

# Interim Report

January – August 2021

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# The period at a glance

- The guarantee volume totalled SEK 49.2 billion, compared with SEK 52.0 billion for the year-earlier period.
- New guarantee offers amounted to SEK 56.7 billion, compared with SEK 50.8 billion for the year-earlier period.
- The pandemic led to an increased need for payment deferments and, as a result, guarantee extensions. During the period, EKN approved 61 applications for guarantee extensions.
- Since March 2020, as a result of an exception in the EU regulations due to the pandemic, EKN can temporarily offer guarantees to cover short-term supplier credits pertaining to high-income countries, which will remain possible throughout 2021. During the period, EKN issued 91 guarantees totalling SEK 1 billion.
- Working capital credit guarantees for large corporates, which comprised a temporary solution to counter the effects of the pandemic, were discontinued from the end of June. From March 2020 to June 2021, the period in which the guarantees were offered, a total of 41 guarantees amounting to SEK 61 billion in aggregate were issued on behalf of 27 exporters. These guarantees are not included in the compilations in this report.
- Claims payments for the period totalled SEK 0.4 billion, compared with SEK 1.0 billion in the year-earlier period.
- Profit for the period amounted to SEK 1,000 million (SEK 200 million).

<b>New transactions and profit/loss</b>	<b>january–August 2021</b>	<b>january–August 2020</b>
New guarantee offers, SEK million	56,727	50,798
New guarantee offers, number	1,385	1,395
New transactions, volume of guarantees, SEK million	49,241	52,041
New transactions, number	1,136	1,304
Claims payments, SEK million	442	1,044
Profit/loss, SEK million	1,050	199

<b>Outstanding exposure and accumulated profit/loss, SEK million</b>	<b>31 Aug 2021</b>	<b>31 Dec 2020</b>
Outstanding guarantee offers	134,407	136,344
Outstanding guarantees	208,548	184,330
Equity	25,761	24,712

# Major transactions in the front end of the period

The guarantee volume amounted to SEK 49.2 billion, down 5 per cent year-on-year. Four extremely large transactions at the front end of the year accounted for a major portion of the guarantee volume.

In the beginning of the year, EKN issued guarantees for major transactions involving renewable energy extraction, railways and telecoms. In the summer, guarantees were issued pertaining to a major shipping line transaction. The decrease in the guarantee volume of five per cent is within usual variation.

Some 50 per cent of the period's guarantee volume of SEK 49.2 billion pertained to transactions in high-income countries in the OECD. These were attributable to telecoms as well as renewable energy projects. With around 20 per cent, guarantees for transactions to Africa relating to renewable energy and railways came second. The OECD and Africa may continue to dominate issued guarantees. Offers issued during the period totalled SEK 56.7 billion and encompassed telecoms and shipping in the OECD as well as railways and hospitals in Africa.

## **INCREASING NUMBER OF SME CUSTOMERS**

The number of SME customers grew to 334, compared with 308 in the year-earlier period. The guarantee volume for SME customers totalled SEK 1.6 billion, compared with SEK 1.9 billion, and offers issued totalled SEK 2.1 billion, compared with SEK 1.9 billion. The number of new guaranteed transactions for SME customers dropped from 411 to 353. This was partly attributable to declining demand for working capital credit guarantees toward the end of the period as a result of favourable access to financing.

## **DECREASED NEED FOR PAYMENT DEFERMENT**

The need of exporters' customers for payment deferment, which arose as an effect of the pandemic, has gradually decreased over the period. Guarantee holders wishing to accept a payment deferment must apply for EKN's consent to do so. There is

still a need for payment deferments, but these have declined to 61 applications compared with 267 in the corresponding period last year.

## **CLAIMS AND RECOVERIES**

Claims payments have decreased to a low level after having been high for a couple of years due to some major claims pertaining to bus and power transactions. The majority of the claims have now been paid, no new major claim arose in the period and just one arose in 2020. Claims payments amounted to SEK 0.4 billion.

Recoveries in the period included bus transactions and the claim last year pertaining to the transaction in Zambia.

## **TRANSACTIONS WITH A RISK OF ENVIRONMENTAL AND SOCIAL IMPACT**

During the period, EKN guaranteed 40 new A transactions, 617 B transactions and 323 C transactions. The offered guarantee volume for the transactions was SEK 14.8 billion for A transactions, SEK 19.4 billion for B transactions and SEK 2.0 billion for C transactions. An A classification entails a significant risk of environmental and social impact, B entails some risk and C entails little or no risk.

At the start of the year, EKN had offers outstanding pertaining to the export of equipment to two state-owned gas-fired power plants in Belarus. The offers were conditional on the projects meeting human rights requirements based on conditions in the country. Given the increasing systematic use of state-owned enterprises by the regime as tools of repression and due to information received by EKN concerning violations of human rights in the specific projects, EKN decided not to issue guarantees. EKN concluded that the projects lacked the necessary prerequisites to meet the requirements.

# Good capacity and strong finances

With earnings of SEK 1 billion, EKN further strengthened its financial position. At the end of the period, the statutory limit utilisation was SEK 333.2 billion, including working capital credit guarantees for large corporates, the temporary crisis solution.

Profit for the period of SEK 1.0 billion was significantly higher year-on-year (SEK 0.2 billion) due to higher revenue on several major transactions during the period.

Reporting of working capital credit guarantees for large corporates will be reported separately to the state when all transactions have been completed and finally accounted for. The impact that working capital credit guarantees has on earnings is eliminated from EKN's reporting and is reported in an account as a liability to the state.

## PREMIUMS <sup>1</sup>

Revenues from premiums amounted to SEK 1352 million (SEK 438 million). The increase was mainly due to premiums for guarantees relating to several major transactions. For the same reason, provisions for unearned premiums and unexpired risks increased and amounted to negative SEK 978 million (negative SEK 533 million).

## CLAIMS INCURRED <sup>2</sup>

Claims incurred amounted to negative SEK 310 million (SEK 4 million) for the year. Claims payments declined and amounted to SEK 442 million (SEK 1,044 million). Provisions for these transactions have mainly been made at an earlier date and disbursements follow these provisions. No major new claims arose during the period. The change in claims provisions amounted to SEK 44

million, compared with SEK 655 million in the year-earlier period.

## OUTSTANDING GUARANTEES AND OFFERS

EKN's outstanding guarantees in regular operations amounted to SEK 208,548 million at the end of the period, compared with SEK 184,330 million at the end of the year. Outstanding offers amounted to SEK 134,407 million at the end of the period, compared with SEK 136,344 million at the end of the year.

## UTILISATION OF THE STATUTORY LIMIT

EKN's statutory limit for issuing guarantees amounted to SEK 500 billion. When the utilisation of the statutory limit is calculated, 100 per cent of the guarantees and 50 per cent of the offers are included. The temporary crisis solution, working capital credit guarantees for large corporates, is included. At 30 April 2021, utilisation of the export credit framework totalled SEK 333,211 million, compared with SEK 373,145 million at the end of the year. EKN has a separate framework for investment credit guarantees. An outstanding investment credit guarantee was concluded during the period and the framework is no longer utilised.

EKN retains its strong financial position after many years of positive results. Statutory limit utilisation has scope for SEK 166,789 million.

<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.

# Condensed Profit and Loss Statement and Balance Sheet

## CONDENSED PROFIT AND LOSS STATEMENT

Amount in SEK million	january–August 2021	january–August 2020
Revenues from premiums	1,352	438
Other revenues	1	1
Claims incurred	-310	4
Operating expenses	-175	-162
<b>Operating profit</b>	869	281
Financial items	181	-82
<b>PROFIT FOR THE PERIOD</b>	1,050	199

## CONDENSED BALANCE SHEET

Amount in SEK million	31 Aug 2021	31 Dec 2020
Intangible and tangible fixed assets	1	2
Financial fixed assets	28,519	27,223
Reinsurer share of actuarially-calculated provisions	357	403
Other receivables and ac-crued items	107	98
Cash and bank balances	8,246	7,509
<b>TOTAL ASSETS</b>	<b>37,230</b>	<b>35,235</b>

Equity	25,761	24,712
Liabilities to the State	462	290
Provisions	10,399	9,477
Other liabilities and accrued items	608	756
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>37,230</b>	<b>35,235</b>

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

**The Swedish Export Credit Agency**

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