

Interim Report

January – August 2020



The period at a glance

- EKN issued conventional guarantees of SEK 52.1 billion, compared with SEK 41.1 billion in the corresponding period for 2019.
- Moreover, due to the crisis, EKN started to issue working capital credit guarantees to large corporates and, as part of this temporary solution, issued 46 guarantee offers of SEK 135.6 billion during the period. Of these, 26 guarantees have been issued for a total guarantee volume of SEK 52.1 billion.
- EKN's statutory limit for issuing guarantees was raised to SEK 500 billion as a crisis support measure.
- During the period, EKN received 290 applications for payment deferment due to the pandemic, for transactions totalling SEK 4.2 billion.
- Claims payments for the period pertained primarily to transactions for which EKN had previously made claims provisions.
- Profit for the period was SEK 199 million, compared with SEK 586 million.

New transactions and profit/loss	January – August 2020	January–August 2019
New guarantee offers, SEK million	186,477	40,703
New guarantee offers, number	1,464	1,577
New transactions, volume of guarantees, SEK million	104,171	41,100
New transactions, number	1,330	1,505
Claims payments, SEK million	1,066	1,222
Profit/loss, SEK million	199	586

Outstanding exposure and accumulated profit/loss	31 Aug 2020	31 Dec 2019
Outstanding guarantee offers, SEK million	197,165	118,848
Outstanding guarantees, SEK million	254,222	195,862
Equity, SEK million	25,129	24,930

Expanded regular operations and extensive crisis measures

Regular guarantee operations increased 27 per cent to SEK 52.1 billion, compared with SEK 41.1 billion in the corresponding period for 2019. Temporary crisis measures with working capital credit guarantees for large corporates amounted to SEK 52.1 billion.

EKN is needed more than ever in times of crisis, since guarantees are more greatly used in business transactions. Furthermore, many of EKN's customers operate in sectors that have not suffered any major negative impact from the pandemic. Exports of machinery, industrial equipment and vehicles have been able to continue, and exports of medicine and medical equipment have experienced an upswing. In addition, the roll-out of 5G by telecoms providers in high-income countries has continued.

EFFECTS OF THE CRISIS

The long-term, rising trend for Swedish exports was abruptly halted when Europe – the largest market for Swedish companies – started to shut down at the end of February. Compared with spring 2019, Swedish exports fell 16.9 per cent in April and 25.8 per cent in May. This had an immediate impact on EKN's operations with numerous applications for payment deferment and demand from large companies for working capital credit guarantees. The Riksdag decided, in line with the government's proposal, to increase the statutory limit for issuing guarantees from SEK 450 billion to SEK 500 billion.

PAYMENT DEFERMENT

Due to the crisis, EKN's guarantee holders have had customers who have been unable to meet their contractual payments. Guarantee holders wishing to accept a payment deferment must apply for EKN's consent to do so. During the period, EKN received 290 applications for payment deferment due to the pandemic, for transactions totalling SEK 4.2 billion. The need for payment deferment was noted both in SME

working capital financing and payments from the international customers of large corporates. For example, projects have been postponed with a consequent effect on payments. EKN has seen from experience that deferral is often an effective measure to avoid claims.

NEED FOR WORKING CAPITAL FINANCING AMONG LARGE CORPORATES

At the start of the crisis, many large corporates contacted EKN requesting that EKN share risk with the banks, for the purpose of gaining access to working capital financing. Normally, this type of risk sharing is only offered to SMEs. Some companies had experience of this crisis measure from the 2008–2010 financial crisis, but EKN was also contacted by many companies that had not previously been customers. By April, EKN had already issued 20 offers totalling slightly more than SEK 100 billion for working capital credit guarantees for large companies. By the end of August, EKN had issued a total of 46 offers amounting to SEK 135.6 billion for this product. Of these, 26 guarantees have been issued for a total guarantee volume of SEK 52.1 billion.

NEED FOR WORKING CAPITAL FINANCING AMONG SMES

EKN's standard offering includes a working capital credit guarantee for SMEs, which covers 50 per cent of the lending banks' risk. As a crisis measure and to facilitate for SMEs to obtain loans, EKN raised the cover to 80 per cent. The number of working capital credit guarantees for SMEs increased 20 per cent over the period, while other guarantees for SMEs declined slightly.

The number of transactions guaranteed

ISSUING OF GUARANTEES THIS PERIOD

by EKN for these customers decreased from 463 to 411 year-on-year. At the same time, more companies in this category have become customers of EKN, 330 compared with 314.

SHORT RISK PERIODS FOR TRANSACTIONS IN HIGH-INCOME COUNTRIES

A further crisis measure was made possible by a temporary change in EU regulations. EKN can now temporarily guarantee short-term supplier credits to high-income countries. Normally, only private sector credit insurers do so. EKN made this option available at the end of April and guaranteed 38 transactions totalling SEK 85 million for smaller and larger corporates during the period.

CLAIMS AND RECOVERIES

Despite the crisis, EKN has not noted an increase in new claims. The claims payments made during the period pertained to previously known problems. EKN has previously made claims provisions for these transactions and therefore the claims payments had no material impact on profit for the period.

EKN has continued to successfully realise recoveries for claims related to bus transactions. Claims prevention and recovery measures have been difficult to implement since March. It has not been possible to travel and visit the parties with which EKN and guarantee holders have claims. Closed courts and public agencies in some countries presented further obstacles.

TRANSACTIONS WITH A RISK OF ENVIRONMENTAL AND SOCIAL IMPACT

During the January to August 2020 period, EKN guaranteed 40 new A transactions, 637 B transactions and 369 C transactions of 1,330 transactions in total. The offered guarantee volume for the transactions was SEK 1.9 billion for A transactions, SEK 25.4 billion for B transactions and SEK 21.9 billion for C transactions. An A classification entails a significant risk of environmental and social impact, B entails some risk, C entails little or no risk.

Raised statutory limit for issuing guarantees and strong finances

EKN's statutory limit for issuing guarantees was raised during the period to SEK 500 billion. Utilisation of the statutory limit for the period increased to SEK 370 billion, compared with SEK 272 billion at year end.

Profit for the period was SEK 199 million (compared with SEK 586 million in 2019). Revenues from premiums¹ amounted to SEK 438 million (SEK 572 million). A number of larger transactions during the period resulted in an increase in premium income for the period to SEK 1,025 million (SEK 726 million). For the same reason, provisions for unearned premiums and unexpired risks increased year-on-year and amounted to SEK 533 million (negative SEK 141 million).

Claims incurred for the period² amounted to SEK 4 million (SEK 332 million). Claims payments amounted to SEK 1,044 million (SEK 1,201 million) and primarily pertained to transactions for which provisions had already been made. The change in claims provisions remained positive due to no large, new claims arising. Recoveries declined during the period due to travel restrictions and court closures.

Profit for the period was down year-on-year due to a decline in premiums and a lower financial result.

EKN retains its strong financial position after many years of positive results. Statutory limit utilisation has scope for almost SEK 130 billion. EKN has good capacity for future export transactions.

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

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

Condensed Profit and Loss Statement and Balance Sheet

CONDENSED PROFIT AND LOSS STATEMENT

Amount in SEK million	January – August 2020	January – August 2019
Revenues from premiums	438	1,186
Other revenues	1	1
Claims incurred	4	-332
Operating expenses	-162	-166
Operating profit/loss	281	689
Financial items	-82	-103
PROFIT/LOSS FOR THE PERIOD	199	586

Interest rate effects has been moved from "Revenues from premiums" to "Financial items" and, accordingly, are shown pro forma for 2019.

CONDENSED BALANCE SHEET

Amount in SEK million	31 Aug 2020	31 Dec 2019
Intangible and tangible fixed assets	2	3
Financial fixed assets	27,657	27,101
Reinsurer share of actuarially-calculated provisions	432	552
Other receivables and accrued items	117	174
Cash and bank balances	7,775	6,915
TOTAL ASSETS	35,983	34,745

Equity	25,129	24,930
Liabilities to the State	144	160
Provisions	9,907	8,703
Other liabilities and accrual items	803	952
TOTAL EQUITY AND LIABILITIES	35,983	34,745

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

Kungsgatan 36, P.O. Box 3064, SE-103 61 Stockholm, Sweden
Tel +46 8 788 00 00 | www.ekn.se

