

Interim Report

JANUARY – AUGUST 2022

The Period at a glance

- EKN issued guarantees amounting to SEK 49.0 billion (SEK 49.2 billion).
- During the period, EKN issued guarantees for 1,054 new transactions (1,136 new transactions).
- On 24 February, EKN halted issuing guarantees for transactions pertaining to Russia, Belarus and Ukraine.
- In the spring, significant claims provisions were made for outstanding guarantees concerning exports to Russia, Belarus and Ukraine prior to the war.
- EKN downgraded Ghana and increased the standard provision for outstanding guarantees where the risk rests with the state of Ghana.
- Claims payments amounted to SEK 547 million (SEK 442 million).
- Recoveries amounted to SEK 512 million (SEK 155 million), of which a substantial portion pertained to one transaction.
- The loss for the period was SEK 314 million (profit: SEK 1,050 million). Significant claims provisions as well as an increased standard provision due to the downgrade impacted earnings negatively.

THE FIGURES IN PARENTHESES PERTAIN TO THE CORRESPONDING PERIOD LAST YEAR.

Guarantees, new transactions and profit/loss	January–August 2022	January–August 2021
Guarantee offers, SEK million	48,953	56,727
Guarantee offers, number	1,012	1,385
Guarantee volume, SEK million	49,021	49,241
New transactions, number	1,054	1,136
Claims payments, SEK million	547	442
Profit/loss, SEK million	-314	1,050

Outstanding exposure and accumulated profit/loss	30 Aug 2022	31 Dec 2021
Outstanding guarantee offers, SEK million	133,489	140,954
Outstanding guarantees, SEK million	253,088	223,955
Equity, SEK million	25,918	26,232

Guarantee volume remains high

Year-on-year, guarantees remained at the same level with a higher volume during the first few months of the year before declining somewhat in the following months.

In the first four-month period, EKN issued guarantees for two very substantial transactions for which the total guarantees amounted to over SEK 16 billion. In the second four-month period (May to August), EKN issued guarantees for a number of substantial transactions for which the total guarantees amounted to between SEK 1 billion and SEK 2 billion each. Guarantees during the second four-month period were therefore at more normal levels compared with the first period.

The major transactions in the second four-month period included a hospital project in Ghana as well as garbage trucks and solar farms in Angola. Some transactions pertained to exports to OECD countries, which was also the case for the very substantial transactions at the start of the year.

The number of guaranteed transactions declined, primarily for short risk periods in the transport sector. Many companies are suffering from supply chain delays that are leading to business being postponed.

REDUCED DEMAND FROM SME

SMEs' demand for export credit guarantees with short risk periods declined following Russia's invasion of Ukraine. Demand for working capital credit guarantees also declined. The decline began as far back as the end of 2021 and was mainly a result of healthy access to bank financing. Today, many companies remain cautious, which has led to a reduction in the need for working capital financing. Guaranteed SME transactions declined to 270, compared with 353 in the preceding year. The guarantee volume for SMEs increased slightly and totalled SEK 1,756 million, compared with SEK 1,641 in the year-earlier period.

THE EXPORT LEAP

For young companies, it has always been challenging to gain access to working capital

financing at the same time as the need is often considerable in early growth stages. In the autumn, EKN launched a working capital credit guarantee targeted at these important companies. The initiative is known as the Export Leap. EKN covers 75 per cent of the bank's risk for credits. The earnings of the company need not be positive, but future prospects and growth potential must be favourable.

SUBSTANTIAL PROVISIONS AND NO NEW MAJOR CLAIMS

In both the previous and the current year, guarantees for major projects in African countries increased. Ghana posted a negative financial trend with increased debts, and EKN downgraded the country during the period. In line with this, EKN increased the standard provision for outstanding guarantees where the risk rests with the state of Ghana, so that the provision corresponds to the current rating.

EKN made substantial claims provisions for guarantees outstanding concerning exports to Russia, Belarus and Ukraine, which were carried out prior to the war. Claims provisions are made in transactions with payment problems and high non-payment risk.

Claims payments were at a low level since no new major claims arose in the period.

REINSURANCE

EKN uses reinsurance as a tool to manage concentration risk. In 2021 and in the current year, reinsurance in the private reinsurance market was expanded. EKN also signed a number of reinsurance agreements with other government export credit institutes in high-income countries to spread risks and expand collaboration. Reinsurance for transactions to Ghana – which was degraded during the period – amounted to SEK 600 million. This resulted in a positive

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earnings impact that partly countered the negative earnings impact resulting from the increased risk provision.

RECOVERIES

Recoveries amounted to SEK 512 million for the period. The majority of these recoveries pertained to a bus transaction in Chile, where EKN successfully recovered essentially the entire claim. The recovery process for this transaction started a couple of years ago and is a record amount for a private sector debtor.

NEW TRANSACTIONS WITH A RISK OF ENVIRONMENTAL AND SOCIAL IMPACT

During the period, EKN guaranteed 46 new A transactions, 552 B transactions and 281 C transactions. The offered guarantee volume for the transactions was SEK 21.3 billion for A transactions, SEK 11.1 billion for B transactions and SEK 13.4 billion for C transactions.

EKN refrained from issuing guarantees in certain transactions due to high risks and a lack of information and/or plans in accordance with international standards. These included a mining project and a hydropower project.

Good capacity and strong finances

Substantial provisions negatively impacted earnings. However, a strong financial result due to higher interest rates impacted earnings positively. EKN has a strong financial position, capacity and scope for future export transactions.

EKN's statutory limit for issuing guarantees amounted to SEK 475 billion. Calculation of the utilisation of the statutory limit encompasses the entire guarantee volume outstanding and half of the outstanding offers. Utilisation of the statutory limit for the period increased to SEK 365 billion as of 31 August, compared with SEK 352 billion at year end.

Operating loss for the period amounted to SEK 1,466 million, compared with a profit of SEK 869 million in the year-earlier period. The negative earnings were primarily the result of increased claims provisions for exposures in Russia. Increased provisions due to the country risk increase for Ghana also negatively impacted earnings. Premium income also declined to SEK 1,361 million. Premium income in the preceding year amounted to SEK 2,401 million as a result of

some substantial transactions with high risk.

The financial result amounted to SEK 1,152 million, compared with SEK 181 million in the year-earlier period. This was primarily due to higher interest rates. Higher discount rates mean that the current value of EKN's guarantee agreements is declining, leading to lower provision requirements.

Loss for the period amounted to SEK 314 million, compared with a profit of SEK 1,050 million in the year-earlier period. While earnings were negatively impacted by provisions; the interest rate trend had a positive impact.

After many years of positive results, EKN's financial position remains strong. Statutory limit utilisation has scope for around SEK 110 billion. EKN has good capacity for future export transactions.

Condensed Profit and Loss Statement and Balance Sheet

CONDENSED PROFIT AND LOSS STATEMENT

Amount in SEK million	January–August 2022	January–August 2021
Revenues from premiums	26	1,352
Other revenues	1	1
Claims incurred (after issued reinsurance)	-1,314	-310
Operating expenses	-179	-175
Operating profit/loss	-1,466	869
Financial items	1,152	181
PROFIT/LOSS FOR THE PERIOD	-314	1,050

CONDENSED BALANCE SHEET

Amount in SEK million	31 Aug 2022	31 Dec 2021
Intangible and tangible fixed assets	7	4
Financial fixed assets	28,272	29,893
Reinsurer share of actuarially-calculated provisions	1,998	335
Other receivables and accrued items	103	89
Cash and bank balances	10,154	7,959
TOTAL ASSETS	40,534	38,280

Equity	25,918	26,232
Liabilities to the State	756	867
Provisions	13,091	10,595
Other liabilities and accrued items	770	584
TOTAL EQUITY AND LIABILITIES	40,534	38,280

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

