

# Interim Report

JANUARY – APRIL

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# The period at a glance

The volume of guarantees was slightly higher than the corresponding period in the previous year and the number of new transactions was slightly lower. At the end of the period, demand for EKN increased strongly as a result of the companies' increasing need for working capital credit and EKN's temporary solutions during the crisis.

- Due to the COVID-19 crisis, EKN began offering working capital credit guarantees to large companies in the month of March. During the period, 61 applications were received and EKN issued 20 guarantee offers comprising SEK 105.5 billion.
- The COVID-19 crisis has led to a greater need for payment deferrals and thereby guarantee prolongations. At the end of the period, 144 applications for EKN's consent to deferral had been received for transactions totalling SEK 3.3 billion.
- Claim adjustment began in a large transaction to a mine with previously known problems.
- The period's claims payments pertained to transactions where provisions had previously been made.
- Profit for the period totalled SEK 175 million.

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<b>New transactions and profit/loss</b>	<b>January - April 2020</b>	<b>January - April 2019</b>
New guarantee offers, SEK millions	120,648	18,513
New guarantee offers, number	739	771
New transactions, volume of guarantees, SEK millions	28,420	23,232
New transactions, number	672	890
Claims paid, SEK millions	698	618
Profit/loss, SEK millions	175	452

<b>Outstanding exposure and accumulated profit/loss</b>	<b>30/04/2020</b>	<b>31/12/2019</b>
Outstanding guarantee offers, SEK millions	198,940	118,848
Outstanding guarantees, SEK millions	210,801	195,862
Equity, SEK million	25,105	24,930

# High demand for EKN's crisis measures

In January, February and the first week of March, operations were at the same high level as in 2019. When COVID-19 led to global shutdowns, EKN quickly expanded ordinary operations with a number of temporary crisis solutions. Demand increased rapidly.

In the first four-month period of the year, volume of guarantees amounted to SEK 28.4 billion, compared with SEK 23.2 billion in the previous year. A single very large transaction constitutes an extensive share of the volume of guarantees. The number of new transactions decreased from 890 to 672. Nearly half of the decrease is attributable to a change, which means that certain guarantees are renewed every two years instead of every year.

The demand for EKN's temporary crisis solutions led to a very large increase in guarantee offers, which is expected to lead to a larger volume of guarantees in the next four-month period.

## RAPID CRISIS SOLUTIONS

EKN has launched a temporary working capital credit guarantee for large companies, a guarantee that is only in demand during times of crisis. It covers 75 per cent of the bank's risk in working capital financing to large companies. Demand has been extensive. In April, EKN issued 20 guarantee offers comprising SEK 105.5 billion, which is more than during the entire financial crisis in 2009-2020.

In the ordinary offering, EKN has a working capital credit guarantee for small and medium-sized enterprises, which covers 50 per cent of the bank's risk. The cover is now raised to 80 per cent to make it easier for companies to get loans. The number of applications for working capital credit guarantees from small and medium-sized enterprises has doubled.

EKN can temporarily guarantee the payment risk in supplier credits under two years to high-income countries. Normally, only private credit insurers do so. EKN made this possibility available at the end of April when some thirty applications were received totalling SEK 192 million.

## LARGEST GUARANTEED PRIVATE TRANSACTION EVER

In recent years, EKN has guaranteed a number of very large transactions to private buyers. During the period, EKN guaranteed another very large transaction, which accounts for a significant part of the guarantees issued during the period and is the largest that EKN has issued to a private buyer.

## MORE APPLICATIONS FOR PAYMENT DEFERMENT

In connection with the crisis, EKN's guarantee holders have had customers that have not been able to pay as agreed. When guarantee holders want to approve payment deferrals, they apply for EKN's consent to do so. At the beginning of May, 144 applications had been received for transactions totalling SEK 3.3 billion.

## CLAIMS AND RECOVERIES

The claims payments made during the period concerned previously known problems in transactions where claims provisions were already made. Claims adjustment has begun on a large transaction to a mine.

Recoveries have continued to be made for claims in bus transactions. EKN also received SEK 282 million in compensation from reinsurance.

## TRANSACTIONS WITH A RISK OF ENVIRONMENTAL AND SOCIAL IMPACT

During the period January to April 2020, EKN guaranteed 15 new A transactions, 338 B transactions and 197 C transactions of 672 transactions in total. The offered guarantee volume for the transactions was SEK 0.9 billion for A transactions, SEK 20.9 billion for B transactions and SEK 1.8 billion for C transactions. An A classification means a significant risk of environmental and social impact, B means some risk, C means little or no risk.

# Good capacity and strong finances

EKN's statutory limit for the issuing of guarantees amounts to SEK 450 billion. Utilisation of the statutory limit for the period increased to SEK 322 billion, compared with SEK 272 billion at year end. EKN has a strong financial position.

Revenues for the period from premiums<sup>1</sup> amounted to SEK 318 million (SEK 607 million). The decrease is mainly due to a significantly lower positive effect from accrual of provisions for unearned premiums and unexpired risks. Claims incurred for the period<sup>2</sup> amounted to SEK minus 292 million (SEK minus 341 million). Payment of claims incurred remains high, but the payments primarily concern claims for which provisions have already been made.

The financial result decreased compared with the same period of the previous year and amounted to SEK minus 167 million (214), which is primarily due to higher interest expenses.

Profit for the period totalled SEK 175 million (SEK 452 million). The decrease is due to a negative financial result.

EKN retains its strong financial position after many years of positive results. Statutory limit utilisation has scope for almost SEK 130 billion. The Government has proposed that the Swedish Parliament increase the capacity by raising the limit to SEK 500 billion.

<sup>1</sup>) Revenues from premiums consist of premium income, changes in provisions for unearned premiums and unexpired risks, and the effects of reinsurance.

<sup>2</sup>) Claims incurred is the estimated final cost to EKN after taking into account provisions, payments and recoveries.

# Profit and Loss Statement and Balance Sheet summary

## SUMMARY PROFIT AND LOSS STATEMENT

Amount in SEK millions	January - April 2020	January - April 2019
Revenues from premiums	318	607
Other revenues	0	1
Claims incurred	110	-283
Operating costs	-87	-86
<b>Operating profit/loss</b>	<b>342</b>	<b>238</b>
Financial items	-167	214
<b>PROFIT/LOSS FOR THE PERIOD</b>	<b>175</b>	<b>452</b>

## BALANCE SHEET SUMMARY

Amount in SEK millions	30/04/2020	31/12/2019
Intangible and tangible fixed assets	3	4
Financial fixed assets	27,699	27,101
Reinsurer share of actuarially-calculated provisions	428	552
Other receivables and accrual items	156	174
Cash and bank balances	6,592	6,915
<b>TOTAL ASSETS</b>	<b>34,877</b>	<b>34 745</b>

Equity	25,105	24,930
Liabilities to the State	41	160
Provisions	8,840	8,703
Other liabilities and Accrual items	890	951
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>34,877</b>	<b>34,745</b>

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