1.6 billion – the highest ever in EKN's history. The main reason was the transaction in Pakistan. If the premium income from the guarantees for the Pakistan transaction is excluded, premium volumes are largely unchanged compared to the previous year. This is despite the fact that premiums are lower in many markets.

The lowered premiums are due mainly to EKN's country risk classifications. During 2006, country risk classifications were improved for 21 countries, resulting in lower premiums. Only two countries were given a less favourable country risk classification. This is the continuation of a trend that has been going on for some years. This can be seen from the map, which also shows the changes that took place during 2004–2005. During these years, EKN upgraded 28 countries.

The upgradings that have taken place are geographically well spread, and not concentrated in any specific region. In fact, this favourable trend in risks can be linked to the historically high international commodity prices for oil, metals and agricultural products. In general, this has also been very positive for trends in the risk markets, where EKN has its key task.



Added to this, during the year EKN reviewed its setting of premiums for guarantees for unfair calling, and this has in general led to lower levels of premiums. Furthermore, the setting of premiums for transactions with high-risk countries has become more flexible, and the premium levels have fallen.

Another factor that has created a more favourable situation for Swedish exporters is the increased use of matching, with the aim of levelling out premium differences compared to other countries' export guarantee agencies.

Increased follow-ups of transactions with environmental impacts

During the year, EKN participated actively in the work to revise the OECD's Recommendation on Common Approaches on environmental and officially supported export credits. Examples of issues, which EKN has worked for are the further harmonisation of

work on environmental issues among export guarantee agencies, stricter procedures for systematically following-up environmental issues in transactions already entered into, as well as increased disclosure.

EKN has also maintained an ongoing dialogue with respect to environmental issues with several environmental organisations, exporters and banks.

During the business year, EKN has also continued to develop its internal environmental procedures. During the year, procedures for monitoring environmental issues in transactions already entered into have been introduced.

The aim of the environmental monitoring is to assess whether the environmental issues have been handled in line with what the guarantee holder stated in his application. Two hydro power projects, Three Gorges 1 in China and Nam Theun 2 in Laos, have been monitored. These have included a review of docu-

mentation, interviews with staff on the project, and visits to the project sites. According to EKN's assessment the environmental issues in the projects are generally being handled in line with what was stated in the application documents.

In line with its environmental procedures, EKN classifies all medium- and long-term export transactions in the categories A, B or C, depending on the presumed environmental consequences of the project. Category A signifies a major risk of a negative impact on the environment, B a lesser, C a minimal or no impact of the environment.

The majority of transactions with medium- and long-term credit periods guaranteed by EKN during the business year fell into the C category – in other words they were judged to have minimal or no environmental impact. No transaction was classified in category A, while two were in category B. The table below gives a short account of the transactions in category B.

Heavily Indebted Poor Countries

Ever since 2002, EKN has had a policy on unproductive expenditure in Heavily Indebted Poor Countries (HIPC), based on an agree-

ment in the OECD. The objective is to restrain State borrowing or State guarantees of loans on commercial terms for investments that are not commercially viable. EKN has formulated a policy, stating that EKN will not participate by guaranteeing credits if:

- the country has restrictions relating to commercial borrowing in its IMF agreement
- the project/investment is not commercially viable
- the project does not conform to the country's poverty reduction or debt strategy, or
- the project exacerbates the country's social and/or economic development.

During the year, EKN guaranteed 108 transactions to 19 countries covered by this policy. Most of these 108 transactions were made with private debtors, and are not covered by the policy. In the handful of transactions with State purchasers, the transaction has either been too small (less than SEK 25 million) to be covered by the policy, or has been financed by development funds, or has been the reinsurance of a transaction from another guarantee agency that has accepted the OECD principles on unproductive expenditure.

GOVERNMENT OBJECTIVES

When providing guarantees, to continue working with ethical concern for the environment, and also on corruption and social issues. To continue to inform customers of the initiative with Global Responsibility and OECD guidelines for multinational companies. To contribute to Sweden's overall objective of equitable and sustainable global development by continuing to pay special regard when issuing guarantees to the heavily indebted least developed countries.

BUSINESS WITH ENVIRONMENTAL IMPACT, CATEGORY B

Screw conveyor unloading coal from ships to a combined power plant, Taiwan	Due to the export a buffer storage area for coal, where loading and unloading were done by grab buckets, could be taken out of service. Wastage and the spread of coal dust could thereby be reduced.
Paper plant machinery, Turkey	A machine for manufacturing paper was set up in an existing textile factory. Existing supplies of water, electricity and fuel could be used. A waste water treatment plant that uses the best available technology in Europe was installed.

RISK EXPOSURE

The total exposure in guarantees increased during 2006. Important changes from the previous year include a substantial increase in the exposure to Pakistan, and similarly an increase in the exposure to Swedish companies as a result of counter guarantees. The trend continues, with reduced claims resulting from large amortisations.

THE TERM “risk exposure” includes EKN’s exposure in offers and guarantees, and the claims EKN has taken over in conjunction with indemnifications. The claims also include capitalised interest and unpaid and accrued interest.

Offer volumes and guarantee volumes influence each other, to the extent that offers turn into guarantees. In the current year’s figures, this is clearly visible in the Pakistan transaction for SEK 16 billion. At the end of 2005 this transaction was in the offers’ volume, while by the end of 2006 it was in the guarantees’ volume.

The offers’ volume fell slightly to just under SEK 60 billion at the end of 2006, from SEK 63 billion at the end of the year before. If the Pakistan transaction is excluded, there has been an increase. The guarantee volume increased to SEK 91 billion at the year-end,

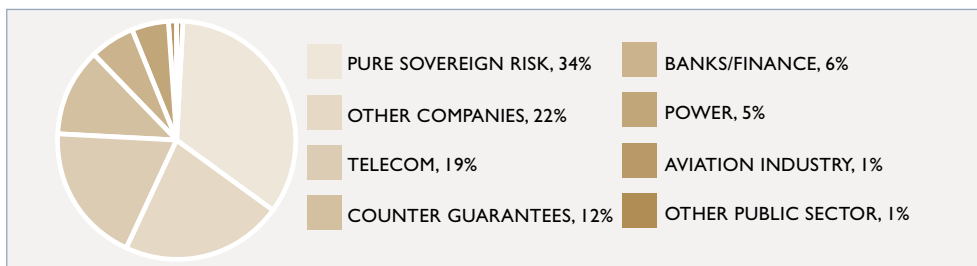
compared to SEK 83 billion at the previous year-end. Aside from the Pakistan transaction, the guarantee exposure is less.

In total, offers and guarantees show an overall increase to SEK 151 billion at the end of 2006, from SEK 146 billion at the end of the previous year.

No major changes in types of risk

The spread of EKN’s exposure to various types of risk has been relatively stable in recent years. The trend towards a smaller proportion of pure sovereign risk has continued, and together with other public sector risks, the public sector proportion of EKN’s risks fell to 35 percent from 39 percent. At the same time, the proportion of counter guarantees has continued to increase – once again underlining the significant need met by this type of guarantee.

FIXED EXPOSURE BY RISK TYPE, BEFORE REINSURANCE, 31 DEC 2006





Following Saab's sale of an airborne surveillance system to Pakistan, Pakistan is now at the number one spot in the list of countries where EKN has the largest exposure.

Photo: Saab.

High concentration of risk in a few countries

EKN's guarantees cover more and more countries – EKN currently has risks in 127 countries. At the same time, the guarantee exposure is concentrated in just a few countries. In volume terms, South Africa has long been a special case among EKN's risk countries – but in 2006 it was joined by Pakistan. In exposure terms, both countries are at much the same level. The main difference is that for Pakistan, claims form a small part of the risk exposure.

The diagram also shows the significance

that the counter guarantees of Swedish companies now have in EKN's exposure. Sweden now has EKN's third largest exposure, up from 10th place in the previous year.

Monitoring

Once a guarantee has been issued, EKN follows up transactions with a long risk period. Transactions worth more than SEK 300 million are monitored and reviewed twice a year. For these transactions, an assessment is made of expected losses, provisions required, and if needed a strategy for loss-prevention measures. In some cases, more detailed reports are

put together on a continuous basis. This normally applies to very large transactions which affect the exposure to a significant degree, or to difficult, risky transactions.

During 2006, 119 transactions, with 50 different debtors were subject to special exposure monitoring. Favourable trends in the world economy, and high levels liquidity in the international money markets have had a knock-on effect in the form of reduced provisions for losses in many cases. Improved country classifications have influenced the provisions for loss, while in certain cases the credit risk in individual transactions has fallen.

Loss prevention in three large transactions

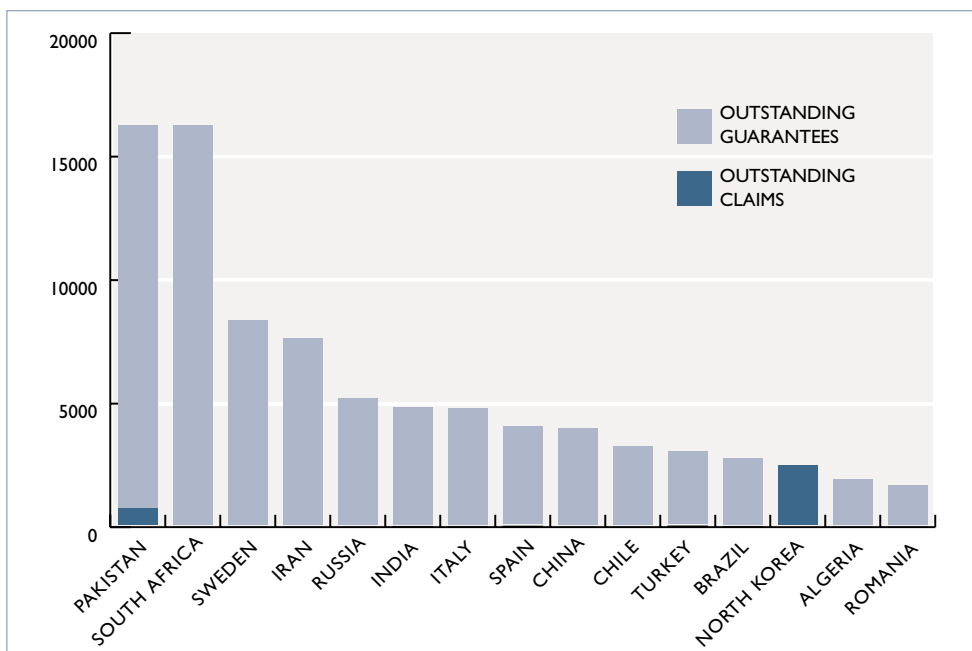
While EKN follows up exposure risks, it is the guarantee holder's responsibility to pass

on information continually about increases in risk in guaranteed transactions. As soon as the risk in a transaction reaches a critical point, EKN takes action. Usually EKN works with the guarantee holder to analyse the situation and decide on the most advantageous action. This way of working means that EKN has increasingly taken action earlier and more vigorously in order to avoid and/or limit indemnification costs.

The most usual actions are to extend the repayment period, to utilize securities, to recover the exported goods or to sue the debtors. Other actions may also be appropriate.

In two major telecom transactions, the problems stemmed from over-optimistic business plans. Negotiations between the debtors and EKN, in collaboration with other risk takers, led to the owners investing additional capital. In this way, indemnifications

OUTSTANDING GUARANTEES AND CLAIMS ON THE 15 LARGEST COUNTRIES, 31 DEC 2006



LOSSES AND RECOVERIES DURING 2006, PLUS OUTSTANDING CLAIMS AS AT 31 DECEMBER 2006, SEK M

[excluding guarantee holders' excess]

	POLITICAL			COMMERCIAL		
	Indemnifications	Recoveries	Outstanding claims	Indemnifications	Recoveries	Outstanding claims
Algeria		465	0		1	
Angola		26	137			
Argentina			70		4	18
Bosnia-Herzegovina		3	47	1		1
Brazil		418	0	4		9
Bulgaria		-3				
Colombia				7	11	26
Egypt		16	248			
Gabon		9	61			1
India						9
Indonesia		16	281		41	389
Iraq			900			
Cameroon		1	485			
Kenya		1	22			
Congo-Kinshasa		2	887			
Croatia		7	22	-3		15
Cuba			549			
Liberia			60			
Libya			36			
Mexico				2	2	7
North Korea			2,396			
Pakistan		49	672			
Peru		16	519	1		3
Russia		471	0			
Serbia		2	77			
Singapore					2	15
Spain						38
United Kingdom						45
Togo			37			
Turkey					2	45
Uruguay				6	7	17
USA				3	3	47
Zimbabwe	4		32			
Others		1	6	2	1	35
Standard allocated recoveries		141				
Loss prevention lease				14		
TOTAL	4	1,641	7,544	37	74	720

RECOVERIES AND LOSSES

Last year, financial trends were very favourable for EKN. Indemnifications were at historically low levels and recoveries were very high.

THIS IS ESSENTIALLY the result of the positive trends in the world economy. The international finance markets are currently enjoying very high liquidity and very few suspensions of payment. The latter is evident in EKN's reduced indemnifications.

At the same time, the high liquidity has made it attractive for many debtors, particularly governments, to pre pay their debts by refinancing at lower rates on the international finance markets. The prepayments in several Paris Club agreements should be seen in this light. As a result, recoveries in future years will be significantly lower.

Lowest level ever of indemnifications

During the year, indemnifications amounted to only SEK 27 million – the lowest payments in recent decades. This is a very large reduction compared to the previous year's payments amounting to SEK 199 million. The lower level obviously reflects the healthy economic situation, but is also the result of successful loss prevention. During the year, there were only a small number of commercial losses, and indemnifications for political events have only been paid out for one transaction, in Zimbabwe. In total, indemnifications were paid to 16 guarantee holders, of which two can be classified as

small or medium sized exporting enterprises. The geographic spread of losses remains high, with losses in 15 countries.

Continuing high recoveries

During the year, recoveries were also at record levels, and in total SEK 1.7 billion was repaid from 30 countries under 340 guarantees. As with the previous year's recoveries totalling SEK 3.2 billion, the major part were due to large prepayments under Paris Club agreements. Algeria, Brazil and Russia repaid their debts. At the end of the year there was also a large repayment from Angola. As previously, most countries honour their contracts and regularly make interest and amortisation payments.

Recoveries on commercial claims have mostly been done by selling claims, but also by agreeing new repayment plans with the debtors. During the year, commercial recoveries were SEK 74 million.

Compensation for debt relief

In February 2006 the Swedish government made a decision about an allocation model for the costs of bilateral debt relief granted by the Paris Club to the poorest countries.

The decision meant that EKN received SEK 266 million as compensation for granting



Angola has made a large repayment, and Brazil has repaid its entire debt. Agreement has been reached with Madagascar, which includes writing off that country's entire outstanding debt.

Photo: Angola: Jørn Stjerneklar / Silver Photo.
Brasilien: David Isaksson / Global Reporting.
Madagascar: Jeremy Horner / Silver Photo.



write-offs on agreements reached since the mid-1990's. The compensation covers only a small part of these write-offs.

Repayment agreements

Only a single new multilateral Paris Club agreement has been signed during the year. The agreement was with Cameroon, and means that EKN will grant that country large-scale debt relief once the bilateral agreement comes into force.

At the start of the year, Sweden signed the bilateral agreement with Iraq. This covers claims on guarantees that EKN issued during the 1980's. When a country's debts are settled by agreement, all accrued penalty interest is capitalised. This means that the agreed debt

amounted to SEK 2.2 billion. But at the time the agreement was signed, part of the debt relief granted to Iraq came into force – in total 60 percent of the agreed amount. Debt relief is granted in stages, and another 20 percent will be written off before 2009.

A bilateral agreement has also been signed with Madagascar, granting debt relief on the entire outstanding debt.

BUSINESS DEVELOPMENT

Administrative processing times have been further reduced. Three new products were launched during the year, and the cooperation with Almi has been expanded. Eight Almi regions are now selling EKN's counter guarantee.

EKN IS SENDING out a survey to everyone who has received guarantees or indemnifications. This is one way of getting immediate and continuous information about the level of customer satisfaction. This continued during 2006 and an information database about customer wishes is taking shape, which will form the basis for development work.

Administrative processing times further reduced

Administrative processing times are a key concern for EKN customers. For some years, EKN has therefore been striving to cut the time from application to decision, and from notification of loss to indemnification. During 2006, EKN significantly cut the time from application to decision, even though the number of transactions increased substantially. This is the result of more efficient procedures – as well as the fact that administrative processing times have attracted attention and been measured.

For all guarantee transactions, the median administrative time, including dispatch of the decision, has gone down from 25 days in 2004 to 14 days in 2006. For what are called long transactions, with medium- and long-term credit finance and a great many complicated

business matters, the median value has gone down from 42 to 23 days over the same period. For short transactions, with credit risks of up to one year, progress has been relatively even more pronounced. For these transactions, the median value has gone down from 24 days in 2004 to 10 days in 2006. SMES above all are to be found in this specially prioritised category.

For indemnifications, EKN pays interest compensation to the guarantee holder if the administrative time exceeds 30 days. This special compensation was only paid out in two cases during 2006. There are also monitoring of the time taken by EKN from when a recovery payment is received until the calculation and payment of the guarantee holder's excess is made. The average time was cut from 29 days to 17 days during 2006.

Working capital for small and medium sized enterprises

With the working capital guarantee, EKN has a broader product range, well adapted to SMES. The new guarantee makes it easier for Swedish companies to arrange, through their banks, the financing needed for export transactions. When the bank grants a loan to the exporter, for example in the form of working capital or an overdraft facility, EKN guarantees 50 percent of the amount granted. The bank is thus protected against the risk of the exporter not repaying the loan. This increases the scope for additional credit from the bank,

GOVERNMENT OBJECTIVES

To stimulate a high level of service to the public and companies through service undertakings and user dialogue.

and increases the export opportunities for the exporter. The guarantee is designed to make it easier for SMEs to obtain capital. During the six months this guarantee has been available, EKN has issued seven offers and two guarantees. Thanks to the product development in recent years, exporting companies can now have support from EKN throughout their entire business processes.

Marketing, product launches and cooperation with Almi

EKN's new website was launched at the start of the year. On the new website, many functions have been improved, including country risk information and premium calculations. As well as these e-services, EKN has started to work on a function to make it possible to apply and follow the process online. This, it is hoped, will enhance the efficiency of both the guarantee holder's and EKN's procedures. The new website has been a vital pre-requisite for marketing efforts during the year. At the start of the year, two guarantees were launched – the new bill of exchange guarantee and the revised letter of credit guarantee – by mailshots sent to exporting companies and banks. Later in the year, the working capital guarantee was also ready for launch. The cooperation with Almi has been an important part of EKN's efforts to reach out to more SMEs.

Improved premium system

Several improvements has been made to the premium system. The loss on claim guarantee now has a 95 percent coverage rate as standard for both political and commercial risks, plus the option to choose other coverage rates. By



"The cooperation with EKN has worked very well," says Lars Mårdbrant, Director of Public Relations at Almi Företagspartner.

setting a lower coverage rate, the guarantee holder can now influence the premium, even for short guarantee periods. For short term guarantees, a standardised discount system has been introduced, which comes into effect if the debtor has high creditworthiness. Securities in a transaction now have a greater bearing on setting the premium. EKN has also introduced the option for guarantee holders to pay premiums in arrears instead of in advance – something that may help to ease the burden for exporters and thus also the buyer's liquidity. In addition, EKN will be producing country risk classifications for some countries that are more favourable than the OECD country risk classifications. EKN is however bound by the OECD agreement on the lowest premium levels. This means that more advantageous classifications may not always be fully achievable.

GOVERNMENT OBJECTIVES

All services that can be provided electronically with equal or greater cost-efficiency shall be supplied electronically and in a user-friendly way.



INTERNATIONAL COOPERATION

Combating corruption has been one of the major international issues. Within the OECD, work has been done to develop contacts with countries outside the OECD who also offer export credits and export credit guarantees. The Berne Union has adopted new guiding principles.

EKN IS A member of the Berne Union (International Union of Credit and Investment Insurers), which has more than 50 governmental and private members from various parts of the world. During 2005, they insured risks to the value of more than one trillion us dollars.

Common values for members of the Berne Union

At its annual meeting in 2006, the Berne Union adopted new Guiding Principles. These set common values for the members' activities, and include principles for sound business ethics, rigorous risk assessments, financial balance, adherence to international agreements, regard for the environment, anti-corruption and so on.

The principles underpin the Berne Union's efforts to promote cooperation and stability in international trade. It is also hoped that they will contribute to levelling the playing field among members in the OECD countries and those in other countries.



The Berne Union adopted new Guiding Principles at its annual general meeting in Amsterdam in the autumn of 2006.

Photo: Kelvin Wakefield / iStockphoto.

GOVERNMENT OBJECTIVES

To encourage competitive neutrality between different government-supported export credit and investment guarantee agencies internationally.

To participate in any international activities affecting EKN's operations.

The principles can be found on the Berne Union's website, and there is a link to it on EKN's website under "Links".

Based on these general principles, various committees within the Union are producing more specific standards and guidelines for

short-term and long-term export credit insurance and investment insurance.

The OECD reaches out to other countries

In recent years, the OECD countries have come across several situations in which non-member states are offering terms and conditions for exports that are more generous than those permitted under the OECD rules. The OECD Export Credit Group is continuing to monitor the competition from outside, and is seeking in various ways to deal with the situation.

The OECD's work in the export credits field has focused more and more on the importance of reaching out and working with economies outside the OECD. In the light of the growing competition from countries like Brazil, Russia, India and China (the BRIC countries), the export credit groups have made particular efforts to approach these countries. During autumn 2006, a number of non-members were observers at OECD export credit meetings, and are likely to continue down that path.

Stronger action against corruption

In order to combat corruption in export transactions, the OECD countries' export

credit and guarantee agencies have for several years pursued joint policies and procedures. During 2006, a new OECD Recommendation on Bribery and Officially Supported Export Credits was adopted.

The Recommendation involves further action to combat corruption in export transactions. The new rules, which EKN has been applying since 1 January 2007, mean that more information is gathered about exporters' relationships with agents, and there are checks against public international lists of blacklisted companies.

Sustainable development in focus

In the summer of 2006, the EU Commission organised a seminar on sustainable development and export finance. A large number of participants came from export credits and guarantee agencies, non-governmental organisations, companies and banks. The discussions dealt with topics such as concern for the environment, and the sustainable debt situation for poor countries. The debt burden issue has also been discussed at the OECD and the Berne Union.



Photo: Marta Nascimento / Silver Photo

PERSONNEL

EKN CONTINUES TO have a good skills provision. We do not foresee any significant risk of a shortage of staff in any particular categories in the next few years.

Skills development

Many EKN employees are given the opportunity to develop their skills by being seconded for a period of time to another business. During the year, employees have worked at Nordic Investment Bank in Helsinki, Standard Chartered Bank in Singapore, the EU in Brussels, the Berne Union in London, SEK AB, and the Swedish Ministry for Foreign Affairs.

Personnel statistics

Total sick leave during the year was 2.3 percent of total normal working hours. The corresponding figure for the previous year was 2.8 percent. No fewer than 75 percent of EKN's 109 employees had five or fewer days of illness during the year, the definition of what is called being long-term healthy.

Of total sick leave, 31 percent was long-



term sick leave. This is a large reduction from the previous year's 60 percent. Long-term sick leave means sickness notification of 60 days or more.

SICK LEAVE 2006

Personnel group	Percent
Women	3.4
Men	1.0
Employees below 30	1.2
Employees 30–49	1.6
Employees 50 and older	3.8
TOTAL FOR ALL EMPLOYEES	2.3

Targets for EKN's skills provision 2006 – 2007:

A uniform age distribution with an average age in the range 38–42.

- *The median age at the end of 2006 was 42.*

Annual turnover of personnel around 4–5 percent.

- *The turnover of personnel was just over 10 percent.*

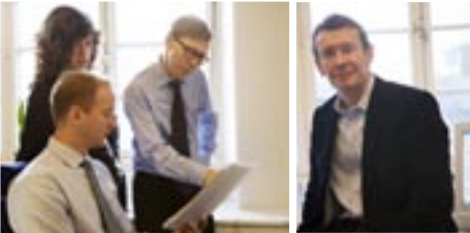


Photo: Stefan Wettainen

	Women	Men
Management	55%	45%
Core skills	49%	51%
Support skills	72%	28%

Internal job mobility of around 3–5 percent.

- *During the year approximately 5 percent of employees changed their work assignments between departments.*

A balanced distribution by gender in all skills areas, i.e. within the range 40–60 percent.

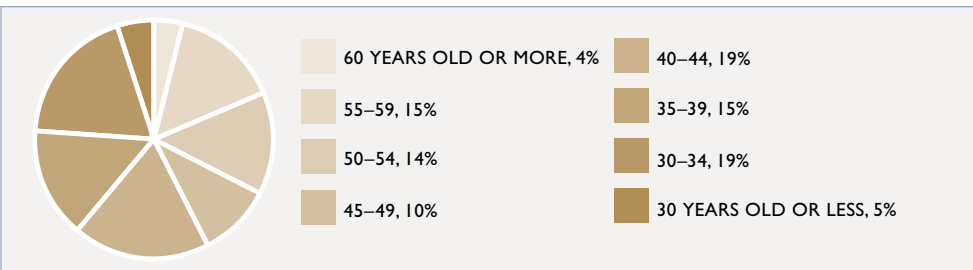
- *At the end of 2006, 45 percent of employees were men and 55 were women.*

The average period of employment for persons who give notice to leave shall not be less than 4 years.

- *The average period of employment for persons who left during the year was 2 years. Including those retiring on a pension, the average period of employment was 3 years.*

EKN has been striving for several years to increase ethnic and cultural diversity.

AGE GROUPS 2006



RESULTS AND RESERVES

The net result for 2006 amounted to SEK 1.8 billion. EKN's liquid assets have continued to grow, mainly as the result of large recoveries. The fixed exposure at the year-end was SEK 97.7 billion, an increase from 2005 of SEK 11.4 billion.

EKN HAS SOUND finances and is in a strong position to continue providing guarantees for the benefit of Sweden's export industries. In addition to its own liquid assets, which have grown during the year, EKN has, as a last resort, unlimited borrowing rights at the Swedish National Debt Office.

Net result for the year

The net result for 2006 amounted to SEK 1.8 billion. Equity (agency capital) was SEK 7.6 billion (5.8 billion in 2005). EKN's equity consists of three main components:

- + liquid assets
- + indemnified claims and their value
- risks in transactions

Liquid assets

EKN's liquid assets and securities at the year-end totalled SEK 13.3 billion (10.8 billion in 2005). Liquid assets have increased mainly as a result of large recoveries of SEK 1.7 billion (3.2 billion in 2005) plus premium income paid of about SEK 600 million. Indemnifications for the year of SEK 27 million (199 million in 2005) are the lowest in present-day history.

EKN's assets in SEK are invested with the Swedish National Debt Office, ranging from at sight deposits to 5 year fixed-term invest-

ments. Assets in foreign currencies, mainly US dollars and euros, are in deposits at Swedish commercial banks and in corporate and commercial paper ranging from at sight deposits, up to 3 years fixed terms.

Indemnified claims and their net value

The majority of the claims are fixed in long term agreements. The claims change every year through new indemnifications, recoveries of capital and interest, write-offs and changes in foreign exchange rates for claims in foreign currencies.

There were some very big changes in EKN's stock of claims in 2006. The largest recoveries came from Russia, Brazil and Algeria.

At the year-end, claims were a nominal SEK 8.3 billion, compared to SEK 10.6 billion for the previous year-end. The estimated value of the claims was SEK 1.9 billion after provision for risk. This represents 23 percent of the nominal claims amount – a reduction from the previous year's 29 percent. The reason is that the highest value claims have been paid off.

GOVERNMENT OBJECTIVES

Income from providing guarantees shall, over the long term, cover the costs.

Claims arising as a result of political events still account for 90 percent of the nominal claims amount.

Business risks

The premium charged by EKN should reflect the risk in the transaction. In so doing, premiums should provide an adequate reserve for future indemnification payments that EKN can be expected to pay to its guarantee holders.

The fixed exposure, defined as ongoing commitments, recently matured guarantees in problem cases, notified delays in payment, and binding offers, amounted to SEK 97.7 billion. This represents an increase of SEK 11.4 billion compared with the previous year.

Provisions for expected losses were SEK 4.1 billion, an increase of SEK 0.3 billion from 2005. The increase in provisions is explained primarily by the growth in the fixed exposure. That the provision for expected losses shows a relatively modest increase is partly because EKN has upgraded the country risk classification for several countries. In other words, it has become cheaper to insure. The positive trend in risks has also led to a reduced need for provisions for a number of major telecom commitments in India, Russia, Serbia and Indonesia. The provision for expected losses has thus increased, but in relation to the size of the fixed exposure, the provision for expected losses was lower at the 2006 year-end than at the same time in 2005.

Reduced risk concentration

In addition to a risk provision for expected losses, EKN makes provision for unexpected losses or the concentration risk in a transaction. This risk provision is calculated on both outstanding guarantees and claims. A large number of potential future loss scenarios are simulated in EKN's portfolio risk model. Provision is then made, taking into account the extent of the concentration risk that EKN has in its exposure. The greater the proportion of the portfolio that is dominated by a few major risks, the higher the concentration risk and therefore the greater the need for provisions.

Even though a number of large transactions were added to the fixed exposure during the year, the risk concentration lessened slightly. This was mainly the result of reinsurance operations taken out. Provisions for unexpected losses declined by approximately SEK 0.2 billion to 4.8 billion. The portfolio has thus become somewhat better balanced than in the previous year. Provisions for the total risk on EKN's exposure to unexpected losses, including claims, amount to SEK 4.9 billion.

Reduced total provision requirement

In total, the provision for expected and unexpected losses in the guarantee exposure was SEK 8.4 billion (SEK 8.7 billion in 2005). This represents just under 9 percent of the fixed exposure at the end of 2006, compared to just above 10 percent at the end of 2005.

ACCOUNTING PRINCIPLES

Valuation of exposure

EKN's outstanding exposure is defined as outstanding guarantees, newly matured guarantees, notified postponements and binding offers. The currency for part of the long-term exposure remains undetermined at the date of contract and is thus booked in SEK. Premium is charged only after the issue of a guarantee. Investment guarantee premiums are charged on an annual basis. The income statement has therefore been supplemented with estimated premiums for binding offers and investment guarantees. These items may be found in the balance sheet under the heading "Receivables from guarantee holders".

The risk valuation of outstanding exposure is based on the premium level for risks with corresponding time to maturity at the time of valuation. A deduction is made from that part of the premium calculated to correspond to administration costs. For larger commercial risks a follow-up of the development of the project or the company is conducted, as well as of the premium assessed at the time of evaluation to reflect the risk remaining. These valuations result in an estimated expected risk of exposure loss under normal circumstances. In the event that part of the exposure has been reinsured, the risk for the re-insurer is computed (see also note 1).

As a large part of EKN's exposure is concentrated on a limited number of countries, losses in these particular countries produces

an outcome considerably more negative than normally expected. Thus special provision is made for exposure risk concentration. Calculation is made on the basis of a fixed level of security of 95 percent in order that the required outcome is reached.

Valuation of indemnified claims

The definition of outstanding claims is based on the amount of indemnifications paid out by EKN. Deduction is made for claims on losses recovered or written off. Capitalised moratorium interest, overdue moratorium interest and accrued moratorium interest not yet due is added. Demands for penalty interest are not added to claims before the amount of the claim is agreed with the debtor.

Valuation of claims is made in phased five-percent steps. For claims against countries, the assessment is based on the country's debt burden, its level of income, plus the extent to which it has managed its debt payments. This assessment is supplemented with details on general risk level regarding the country and the term of EKN's outstanding claim. Other supplementary details used may be, for example, the prospects for claim sale or debt write-down. Larger commercial claims are investigated and valued from case to case.

As with exposure in guarantees and binding offers, a specific reduction is made on the claim value taking into account the fact that most claims are also concentrated on a

limited number of countries with a view to ensuring a 95 percent probability that the stated claim value will be realised.

Other valuation

Valuation of assets and liabilities in foreign currency is based on closing day rate. Valuation of other assets and liabilities, plus accruals and deferrals of income and expenses, has been made according to normal accounting principles.

Miscellaneous

Depreciation: Computers and other computer equipment is written off over 3 years.

Other office furniture and fittings are written off over 5 years.

The Swedish National Financial Management Authority has, in a decision dated 11 February 2003, given EKN exemption from the terms in the Annual Reports and Budget Information Ordinance (SFS 2000:605) regarding the form of the income statement, balance sheet and statement of source and application of funds.

IN ACCORDANCE WITH THE TERMS OF REFERENCE FOR 2006, EKN IS EXEMPTED FROM SECTION 23 OF THE CAPITAL PROCUREMENT ORDINANCE (SFS 1996:1188).

INCOME STATEMENT

<i>Amount in SEK thousand</i>	Note	2006	2005
OPERATING INCOME AND EXPENSES			
PREMIUMS:			
Premium income		1,591,448	774,558
Change in estimated premiums for investment guarantees and counter guarantees		-16,342	-14,874
Change in estimated premiums for binding offers		-80,732	61,401
Premium income from reinsurance		90,479	13,919
Premium cost from reinsurance		-464,184	-76,350
NET PREMIUM INCOME		1,120,669	758,654
Change in technical reserves for estimated risk in exposure, gross	Note 1	-768,000	-432,000
Reinsurer's share of change in technical reserves for estimated risk in exposure	Note 1	1,080,000	-53,000
CHANGE IN TECHNICAL RESERVES FOR ESTIMATED RISK IN EXPOSURE, NET	Note 1	312,000	-485,000
RECOVERIES:			
Capital		1,285,312	2,117,768
Capitalised moratorium interest		143,602	904,918
Interest		145,491	151,356
Undistributed recoveries		141,061	-13,638
TOTAL CLAIMS RECOVERIES	Note 2	1,715,466	3,160,404
Other recovery costs		-10,014	-65,580
NET RECOVERY INCOME		1,705,452	3,094,824
INDEMNIFICATIONS:			
Indemnification payments		-27,013	-198,808
Pre-loss preventive leasing		-14,239	0
Pre-loss preventive measures		-2,117	-3,546
TOTAL INDEMNIFICATION		-43,369	-202,354



<i>Amount in SEK thousand</i>		2006	2005
Called excess		-109,837	-65,594
Compensation for debt relief		265,806	0
Change in net value of indemnification claims	Note 3	-1,201,000	-1,844,000
Other operating expenses	Note 4	-6,054	-12,876
ADMINISTRATIVE EXPENSES:	Note 5		
Administrative costs		-106,619	-103,902
Depreciation of equipment		-1,334	-1,527
Administrative income		1,915	1,640
TOTAL ADMINISTRATIVE EXPENSES		-106,038	-103,789
OPERATING PROFIT / LOSS		1,937,629	1,139,865
FINANCIAL INCOME AND EXPENSES:			
Interest income on treasury management		350,492	217,866
Other interest income		47,817	8,717
Interest expenses, loans		-60	-44
Other interest expenses		2,404	-6,012
External expenses for treasury management		-260	-185
Exchange rate differences, assets and liabilities	Note 6	-551,433	565,285
TOTAL FINANCIAL ITEMS		-151,040	785,627
PROFIT / LOSS FOR THE YEAR		1,786,589	1,925,492

BALANCE SHEET

<i>Amount in SEK thousand</i>	Note	2006	2005
ASSETS			
TANGIBLE FIXED ASSETS			
Equipment and computer hardware	Note 7	1,908	2,353
FINANCIAL FIXED ASSETS			
Estimated net value of indemnified claims	Note 3	1,913,000	3,114,000
Pension funds	Note 8	23,302	23,308
Other securities held as fixed assets	Note 9	9,833,508	7,214,270
REINSURER'S SHARE OF TECHNICAL RESERVES			
Technical reserves for estimated risk in exposure	Note 1	1,174,000	94,000
RECEIVABLES			
Receivables from guarantee holder	Note 10	1,218,020	582,907
Receivables, Sida and the Baltic Framework		107	1,063
Other receivables		1,026	1,034
TOTAL RECEIVABLES		1,219,153	585,004
ACCRUALS AND DEFERRALS			
Prepaid expenses	Note 11	2,319	3,788
Accrued income	Note 11	149,798	268,768
TOTAL ACCRUALS AND DEFERRALS		152,117	272,556
SHORT-TERM INVESTMENTS			
Deposits and securities	Note 12	1,117,297	3,431,239
CASH AND BANK BALANCES			
National Debt Office	Note 12	1,743,326	132,783
Bank assets	Note 12	614,498	23,527
TOTAL CASH AND BANK BALANCES		2,357,824	156,310
TOTAL ASSETS		17,792,109	14,893,040



BALANCE SHEET			
CAPITAL AND LIABILITIES			
AGENCY CAPITAL			
Profit / loss brought forward		5,830,231	3,904,739
Net profit / loss for the year		1,786,589	1,925,492
TOTAL AGENCY CAPITAL		7,616,820	5,830,231
PROVISIONS			
Technical reserves for estimated risk in exposure	Note 1	9,605,000	8,837,000
Pension provision	Note 8	23,302	23,308
LIABILITIES			
Loan for fixed assets, National Debt Office	Note 13	2,781	2,341
Payable to guarantee holders		77,695	79,037
Liability to Sida and the Baltic Framework		114,612	700
Accounts payable		2,761	1,590
Other liabilities		343,825	113,552
TOTAL LIABILITIES		541,674	197,220
ACCRUALS AND DEFERRALS			
Accrued expenses	Note 11	5,148	5,281
Prepaid income	Note 11	165	0
TOTAL ACCRUALS AND DEFERRALS		5,313	5,281
TOTAL CAPITAL AND LIABILITIES		17,792,109	14,893,040
Assets pledged		none	none

Contingent liabilities consist of guarantee commitments issued in operations and sureties given, as included in the exposure referred to in the tables.

STATEMENT OF CHANGES IN FINANCIAL POSITION

<i>Amount in SEK thousand</i>	2006	2005
OPERATIONS FOR THE YEAR		
Net profit / loss for the year	1,786,589	1,925,492
Depreciation charged against earning	1,334	1,527
Change in short-term receivables	-513,710	-13,170
Change in short-term liabilities	344,046	48,061
CASH FLOW FROM YEAR'S OPERATIONS	1,618,259	1,961,910
INVESTMENT ACTIVITIES		
Investments in equipment and computer hardware	-889	-1,875
Change in estimated net value of indemnified claims	1,201,000	1,844,000
Change in pension funds	6	-706
Change in other securities held as fixed assets	-2,619,238	-5,082,670
TOTAL INVESTMENT ACTIVITIES	-1,419,121	-3,241,251
REMAINING AFTER NET INVESTMENTS	199,138	-1,279,341
FINANCING ACTIVITIES		
Change in technical reserves for estimated risk in exposure	-312,000	485,000
Change in pension provision	-6	706
Change in loans for fixed assets, National Debt Office	440	95
TOTAL FINANCING ACTIVITIES	-311,566	485,801
CHANGE IN LIQUID ASSETS	-112,428	-793,540
LIQUID ASSETS, OPENING BALANCE	3,587,549	4,381,089
LIQUID ASSETS, CLOSING BALANCE	3,475,121	3,587,549

Liquid assets are defined as Short-term Placement plus Cash and bank balances.

NOTES ON INCOME STATEMENT AND BALANCE SHEET

All amounts are in SEK thousand

NOTE I. PROVISIONS FOR ACTUARIALLY CALCULATED RISK EXPOSURE OF THE UNDERTAKING

Provisions for actuarially calculated risk exposure of the undertaking: gross (before ceded re-insurance)

	Provision for expected risk of loss	Provision for unexpected risk of loss	Total provision
Opening balance 2005	-3,146,000	-5,259,000	-8,405,000
Change in 2005	-636,000	204,000	-432,000
Closing balance 2005 / Opening balance 2006	-3,782,000	-5,055,000	-8,837,000
Change in 2006	-338,000	-430,000	-768,000
Closing balance 2006	-4,120,000	-5,485,000	-9,605,000

Reinsurers's share of provisions for actuarially calculated risk exposure of the undertaking:

	Provision for expected risk of loss	Provision for unexpected risk of loss	Total provision
Opening balance 2005	86,000	61,000	147,000
Change in 2005	-34,000	-19,000	-53,000
Closing balance 2005 / Opening balance 2006	52,000	42,000	94,000
Change in 2006	435,000	645,000	1,080,000
Closing balance 2006	487,000	687,000	1,174,000

Provisions for actuarially calculated risk exposure of the undertaking: net (after ceded re-insurance)

	Provision for expected risk of loss	Provision for unexpected risk of loss	Total provision
Opening balance 2005	-3,060,000	-5,198,000	-8,258,000
Change in 2005	-670,000	185,000	-485,000
Closing balance 2005 / Opening balance 2006	-3,730,000	-5,013,000	-8,743,000
Change in 2006	97,000	215,000	312,000
Closing balance 2006	-3,633,000	-4,798,000	-8,431,000

NOTE 2. RECOVERIES

Recoveries with agreed payment dates up to and including the closing date are stated as income for the year. As of the closing date, recovered claims of SEK 388,477 thousand had been received, and were still to be allocated. Of this total, some 80 percent, or SEK 310,781 thousand had been stated as income without specific allocation. The remaining 20 percent have been stated as a liability to guarantee-holders. In the previous year, a sum of SEK 169,720 thousand was stated without specific allocation. The net difference between the amounts without specific allocation in 2006 and 2005 (SEK 141,061 thousand) is included in the result for the year.

	2006	2005
Principal, own insurance	1,284,105	2,115,741
Principal, from re-insurers	6,991	2,509
Principal, re-insurers' share	-5,784	-482
TOTAL PRINCIPAL	1,285,312	2,117,768
Capitalised interest, own insurance	143,339	903,334
Capitalised interest, from re-insurers	263	1,941
Capitalised interest, re-insurers' share	0	-357
TOTAL CAPITALISED INTEREST	143,602	904,918
Interest, own insurance	149,937	153,624
Interest, from re-insurers	2,302	1,393
Interest, re-insurers' share	-6,748	-3,661
TOTAL INTEREST	145,491	151,356
RECOVERED CLAIMS WITHOUT SPECIFIC ALLOCATION	141,061	-13,638
TOTAL RECOVERED CLAIMS	1,715,466	3,160,404

NOTE 3. ACTUARIALLY CALCULATED NET VALUE OF CLAIMS

	Gross value	Provision for expected risk	Provision for risk concentration	Total value
Opening balance 2005	12,318,000	-7,199,000	-161,000	4,958,000
Change in 2005	-1,745,000	-120,000	21,000	-1,844,000
Closing balance 2005 /				
Opening balance 2006	10,573,000	-7,319,000	-140,000	3,114,000
Change in 2006	-2,309,000	1,105,000	3,000	-1,201,000
Closing balance 2006	8,264,000	-6,214,000	-137,000	1,913,000

NOTE 4. OTHER OPERATING COSTS

	2006	2005
Premiums PA91 and PA03	-6,060	-12,171
Change in pension liability	6	-705
TOTAL	-6,054	-12,876

NOTE 5. OPERATING COSTS

	2006	2005
Personnel costs	-69,191	-71,245
Cost of premises	-14,664	-15,685
Depreciation	-22,764	-16,972
Other operating costs	-1,334	-1,527
Administrative compensation	1,915	1,640
TOTAL OPERATING COSTS	-106,038	-103,789

A sum of SEK 135,000 in table remuneration was paid to the chairman, SEK 107,500 was paid to the first deputy chairman and SEK 83,250 to the second deputy chairman. A sum of SEK 75,000 each was paid to Kristina Alsér, Wilhelm Alstermark and Ulla Holm. Anna-Karin Jatko received SEK 55,000, Christian de Filippi received SEK 41,250, Lena Rooth received SEK 35,750 and Yvonne Gustafsson received SEK 27,500. A sum of SEK 13,750 was paid to the estate of Ulf Stange.

In his capacity as Director General, Olof Rydh was paid SEK 1,324,013. He was not paid a board fee.

No other benefits or future commitments have been agreed in favour of any members of the EKN board or its Director General.

The members of EKN's Board held the following positions as members of the boards of other state authorities or companies.

Lennart Nilsson. Chairman of: AP Fastigheter AB. Member: Statistics Sweden and Finansinspektionen.

Göran Johnsson. Member: Swedbank AB, Elanders AB, AB Swedish Television, 4th AP Fund, Stiftelsen för Strategisk Forskning, The IQ-Initiative.

Karin Apelman. Vice president: A-banan Project AB. Deputy member: Göteborg City Airport AB, Nordic Airport Properties, Arlanda Schiphol Development Company AB.

Kristina Alsér. Member: ALMI Företagspartner AB, Teknikföretagen, Swedish Miljöteknikråd (SWENTEC).

Yvonne Gustafsson. Chairman of: The National Government Employee Pensions Board, The Board of the Swedish Nuclear Waste Fund. Member: BAE Systems AB, Svenska Kraftnät.

Olof Rydh. Chairman of: Swedish Space Corporation. Member: Norra Älvstranden Utvecklings AB.

Wilhelm Alstermark, Christian de Filippi, Ulla Holm and Anna-Karin Jatko had no outside positions as members of the boards of other state authorities or companies.

NOTE 6. CURRENCY FLUCTUATIONS

	2006	2005
Realised currency gains/losses on assets	-127,763	-2,206
Realised currency gains/losses on liabilities	-1	0
Unrealised currency gains/losses on assets	-485,382	582,656
Unrealised currency gains/losses on liabilities	61,713	-15,165
TOTAL	551,433	565,285

NOTE 7. COMPUTERS AND OTHER EQUIPMENT

	2006		2005	
	Acquisition value	Accumulated depreciation	Acquisition value	Accumulated depreciation
Opening balance	21,050	-18,697	19,175	-17,170
Purchases during the year	889	0	1,875	0
Depreciation during the year	0	-1,334	0	-1,527
Closing balance	21,939	-20,031	21,050	-18,697
NET VALUE STATED IN BALANCE SHEET		1,908		2,353

NOTE 8. PENSION FUNDS AND PROVISIONS FOR PENSION LIABILITIES

Pension funds amounting to SEK 23,302 thousand have been funded with the Swedish National Debt Office for future pension payments and corresponded to pension provisions. Pension provisions refer to previous employees who as of 31 Dec 2003 received a retirement pension.

NOTE 9. OTHER LONG-TERM HOLDINGS OF SECURITIES

This item in the balance sheet has the following breakdown:

	2006		2005	
Currency, thousand	Amount in foreign currency	Equivalent in SEK thousand	Amount in foreign currency	Equivalent in SEK thousand
SEK	7,500,000	7,500,000	6,000,000	6,000,000
USD	260,090	1,779,015	145,000	1,148,400
EUR	61,406	554,493	7,000	65,870
TOTAL		9,833,508		7,214,270

As of 31 December 2006, the EKN's Other long-term holdings of securities consisted of placements for up to five years in SEK paying a fixed rate of interest at the Swedish National Debt Office and amounting to SEK 7,500,000 thousand, in currency deposits with Swedish commercial banks in USD with durations up to two years equivalent to SEK 1,197,000 thousand, in currency deposits with Swedish commercial banks in EUR with duration up to three years equivalent to SEK 325,080 thousand, in bonds in USD with durations up to three years equivalent to SEK 582,015 thousand and bonds in EUR with durations up to three years equivalent to SEK 229,413 thousand.

NOTE 10. RECEIVABLE FROM GUARANTEE-HOLDERS

	2006	2005
Debited premiums owing	112,258	286,655
Premiums relating to committed offers	187,391	268,123
Investment guarantee premiums	2,709	2,823
Counter guarantee premiums	9,077	25,306
TOTAL RECEIVABLES FROM GUARANTEE-HOLDERS, ADVANCE PAYMENTS	311,435	582,907
Premiums in arrears, nominal	1,489,461	0
Premiums in arrears, change in capitalized value	415,720	0
Premiums in arrears, change in estimated value	-167,156	0
Total receivables from guarantee-holders, payments in arrears	906,585	0
TOTAL RECEIVABLES FROM GUARANTEE-HOLDERS	1,218,020	582,907

NOTE 11. ACCRUALS AND DEFERRALS

Prepaid costs and accrued income consisted of the following:

	2006	2005
Periodised recoveries without specific allocation	0	155,574
Accrued interest income on placements at fixed rates of interest	149,788	113,194
Prepaid rent for first quarter of coming year	2,319	3,603
Other	10	185
TOTAL	152,117	272,556

Accrued costs and deferred income consisted of the following:

	2006	2005
Interest compensation to guarantee-holders for recoveries without specific allocation	1,541	1,613
Accrued vacation and overtime pay	3,607	3,668
Other	165	0
TOTAL	5,313	5,281

NOTE 12. SHORT-TERM PLACEMENTS AND CASH AT BANKS

The breakdown of the EKN's liquid funds and securities by currency was as follows:

Currency, thousand	2006		2005	
	Amount in foreign currency	Equivalent in SEK thousand	Amount in foreign currency	Equivalent in SEK thousand
SEK	2,157,618	2,157,618	639,006	639,006
USD	56,073	383,538	220,215	1,744,102
EUR	93,938	848,257	126,366	1,189,108
CHF	2,590	14,553	2,446	14,772
JPY	1,185,914	71,155	8,013	561
TOTAL		3,475,121		3,587,549

As of 31 December 2006, the EKN's liquid funds consisted of bank deposits in SEK 2,157,618 thousand, of which SEK 1,743,326 thousand were placed on interest-bearing account with the Swedish National Debt Office. Foreign currency bank deposits amounted to the equivalent of SEK 200,206 thousand. Placements at fixed rates of interest in foreign currencies consisted of currency deposits with Swedish commercial banks for periods of up to twelve months and equivalent to SEK 1,117,297 thousand.

NOTE 13. LOAN FOR FIXED ASSETS, SWEDISH NATIONAL DEBT OFFICE

EKN's loan limit for fixed assets equalled SEK 6,500 thousand on December 31, 2006.

	2006	2005
Opening liability	2,341	2,246
Amount of loan	500	240
Amortisation payment	-60	-145
CLOSING LIABILITY	2,781	2,341

STATUTORY LIMITS AND OUTSTANDING GUARANTEE AMOUNT

Outstanding guarantee amount in SEK million

	31 Dec 2006	31 Dec 2005	31 Dec 2004
EXPORT CREDIT GUARANTEES			
Maximum amount of liability permitted by the Parliament	200,000	200,000	200,000
Amount authorised by the Government	175,000	175,000	175,000
Outstanding guarantee obligations (guarantee commitments and guarantee offers)	126,217	117,558	102,691
INVESTMENT GUARANTEES			
Maximum amount of liability permitted by the Parliament	10,000	10,000	10,000
Amount authorised by the Government	10,000	10,000	10,000
Outstanding guarantee obligations (guarantee commitments and guarantee offers)	128	133	127

LIMITS FOR EKN

Parliament decides on a limit for the guarantees to which EKN may commit the Swedish state. The government then mandates EKN to use up to a certain amount within the limit. The total value of the commitments is then netted off against the limit, offers with 50 percent of the amount.

The parliamentary limit for export credit guarantees amounts to SEK 200 billion. At the end of 2006, EKN's mandate from the government amounted to SEK 175 billion. At the end of the year, EKN had utilised SEK 126 billion of its limit. The amount utilised at the end of previous year was SEK 118 billion. There is a special limit of SEK 10 billion for investment guarantees. At the end of the year, only SEK 128 million had been utilised; this related to one investment project in Russia for which a guarantee had been provided in 2003.

COMPILATION OF ESSENTIAL INFORMATION ACCORDING TO SECTION 5
OF THE REGULATION COVERING AUTHORITY ANNUAL REPORT

	2006	2005	2004	2003	2002
SEK million					
Credit limit with National Debt office for claims paid, granted	Unlimited	Unlimited	Unlimited	Unlimited	Unlimited
Credit limit with National Debt office for claims paid, utilised	0	0	0	0	0
Credit limit with National Debt office for fixed assets, granted	6.5	6.5	5.5	5.5	10.0
Credit limit with National Debt office for fixed assets, utilised	2.8	2.3	2.2	4.8	4.0
Future obligations = outstanding guarantee commitments	91,576	82,945	69,033	71,420	88,218
Premium income	1,591	775	627	410	1,130
Outcome for the year	1,787	1,925	767	2,283	774
Outcome brought forward	5,830	3,905	3,138	854	81
	2006	2005	2004	2003	2002
Number of full-year workforce	95	95	95	87	93
Average number of employees	109	111	113	102	100
Administrative expenses per full-year work-force, SEK thousand	1,136	1,110	984	1,080	985

EKN reports the information that is applicable to its operations.

REPORT OF THE AUDITORS

THE SWEDISH NATIONAL Audit Office has examined EKN's annual report for the 2006 fiscal year as adopted on 14 February 2007.

The Executive management of the agency is responsible for the efficient and statutorily correct conduct of the activities. This responsibility includes submitting to the government a reliable report on the activities covered by the annual report.

It is the Swedish National Audit Office's responsibility to examine the agency's annual report in accordance with generally accepted auditing standards with the object of assessing the reliability of the accounts and the correctness of the accounting records, and to examine whether the Executive management's administration conforms to applicable instructions and specific government decisions.

Our audit has been performed in accordance with generally accepted auditing standards. This means that it was planned and per-

formed with the object of obtaining a reasonable basis for assessing the accuracy of the annual report. The audit thus involved examining a sample of the material transactions and administrative decisions.

The audit provides reasonable grounds for the statements below.

The annual report is made up in accordance with the ordinance relating to the annual reports and budget documentation of government agencies, annual budget approval documents and other decisions relating to the agency.

The Swedish National Audit Office considers that the annual report provides a true and fair picture in all essentials.

Leif Lundin (auditor director) had right of decision in this case. Annika Flygare (auditor director) was appointed to present the report.

LEIF LUNDIN

ANNIKA FLYGARE

BOARD OF DIRECTORS, 2006



*First Deputy Chairman
Göran Johnsson, former
General Secretary,
Swedish Metal Workers'
Union*



*Chairman
Lennart Nilsson, Director,
AP Fastigheter*



*Board member
Olof Rydh, Director
General and Head of
EKN*



*Board member
Kristina Alsér, Chief
Executive Officer,
Mercatus Engineering AB*



*Board member
Wilhelm Alstermark,
Director*



*Second Deputy Chairman
Karin Apelman, Finance
and Economy Director,
Swedish Civil Aviation
Administration*



*Board member
Anna-Karin Jatko,
Director, Ministry of
Finance*



*Board member
Yvonne Gustafsson,
Director General, Swedish
National Financial
Management Authority*



*Board member
Ulla Holm, Director,
Tetra Pak*



*Board member
Christian de Filippi,
Director, Ministry for
Foreign Affairs*

EXECUTIVE MANAGEMENT ACTING FROM MARCH 2007



Anne Abrahamson, Head of Department for Business Development

Hans Leijonhufvud, Head of IT Department

Kerstin Bjellerup, Head of Department for Asset Management

Gert Eriksson, Head of Risk Department

Karin Apelman, Director General

Håkan Hindberg, Head of Finance Department

Gunilla Bellman, Head of Department for New Business

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