

SEK

09

CAPITAL
ADEQUACY AND RISK
MANAGEMENT REPORT
PILLAR 3



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I. Executive summary

On December 31, 2009, SEK's risk-weighted assets (RWA) as calculated in accordance with Basel II (without taking into consideration the transitional rules from Basel I to Basel II) were equal to Skr 66.3 billion, which implies to a Tier-I ratio of 18.9 percent and a total capital adequacy ratio of 19.8 percent. Adjusted for the authority's transitional rules¹, SEK reported risk-weighted assets of Skr 70.2 billion, a Tier-I ratio of 17.9 percent and a total capital adequacy ratio of 18.7 percent.

SEK's internal capital adequacy assessment process determined that our procedures are in line with the framework's underlying principles. In summary, SEK's assessment is that SEK's available capital is sufficient to cover the expected risks in the different scenarios that SEK envisages, in a way that should support SEK's high degree of creditworthiness.

¹The authorities decided during 2009 to extend application of the transitional rules through the end of 2011 instead of expiring as of the end of 2009.



2. Introduction

As from the beginning of 2007, the reformed Basel rules (Basel II) came into force in Sweden and the rest of the EU. The main structure of the new system consists of the three so-called Pillars.

- Pillar 1 deals with minimum capital requirements for credit and market risks as well as for operational risks, based on explicit calculation rules.
- Pillar 2 concerns national supervisory authorities' evaluation of risks and describes the institutions risk and capital management and also establishes the supervisory authorities' functions and powers. Further, under Pillar 2 each financial institution must identify risks and assess risk management from a wider perspective, to supplement the capital requirements calculated within the scope of Pillar 1. This Internal Capital Adequacy Assessment Process (ICAAP) also takes into qualitative risks which cannot be directly measured in the form of exposures that can be covered by capital.
- Pillar 3 concerns, and places demands on, improved openness and transparency and how the institutions, in a broad meaning, shall report their operations to the market and the public.

An institution shall, under Pillar 1, at all times have a capital base that at least corresponds to the sum of the capital requirements for credit risks, market risks and operational risks. This is calculated in accordance with the Capital Adequacy Act, (2006:1371), regarding capital adequacy and large exposures as well as the Swedish Financial Supervisory Authority's regulations and general guidelines (FFFS 2007:1) regarding capital adequacy and large exposures.

2.1 SEK Group

The information in this risk report refers to the financial group. The financial group's parent company, AB Svensk Exportkredit, has its registered office in Stockholm, Sweden, with the address Västra Trädgårdsgatan 11B, Box 16368, SE-103 27 Stockholm.

AB Svensk Exportkredit has corporate ID number 556084-0315. The group (SEK) included, as of December 31, 2009, AB Svensk Exportkredit and its wholly-owned subsidiaries AB Sektionen, AB SEK Securities, SEK Financial Advisors AB, SEK Financial Services AB, SEK Customer Finance AB, SEK Exportlånet AB and also Venantius AB including its wholly-owned subsidiary VF Finans AB ("Subsidiaries"). Together, these are referred to as the "group".

AB Sektionen's property, plant and equipment is its building, serving as SEK's headquarters, and AB Sektionen does not presently operate any business other than renting its building to SEK. AB SEK Securities is a securities company under the supervision of the Swedish Financial Supervisory Authority. SEK Financial Advisors AB and SEK Customer Finance AB have during 2009 been engaged in advisory services. As of December 31, 2009, these companies are no longer engaged in any active business.

The earlier business in *Customer Finance AB* is conducted in the parent company instead. *Venantius AB* have during 2009 been engaged in financing activities, however not such activities that requires the company to be under the supervision of the Swedish Financial Supervisory Authority. As of December 31, 2009, the company no longer conducts any active business. SEK Financial Services AB and SEK Exportlånet AB are inactive companies.

The subsidiaries are controlled by the parent company, AB Svensk Exportkredit. The parent company can exercise control over the subsidiaries' financial and operational policies for the purpose of obtaining economic benefits. The consolidated accounts have been formulated in accordance with the purchase method. Reporting of subsidiaries is included in the consolidated reporting from the time of acquisition, when a controlling influence exists, up through the point in time when the parent company's control ceases. The accounting principles in subsidiaries have, when needed, been adapted for the purpose of establishing unified reporting within the group. Internal group transactions as well as receivables and liabilities, including unrealized revenues and expenses that have arisen in internal group transactions, are eliminated in the preparation of the consolidated accounts. There

Table 1: Specification of subsidiaries included in the financial group as of December 31, 2009

| Subsidiaries | Corporate registration number | Number of shares | Book value (Skr mn) | Voting power of holding (%) | Domicile | Consolidation method |
|---------------------------|-------------------------------|------------------|---------------------|-----------------------------|-----------|----------------------|
| AB Sektionen | 556121-0252 | 4,000 | 103.5 | 100% | Stockholm | Purchase method |
| AB SEK Securities | 556608-8885 | 100,000 | 10.0 | 100% | Stockholm | Purchase method |
| SEK Financial Advisors AB | 556660-2420 | 5,000 | 5.0 | 100% | Stockholm | Purchase method |
| SEK Financial Services AB | 556683-3462 | 1,000 | 0.1 | 100% | Stockholm | Purchase method |
| SEK Customer Finance AB | 556726-7587 | 1,000 | 16.6 | 100% | Stockholm | Purchase method |
| SEK Exportlånet AB | 556761-7617 | 1,000 | 0.1 | 100% | Stockholm | Purchase method |
| Venantius AB (publ) | 556449-5116 | 5,000,500 | 623.7 | 100% | Stockholm | Purchase method |
| Total | | | 759.0 | | | |



is no difference regarding the consolidation principles between consolidated accounting and the group-based accounting.

2.2 Disclosure structure

This report provides information about risks, risk management and capital adequacy in accordance with Pillar 3 of the capital adequacy regulation (Basel II). The relevant information requirements are provided by the Swedish Financial Supervisory Authority's regulation (FFFS 2007:5). The figures reported in this report refer to the SEK Group. The figures for the group and parent company are essentially the same. The figures in brackets refer to comparative data from 2008. The report has been subject of internal quality assurance, but has not been reviewed by the company's auditors.

There are important differences between accounting and Pillar 3 disclosures. The Basel II disclosures represent a regulatory, rather than an accounting consolidation. Therefore, disclosures in the Pillar 3 report may not be comparable to the company's annual report. In SEK's Annual Report 2009, a comparison between Group's balance sheet items according to IFRS and exposures according to Basel II is presented. For detailed description of the differences please see Note 28 in SEK's Annual Report 2009.

The report has the following structure: *Chapter 3 (Risk and capital management)* provides a description of SEK's overall risk

and capital management policies. This chapter also shows how SEK formulates its risk appetite and how risk categories are defined. In addition, the chapter provides a description of how the internal control environment has been organized.

Chapter 4 (Pillar 1) presents the risks identified and analyzed in Pillar 1, i.e. credit risks (including counterparty risk), market risk and operational risk. The various approaches used to calculate capital requirement for these risks are described in this chapter. Information is also provided about SEK's credit portfolio, write-downs and the use of the credit protection.

Chapter 5 (Capital adequacy) provides information about the terms and conditions that apply to the items included in own funds. In addition, the capital adequacy analysis is presented.

Chapter 6 (Pillar 2) describes SEK's internal capital adequacy assessment process and the methods that form the basis for the overall assessment of capital requirement. The chapter contains analyses and conclusions of capital requirements under Pillar 2. SEK's methods to identify measure and manage concentration risk, structural interest rate (the interest rate risk in banking book) and liquidity risks are also described in this chapter.

3. Risk and capital management

3.1 Risk management abilities provide business opportunities and stability

Risk management is a key factor in SEK's ability to offer its customers favorable financing solutions and develop SEK's business activities and thus contribute to the company's long-term development. SEK's customers often require large credits with long maturities, these credits sometimes entail risks that would be too large to be acceptable to SEK without the use of risk-mitigating techniques. Therefore, in order to be able to carry out such transactions, a well-developed risk management system is required. Risk management requires knowledge and processes that are able to handle well-known risks with well-defined techniques, as well as being able to identify new risks and manage them by developing new techniques.

It is not only in customer financing that risk management skills are decisive for success. Based on SEK's business model, which has been used for many years, SEK's funding activities benefit from various types of risk preferences that exist in the market. By being flexible and accepting new types of structures at an early stage – while at the same time being able to handle the risks – it is possible to respond to investor demands regarding risk exposure and at the same time obtain funding on favorable terms. A key part of managing this process is transaction documentation. SEK has for many years been advancing the development of documentation techniques.

3.2 Risk management and risk control

By providing its customers with financial solutions and products SEK exposes itself to various risks that have to be managed. The company's profitability is directly dependent on its ability to assess, manage and price these risks, while at the same time retaining sufficient capital strength to be able to meet unforeseen developments. Constant priority is placed on the risk management process and it is, therefore, developed continually. Support from SEK's Board of Directors, a clear line of decision-making, combined with awareness of risk among our employees, uniform definitions and principles, and control of risks incurred within an approved framework, as well as transparency in the external accounts, make up the cornerstones of SEK's risk and capital management.

Risk management contains two important components. One is to manage risks so that net risks are kept at the right level. The other is to assess the company's internal capital adequacy and ensure a level and composition of the capital base that is in harmony with the development of its business activities.

Illustration 2: Basic Principles for Risk Management

- SEK will carry out its business in such a manner that SEK is perceived as a first-class counterparty by its business counterparties.
- SEK shall be selective in its selection of counterparties in order to ensure high creditworthiness.
- All SEK's credit commitments will at all times be fully funded through maturity.
- SEK will at all times have a capital base that is well above regulatory requirements.

As described above in illustration 2, SEK's policy is that all SEK's commitments will at all times be fully funded through maturity.

"Credit commitments" mean outstanding credits as well as agreed, but undisbursed credits.

SEK defines risk² as the probability of a negative deviation from an expected financial result. *Risk management* includes all activities that affect assumption of risk, i.e., SEK's processes and systems that identify, measure, analyze, monitor and report risks at an early stage. Adequate internal controls, consisting of a set of rules, systems and routines, as well as robust monitoring of their observance, helps ensure that the company is run in a safe, efficient and controlled manner. *Risk control* refers to all activities for measuring, reporting and responding to risks, independent from the risk-taking units. SEK implements risk control using two different primary tools: (i) risk-related management and control that primarily includes risk management procedures and related limits, and (ii) management and control procedures that are carried out at the company level and include elements of corporate organization, corporate governance and internal controls.

SEK's risk-related management and control is directed towards credit-, market-, liquidity-, and operational risks. The Management and control at the corporate level covers the entire group, i.e. all risks, but are directed especially at risk appetite and ambient risk.

Table 3: SEK's most significant risk categories

| | |
|----------------------------|--|
| Credit risk | <i>Credit risk</i> represents the risk of the loss that would occur if a borrower or other party in another contract involving counterparty risk and any guarantors are unable to perform in accordance with contractual terms and conditions. |
| Market risk | <i>Market risks</i> occur when the terms of a contract mean that the size of the payments linked to the contract or the value of the contract vary due to a market variable, such as interest-rates or exchange-rates. |
| Funding and Liquidity risk | <i>Funding and liquidity risk</i> is defined as the risk of not being able to meet its own payment obligations without the cost of obtaining funding increasing significantly. |
| Operational risk | <i>Operational risk</i> is defined as the risk of losses as a result of inappropriate or failed processes, human error, erroneous systems or external events. The definition also includes legal risk. |
| Business risk | <i>Business risk</i> is defined as the risk of lower revenues due to non-reached volume and margin objectives or due to competition in general. |
| Strategic risk | <i>Strategic risk</i> is defined as the risk of lower revenues as a result of adverse business decisions, improper implementation of decisions or lack of adequate responsiveness to regulatory and industry changes. |
| Reputational risk | <i>Reputational risk</i> is defined as the risk of lower revenues due to external rumors about the company or the industry in general. |

3.3 Capital policy, risk appetite and capital objectives

SEK's capital policy defines how SEK's management of capital should support its business goals. One important goal is, through size of shareholders equity, to balance shareholders demand for return with financial stability requirements required by regulators, debt investors, business counterparties, other market participants and rating agencies. The company's capital policy is established by the Board of Directors.

² Risk is a balancing of both probabilities and consequences in any given event. The expression "risk" is generally used when there is at least one negative consequence of an event. The balancing means that the risk, in total, may be high, even if the probability is low, depending on whether or not the consequences are serious.

SEK's risk appetite is currently formulated as follows:

1. SEK will target an after-tax return on equity in excess of the long-term risk-free interest rate plus four percentage points, seen over a business cycle.
2. SEK's primary capital ratio, as calculated in accordance with Basel II, Pillar 2, will not be less than 8 percent.
3. SEK's long-term dividend policy represents an ambition that targets an annual dividend of around 30 percent of after-tax profit (calculated in accordance with IFRS results).
4. SEK's credit commitments – outstanding credits as well as agreed but undisbursed credits – must be financed through maturity (so-called "positive availability").

It should be noted that SEK's risk appetite, as formulated above, was established before the financial crisis and will be reviewed during 2010.

SEK's capital goals serve two purposes. The primary aim is to ensure that SEK's capital strength is sufficient to support its business plan strategy and to ensure that the SEK's capital adequacy always is above the minimum requirements, even in a severe recession. The second aim is to maintain a capital strength that supports a high degree of credit worthiness, which in turn should ensure the availability of long-term financing on favorable conditions.

3.4 Organization

The ultimate responsibility for SEK's business, and for ensuring it is carried out within the framework of a good internal control system, is held by the *Board of Directors*. The Board draws up central policy documents and at every meeting receives a summary report of the risk situation. The President is responsible for ongoing administration. In addition to the Board and the President, there are committees with various competences to make decisions depending on the types of risks encountered. The Board has established, for example, a dedicated *Finance Committee* whose primary task is to monitor and manage, among other things, SEK's risk profile and risk level. Meanwhile the *Board's Credit Committee* constitutes the highest decision-making body (after the Board itself) with respect to credit decisions.

The Asset and Liability Committee, (ALCO), which the President chairs, manages, among other things, SEK's overall risk level, and proposes market risk limits and methods for risk measurement and distribution of SEK's internal capital. The Asset and Liability Committee also draws up guidelines for the distribution

of responsibility and management of SEK's risk types and for the relationship between risk and capital, within the framework of the Board of Directors' overall capital policy.

The Credit Committee, which the President also chairs, is responsible for matters concerning credits and credit-risk management within SEK. Within the framework for its mandate, and on the basis authority delegated by the Board, the Credit Committee has the right to make credit decisions.

The Internal Control Committee (IKK), which the President chairs, is responsible for management and follow-up of operational risks. IKK is also responsible for managing and following-up on incident reports as well as following-up on reports from internal and external auditors. IKK also serves as a deliberative and decision-making body for new products.

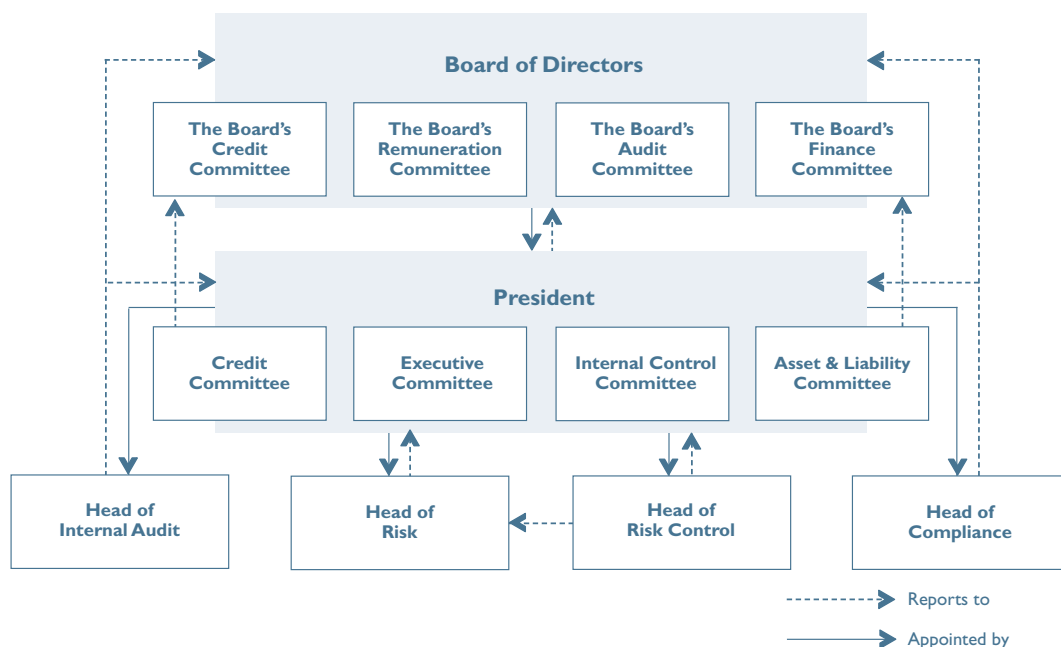
SEK's independent risk control is carried out by the *Risk Control* function, which reports to the Head of Risk and to the President. SEK's policy documents for the risk and capital areas are reviewed and updated annually by the Head of Risk, but must be approved by the respective decision-making bodies. Based on a portfolio perspective, Risk Control is responsible for control, analysis and reporting of financial risks. These risks are primarily made up of credit and counterparty risks, and market risks, as well as funding and liquidity risks. The Risk Control function monitors the company's risk strategy, risk management and rating methods for credit-risk classification, as well as calculating, analyzing and forecasting regulatory capital adequacy and the need for economic capital. The function is also responsible for the choice of methods and models, and must act as a center of excellence, with the task of contributing to increasing SEK's risk management capacity, including by analyzing diversification and risk-mitigation effects.

SEK has also a *Compliance function*. The overall purpose of the function is to support the organization to run its operations in accordance with applicable regulations, including follow-up with regard to any compliance-related issues. The function reports to the President, but is also obliged to report to the Board.

The Internal Audit function, which audits and evaluates the integrity of the above mentioned risk management functions, is completely separate from the parts of the organization that it audits. The function reports to the President but is also obliged to report to the Board. Internal Audit does not participate in the everyday business activities within the company.

It is a fundamental principle for all control functions to be independent of the commercial activities. Illustration 4 shows SEK's organization for management and control.

Illustration 4. SEK – Corporate Governance Structure



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4. Pillar I

Pillar I allows institutions to choose between various alternatives based on their development level;

- With regard to *credit risks* the standardized approach is the simplest. It is similar to Basel I, but contains more risk weights, all of which are established by national authorities. Institutions can expand upon the supervisory authorities' selection of risk weights by using risk assessments from recognized credit rating agencies such as Moody's, Standard & Poor's and Fitch. The next level of sophistication, regarding credit risk, under Pillar I, is called the Foundation IRB-approach (internal ratings-based approach). Under the IRB-approach, the risk weights, and therefore the capital requirements, are partially based on institutions' internal ratings. There is also an advanced form of the IRB-approach, where an even larger portion of the capital requirement is determined on the basis of institution's own calculations.
- In regard to *market risks* the institutions are allowed to choose between a simple or advanced method. There has not been any substantial change in the handling of market risks in Basel II as compared with the old Basel I accord.
- For *operational risks* there are three alternatives: the basic indicator approach, the standardized approach and the advanced measurement approach.

For all risk types, there is an incentive for institutions to move up to a more advanced level since this is expected to provide a closer connection between the capital requirement and the institution's actual risk. In the majority of cases, doing so will also result in lower capital requirements. However, an institution that selects a more advanced alternative must show that it has a fair and well-proven system with regard to its ongoing administration, especially for risk and capital management.

SEK uses the Foundation IRB-approach to calculate its capital requirement for credit risk (see also section 4.1.1.5). For operational risk, SEK has chosen the basic indicator approach. SEK has only limited market risks, as currency exchange-rate risks, under Pillar 1. SEK did not have any trading book as of December 31, 2009. As a result, Pillar 1 did not require SEK to have any capital requirement for market risks, during 2009.

4.1 Credit risk

4.1.1 Internal ratings-based approach (IRB)

All of SEK's counterparties³ must be rated internally. The design of the company's IRB-system includes a number of operational as well as analytical aspects. The *operational* design concerns the organizational process for, and checks on, how counterparties are assigned risk classifications. Important operational aspects of the process include, where in the company the risk classification is made and established, and how the responsibility for follow-up, validation and control is distributed throughout the organization. The *analytical* design concerns how risk is measured and assessed. This includes, among other things, how the risk and loss concepts are defined and measured, and which methods and models are used for risk classification and calculation of risk. The analytical design of the risk classification system often differs significantly among different financial institutions. The systems share, however, the fact that every credit exposure to a specific risk class is associated with a number of quantifiable risk criteria.

SEK's internal rating system (the IRB-system) comprises all of the various methods, work and decision processes, control mechanisms, steering documents, IT-systems, processes and routines that support risk classification and quantification of credit risk.

4.1.1.1 SEK's Rating committee

The decision concerning an internal rating for a counterparty is taken by SEK's Rating Committee. The Rating Committee's task is to use analyses and credit assessments that are carried out according to established methods and rating proposals from the credit analysis function (Credit Management), in order to (i) establish ratings for new counterparties, (ii) when considered relevant, reassess ratings for existing counterparties, and (iii) at least on an annual basis, review credit ratings for existing counterparties.

Committee members are appointed by the Executive Committee in such a way that the majority of the members represent non-commercial functions within the company. The committee members, who come from various functions within SEK, must possess a wide and a deep level of expertise in risk assessment and/or experience in credit rating. A rating that has been established by the Rating Committee may not be overridden or amended by another body within SEK. The minutes of the Rating Committee consist of memoranda drawn up by the analyst responsible and signed by members of the committee.

4.1.1.2 Time horizon and classification philosophy

One important question in an expert-based system, such as SEK's, is the intended time horizon of a risk classification. Under the simplest method the risk classification reflects the borrower's ability to repay given current conditions. This approach is known as point-in-time, and is designed to estimate the risk of the borrower defaulting within the immediate future, usually one year. A more ambitious, but also more demanding, approach is to allow the risk classification to reflect the borrower's ability to repay during an entire economic cycle. This approach, known as through-the-cycle, involves an assessment of the borrower's ability to repay during the worst phases of the economic cycle. The internal ratings-based approach will give different results, depending on

³ Except those counterparties that are expressly included in the exceptions from this requirement that have been granted by the Swedish Financial Supervisory Authority.

which of these two different time horizons is used. In point-in-time assessments, the measured risk in a given portfolio will be significantly more sensitive to cyclical fluctuations in risk, rising in periods of economic downturn and falling in periods of upswing. If the assessments are made through-the-cycle, however, the measured risk in a portfolio should, in principle, only change if the long-term condition of one or more specific counterparties change and there are reasons to change the original assessments. The choice of time horizon in the risk classification is highly dependent on the purpose for which the risk classification system is to be used.

The through-the-cycle approach is considered a suitable approach if the risk classification is to support a credit or investment decision. The established rating agencies have, for example, the goal that their credit ratings will reflect credit risk through the cycle. SEK also uses this approach. In some major financial institutions, however, it is common to at least complement through the cycle-based ratings with point-in-time assessments, as the latter may be a more relevant horizon if the purpose is to monitor borrowers' creditworthiness in order to take specific actions, calculate reserves, and allocate economic capital.

Although the established rating agencies and most financial institutions aim for through-the-cycle ratings, such ratings are not completely attuned to the economic cycle. In practice, long-term risk classifications are also often affected by the currently prevailing economic situation. This occurs both because year-end accounting data used in the rating process as well as market information is, by definition, point-in-time, and because in practice it is often very difficult to distinguish cyclical factors from more long-term conditions.

An internal ratings-based approach is a tool for improving the precision and consistency of credit assessments. By collecting historical data on counterparties' defaults and credit rating history, SEK is able to follow up its credit assessments, by creating a clearer "institutional memory" in the organization. This history assists SEK in revealing erroneous assessments and making the necessary corrections. Having awarded each counterparty an explicit (cardinal) default probability, the company can also check its own risk classification against those external sources. SEK's internal ratings-based approach aims at assessing the credit risk of individual counterparties. In an expert-based system, the internal definitions of risk classes are often written in qualitative terms and without strict quantitative guidelines. In a more model-based system, each risk class is associated with the necessary quantitative conditions for various variables. The choice of an expert- or a model-based method is partly determined by a company's corporate culture, but also by the composition of the company's customers.

The expert-based method normally demands more resources and is therefore used primarily for classification of financial institutions and major corporates, while the classification of smaller corporates generally tends to be more standardized and determined by risk models. SEK's methodology for internal risk classification is based on both qualitative and quantitative factors. Within SEK, risk classification is based, to a high degree, on the analyst assessments.

4.1.1.3 Internal rating scale

Using different methods for analyzing corporates, regional governments and financial institutions, the individual counterparties are rated. The aim of using a common rating scale for all of counterparties is simply to be able to correctly price and quantify risk over time for SEK's counterparties and, thereby, to maintain the desired risk level in the company. The tool used for this is the rating, which is an ordinal ranking system. Therefore the risk classification within SEK is to a great extent a question of relative assessments. The classification does not aim at estimating a precise probability of default, but rather seeks to place the counterparty within a category of comparable counterparties,

from a risk perspective. It is currently common for financial institutions with internal ratings-based systems to set the probability of default (PD) values for their various risk classes, especially for so-called "low default portfolios", by mapping their internal rating scale against the rating scale of a rating agency, and then using the (external) rating agency's default statistics for calculating the probability of default. Rating agencies, such as Standard & Poor's, Fitch and Moody's, regularly publish statistics for default frequencies in their various rating classes. This type of technique is also considered at present to be best practice by the market. SEK maps its internal rating scale to Standard & Poor's rating scale and employs Standard & Poor's default statistics as a basis for its own calculations, with the aim of achieving consistent estimates of PD (within sufficient safety margins).

Table 5 summarizes the external rating agencies coverage of the company's counterparties. For example of the 573 counterparties that SEK has allocated an internal rating to, 261 counterparties have an external rating from Moody's.

Table 5: External rating agencies' coverage of SEK's counterparties as of December 31, 2009

| SEK | S&P's | Moody's | Fitch's |
|-----|-------|---------|---------|
| 573 | 241 | 261 | 198 |

SEK strives to refine its risk classification models by finding new relationships between various indicators and the probability of default (PD). In addition to contributing to improved precision in credit assessments, the internal ratings-based approach may *de facto* be used in the company's business activities. As the risk classification system standardizes and collects information which is otherwise spread throughout the organization, it can be used to report risk trends in the credit portfolio to the Executive Committee and the Board of Directors.

4.1.1.4 Exposure classification within SEK

All of SEK's exposures must be assigned to an exposure class. In order to secure maximum congruity between the different calculations that use exposure classes, the definitions that are used for the exposure classification must, as far as possible, be the same. The definitions to be used are laid out in the current capital adequacy regulations.

SEK's exposures are limited to central government exposures, exposures to regional governments, financial institutions exposures, and corporate exposures, as well as to securitization positions (positions in asset-backed securities). Note that this classification refers to IRB-method. The standardized approach has a different set of exposure classifications. Responsibility for all exposure classifications within SEK is held by the credit analysis function, Credit Management.

4.1.1.5 SEK-specific exemptions

The Swedish Financial Supervisory Authority approved SEK's application to be allowed to use an IRB-approach in February, 2007. SEK's permission to base its capital requirement for credit risk on the IRB-approach covers the majority of the company's exposures. In January 2009, the Swedish Financial Supervisory Authority granted SEK permission to apply the standardized approach to the following exposures:

- Export credits guaranteed by the Swedish Export Credits Guarantee Board ("EKN") or corresponding foreign entities within the OECD
- Exposures to central governments and central banks
- Exposures in the Customer Finance⁴ business area
- Exposures in Venantius AB

The permission to exempt these transaction applications of the IRB-method is valid until December 31, 2012.

⁴Customer Finance specializes in cross-border customer financing for capital equipment.

4.1.1.6 Rating methodology

4.1.1.6.1 Model for Financial institutions

The two driving factors in SEK's internal credit-risk assessment for financial institutions are business risk and financial risk. In brief, business risk is assessed based on the basis of an analysis of the counterparty's business, market position and ownership, as well as the significance of legislation and regulations for its business activities.

The assessment of financial risk is focused on the financial strength of the counterparty and its ability to withstand financial burdens, as expressed in annual reports and other financial information. It is, however, not possible to set a rating solely on the basis of financial data, without also assessing business and financial risk, i.e., each individual assessment is made up of a combination of quantitative and qualitative factors.

4.1.1.6.2 Corporate model

In SEK's internal credit-risk assessment for corporates, the two driving factors are also business risk and financial risk. In the same way as for financial institutions, the analyst is responsible for making a rating recommendation as the basis for the decision made by the Rating Committee.

4.1.1.6.3 Specialized lending

Within the exposure class corporate exposures, exposures that represent specialized lending are separately identified. For such exposures, SEK calculates risk weights based on so-called slotting. According to the Basel II regulations, there are five categories for corporate exposures that constitute specialized lending. Categories 1–4 represent non-defaulted exposures, and category 5 represents defaulted exposures. The break-down among categories 1–4 is based on the increased risk levels for the exposures (where category 1 represents the lowest risk). SEK's exposures are currently attributable to category 1, in other words, the category that represents the highest creditworthiness, and to category 4.

The majority of SEK's exposures that fall under the specialized lending category, are guaranteed by governments within the OECD. This means that they are effectively transferred to another exposure class via credit-risk mitigation. After taking into account credit risk mitigation and conversion factors, the total exposure amounts to Skr 684 million as of December 31, 2009.

Table 6: Specialized lending as of December 31, 2009 (and 2008)
Skr bn

| Category | EAD* |
|----------|-----------|
| 1 | 503 (508) |
| 2 | 0 (0) |
| 3 | 0 (183) |
| 4 | 181 (0) |
| 5 | 0 (0) |
| Total | 684 (691) |

*EAD is calculated on the basis of the exposure amount after consideration has been given to conversion factors. The conversion factor describes that portion of an off-balance sheet commitment that would be drawn in the event of a future default.

4.1.1.6.4 Securitizations positions

In accordance with FFFS 2007:5 (Pillar 3), in calculating the risk-weighted exposure amount for securitized exposures, a company must describe both the purpose of the securitization operation, and the role that the company has in the securitization process. In addition, information regarding to what extent the company is engaged in each role, and information about the methods the company applies in the calculation of related risk-weighted exposure amounts must be reported.

SEK has not acted in the role of originator or participating institution in any of its securitization transactions and has only functioned as an investor. SEK uses the so-called external rating method for the calculation of risk-weighted amounts for securitization positions. This means that the risk weight is determined

based on external credit valuation, with the starting point being the position's credit quality step in accordance with the rules regarding the use of external credit valuation. SEK does not invest in securitizations assets any more.

4.1.2 Calculation of risk-weighted assets

4.1.2.1 Calculation of risk-weighted assets in accordance with the IRB-approach

The two expressions that together primarily quantify the credit risk of an exposure are the probability of default (PD) and the loss given default (LGD). Using these two parameters and the size of the outstanding exposure at default (EAD), it is possible to calculate the statistically expected loss (EL) for a given counterparty exposure ($PD \times LGD \times EAD = EL$). By using the so-called Basel formula, the amount of risk-weighted assets (RWA, $f(PD, LGD, EAD)$) is calculated. This estimate constitutes a measure of the Unexpected Loss (UL).

The capital requirement refers ultimately to the risk for unexpected losses (UL), while expected losses (EL) should be able to be covered, in principle, by day-to-day revenues. That is, the risk weights should not reflect the normal loss level underlying the different exposures, but rather the risk of losses being unexpectedly large during a given period. The time horizon for both EL and UL is twelve months.

Within the Foundation IRB-model, only PD is estimated internally. The values of the other parameters are set by the supervisory authority. In the *IRB-Advanced approach*, institutions can get permission to also calculate the values for LGD and EAD themselves. In addition, the maturity (M) for the exposures can come into play as a special factor that affects the capital requirement.

Illustration 7: Definition of expected loss

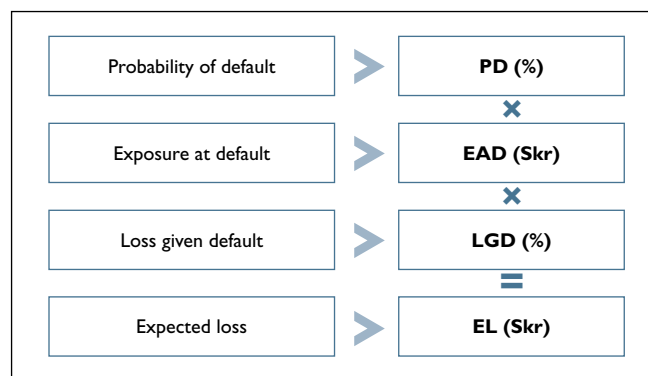


Illustration 8: Risk parameters

| Risk parameters | IRB-Foundation approach | IRB-Advanced approach |
|--------------------------------|---------------------------------|-----------------------|
| Probability of default (PD) | Internal estimation | Internal estimation |
| Exposure at default (EAD) | Conversion factors ¹ | Internal estimation |
| Loss given default (LGD) | 45% ^{1,2} | Internal estimation |
| Maturity (M) (Correlations) | 2.5 years ^{1,2} | Internal estimation |

¹ Risk parameters established by the authority.

² 45 % and 2.5 years are normally applicable.

The relation between expected and unexpected losses varies among different types of exposure classes. Therefore, for those calculations that are required in the IRB-approach, the credit portfolio is divided into a number of different exposure classes:

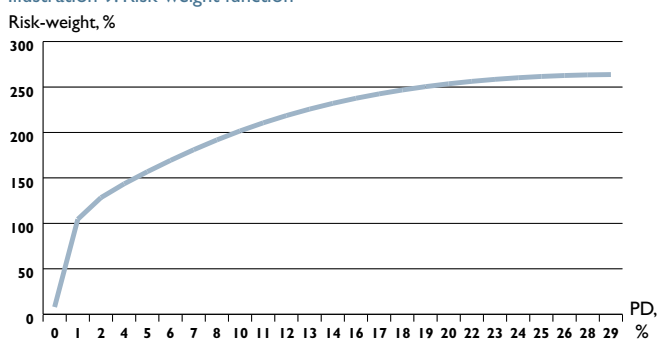
- Exposures to central governments and central banks
- Exposures to institutions

- Exposures to corporates
- Retail exposures
- Equity exposures
- Securitization positions
- Non-credit obligation assets

Note that the list above is a general description of the exposure classes according to IRB-method. See 4.1.1.4.

The illustration below shows the connection between risk weight and PD for non-defaulted exposures to central governments, exposures to institutions and exposures to corporates.

Illustration 9: Risk-weight function



SEK follows the above described instructions for calculation of risk-weighted assets under the Foundation IRB-approach. The table below shows SEK's credit exposures, risk-weighted assets and average risk weights, as calculated using the Foundation IRB-approach and the standardized approach. As illustrated by the table below, the average risk-weight for SEK's credit portfolio totals approximately 17 percent.

Table 10: Credit risk converted EAD, risk-weighted assets and average risk weight as of December 31, 2009 (and 2008)

| Skr bn | EAD | Risk-weighted assets | Average risk weight |
|-----------------------------------|---------------|----------------------|---------------------|
| Standardized approach | | | |
| Central governments | 32.5 (10.0) | 0.8 (0.6) | 2% (6%) |
| Government export credit agencies | 104.9 (64.9) | 0.0 (0.3) | 0% (0%) |
| Regional governments | 23.6 (20.1) | 0.0 (0.0) | 0% (0%) |
| Multilateral development banks | 0.4 (0.5) | 0.0 (0.0) | 0% (0%) |
| Corporates | 0.0 (0.4) | 0.0 (0.4) | n.a. (100%) |
| Retail | 0.0 (0.1) | 0.0 (0.1) | n.a. (75%) |
| Total standardized approach | 161.4 (96.0) | 0.8 (1.4) | 1% (1%) |
| IRB-method | | | |
| Financial institutions | 137.5 (157.4) | 33.7 (32.6) | 24% (21%) |
| Securitization positions | 33.9 (43.5) | 7.1 (11.4) | 21% (26%) |
| Corporate | 37.8 (34.0) | 21.5 (16.4) | 57% (46%) |
| Non-credit-obligation assets | 0.1 (0.1) | 0.1 (0.1) | 100% (100%) |
| Total IRB-method | 209.3 (235.7) | 62.4 (60.5) | 30% (26%) |
| Total | 370.7 (331.7) | 63.2 (61.9) | 17% (19%) |

4.1.2.2 Calculation of risk-weighted assets in accordance with the standardized approach

Under the standardized approach, institutions allocate their exposures among the prescribed exposure classes and assign the exposures those risk weights which have been assigned to each respective exposure class. In certain cases, risk weights can comply with external ratings. External credit assessments may be used to determine which credit quality step an exposure corresponds to. To determine this, financial institutions must utilize the cor-

respondence tables between credit rating companies' different credit ratings and the steps in the credit quality scales that the Swedish Financial Supervisory Authority determines. SEK follows these instructions. The majority of the exposures for which SEK is granted permission to use the standardized approach can be attributed to the highest credit quality step, which corresponds to a risk weight of zero percent.

Table 11: Correspondence table

| Credit quality step | Fitch | Moody's | S&P |
|---------------------|------------------|------------------|------------------|
| 1 | 'AAA'-'AA' | 'Aaa'-'Aa3' | 'AAA'-'AA' |
| 2 | 'A+'-'A' | 'A1'-'A3' | 'A+'-'A' |
| 3 | 'BBB+'-'BBB' | 'Baa1'-'Baa3' | 'BBB+'-'BBB' |
| 4 | 'BB+'-'BB' | 'Ba1'-'Ba3' | 'BB+'-'BB' |
| 5 | 'B+'-'B' | 'B1'-'B3' | 'B+'-'B' |
| 6 | 'CCC+' and lower | 'Caa1' and lower | 'CCC+' and lower |

Table 12: Net exposures under the standardized approach per quality step as of December 31, 2009 (and 2008)

| Skr bn | 1 | 2 | 3-6 | Total |
|-----------------------------------|--------------|-----------|-----------|---------------|
| Central governments | 29.8 (7.0) | 2.9 (4.9) | 0.9 (0.0) | 33.6 (11.9) |
| Government export credit agencies | 125.1 (70.6) | 0.0 (1.6) | 0.0 (0.0) | 125.1 (72.2) |
| Regional governments | 24.0 (21.2) | 0.0 (0.0) | 0.0 (0.0) | 24.0 (21.2) |
| Multilateral development banks | 0.4 (0.5) | 0.0 (0.0) | 0.0 (0.0) | 0.4 (0.5) |
| Total | 179.3 (99.3) | 2.9 (6.5) | 0.9 (0.0) | 183.1 (105.8) |

4.1.3 Limits, credit risk reporting and risk measurement systems

The highest level for decision-making with regard to credit-risk limits is the Board. The Board has delegated to the Board's Credit Committee its mandate to make credit decisions, with the exception of decisions that are matters of principle.

Calculation of the amount that determines at which level a limit must be established is made based on the formula for calculation of the capital requirement under Pillar 1. This takes into consideration the probability of default (PD) of the counterparty, the size of the exposure (EAD), and the assessed degree of loss given default (LGD), as well as the maturity of the exposure. In this calculation, only the counterparty's risk classification and the maximum exposure amount (EAD) are based on actual data. The degree of loss given default and the maturity of the exposure are determined as set forth in the Basel II regulations (normally at 45 percent and 2.5 years, respectively). These conditions do generally reflect those in SEK's existing portfolio, which makes it reasonable to use the Basel II formula for the calculation.

The Board of Directors and the Executive Committee aim to have a good understanding of the function of the internal ratings-based approach, as well as a good understanding of the content of the reports from the risk classification system that are sent to them. The President and the Head of Risk inform the Board about all significant changes to, or exceptions from, instructions that govern the design and use of the company's risk classification system.

The company's Executive Committee acquires regular information from the independent Risk Control function. This information includes conclusions from the validation process, identification of areas that are in need of improvement, and reports on how work on previously decided improvement measures is proceeding.

A central part of the regular reporting of credit risks to the Board of Directors and Executive Committee is based on the company's risk and product classification and risk estimates. Risk Control and the credit analysis function, Credit Management, are responsible for different parts of this reporting. The reporting includes information on the distribution of counterparties and



exposures by risk classes, risk estimates for each product and risk class, and migration between risk classes, as well as information about, and results of, the stress tests that are applied. In addition, the reporting also includes the company's use of credit-risk protection, as well as the development in securitization positions.

4.1.4 Validation process

A basic requirement for using an IRB-system is that the company has a continual and well-functioning process for validation of all parts of the system. The validation process must comprise a consistent and appropriate analysis of whether the risk classification system measures risk in a satisfactory way. Validation must take place regularly, at least once per year. SEK's independent Risk Control function is responsible for this process. Risk Control continually works at developing and improving its validation methods, in accordance with changes in best practice in the industry.

SEK's validation process has focused on a number of key areas:

1. Ensuring that SEK's definition default (PD) is in agreement with the IRB-regulations' definition (the Basel definition) and that this definition also agrees with Standard & Poor's definition.
2. Comparison of SEK's internal risk classification method and internal risk classification criteria with Standard & Poor's rating method and rating criteria.
3. Ensuring that Standard & Poor's rating statistics and identification of defaulting companies can be used as a reference portfolio in SEK's mapping procedure. SEK's intention is to continue to use Standard & Poor's default statistics as a basis for internal forward-looking PD-estimates.
4. Comparing the result of SEK's internal risk classification with, primarily, Standard & Poor's ratings, but also with other external rating institutions' credit ratings, i.e., performing an outcome analysis.
5. Evaluating how well the IRB-system has succeeded into being integrated in SEK's corporate governance and decision-making processes, taking into account SEK's specific mission and nature.

The validation process aims to ensure that, among other things, (i) the assumptions and methods for the classification models are appropriate, (ii) the risk classification process is used in a uniform way within the company's various business areas, (iii) the system identifies exposures and counterparties with differing credit risks, and (iv) the system generates reliable and precise estimates of the risk parameters that the company uses.

When assessing whether the classification system is consistent, the principles for the choice of classification models and explanatory factors must be stated. It must also be possible to prove that the principles are still relevant. The Credit Management function is responsible for this.

The IRB-Use Test

An important criterion for the qualitative validation of the IRB-system is the actual application of each rating result in SEK's risk and business processes. This type of qualitative validation aims at assessing how well different internal administrative processes and routines work, and can be described as a process oriented validation. In order to receive permission to employ an IRB-system for calculation of capital requirements a company must, according to the regulations, satisfy a so-called "Use Test". SEK's internal product and risk classification and its estimate of risk parameters form an integrated part of SEK's corporate governance, credit process, risk management and internal allocation of capital. Estimates are well rooted in, and accepted by, the business organization.

SEK carries out a product and risk classification of each new counterparty or in some cases also exposures before a credit decision is made. The individuals and decision forums that are responsible for credit decisions are aware of a counterparty's or exposure's rating. SEK generally applies the same value to risk parameters in its business processes as in the calculation of capital requirements. The company has documented the few cases where it uses different values in its business processes and in the calculation of the capital requirement. The adjusted values are primarily applied in the company's pricing model, as well as when the company, in its internal capital adequacy assessment process, calculates the need for economic capital.



4.1.4.1 Information about migration between risk classes

The migration matrix below (table 13) displays for counterparties, for which SEK applies the IRB- method, the rating break-down by December 31, 2009, based on the rating as of December 31, 2008.

Table 13: Migration matrix 2009

The table should be read row by row. The first row displays the break-down by rating class as of December 31, 2009 of the counterparties that as of December 31, 2008 were rated 'AAA'. Further, the second row displays the break-down by rating class as of 2009 of the counterparties as of 2008 were rated 'AA+', etc. The shaded diagonal accordingly displays the share of counterparties, for which the rating was unchanged as of December 31, 2009, compared with December 31, 2008.

| 2008 | 2009 | | | | | | | | | | | | | | | | | Summa | |
|------|------|-----|-----|-----|-----|-----|-----|------|-----|------|-----|-----|-----|-----|-----|-----|-----|-------|------|
| | AAA | AA+ | AA | AA- | A+ | A | A- | BBB+ | BBB | BBB- | BB+ | BB | BB- | B+ | B | B- | CCC | | D |
| AAA | 65% | 8% | | | 8% | 3% | 11% | 3% | | | 2% | | | | | | | | 100% |
| AA+ | | 94% | 6% | | | | | | | | | | | | | | | | 100% |
| AA | | 9% | 79% | 9% | | 3% | | | | | | | | | | | | | 100% |
| AA- | | | 2% | 63% | 25% | 10% | | | | | | | | | | | | | 100% |
| A+ | | | | 2% | 75% | 21% | 2% | | | | | | | | | | | | 100% |
| A | | | 2% | | | 57% | 25% | 16% | | | | | | | | | | | 100% |
| A- | | | | 2% | | 2% | 64% | 12% | 20% | | | | | | | | | | 100% |
| BBB+ | | | 2% | | | | | 72% | 14% | 12% | | | | | | | | | 100% |
| BBB | | | | | | | | | 70% | 23% | 7% | | | | | | | | 100% |
| BBB- | | | | | | | | | | 83% | 17% | | | | | | | | 100% |
| BB+ | | | | | | | | | | | 53% | 47% | | | | | | | 100% |
| BB | | | | | | | | | | | | 46% | 27% | 18% | | | 9% | | 100% |
| BB- | | | | | | | | | | | | 33% | 67% | | | | | | 100% |
| B+ | | | | | | | | | | | | | | 0% | 67% | | 33% | | 100% |
| B | | | | | | | | | | | | | | | 0% | | | | 100% |
| B- | | | | | | | | | | | | | | | | 25% | 50% | 25% | 100% |
| CCC | | | | | | | | | | | | | | | | | 0% | | 100% |
| D | | | | | | | | | | | | | | | | | | | 100% |

The illustrations 14–15 below show, in absolute figures, and also via percentages, the upward and downward grading per risk class and also the number of counterparties whose risk class (rating) changed during 2009.

Illustration 14: Number of migrated counterparties whose risk class changed during the last twelve months

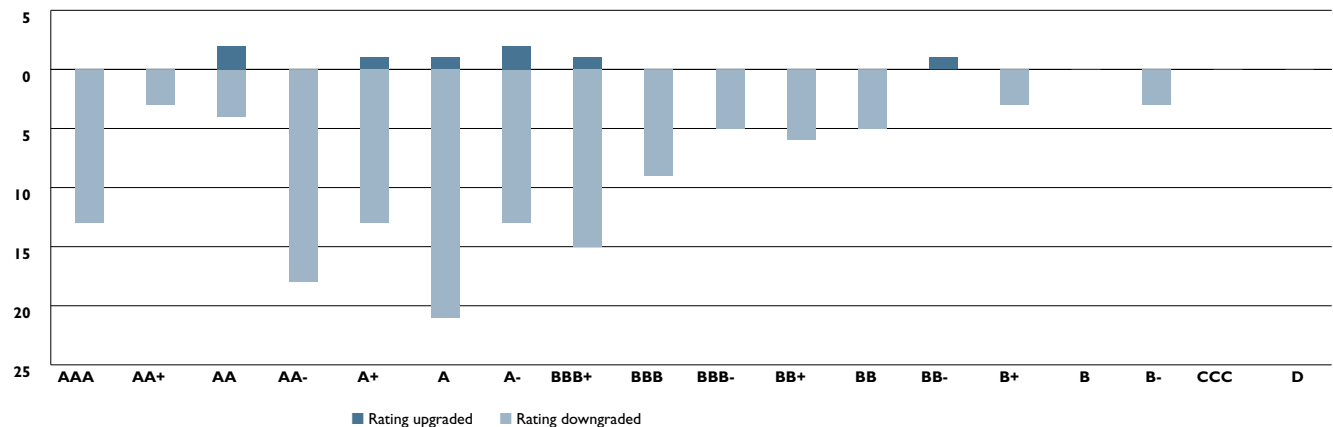


Illustration 15: Percentage of counterparties whose risk class in the respective rating class changed during the last twelve months

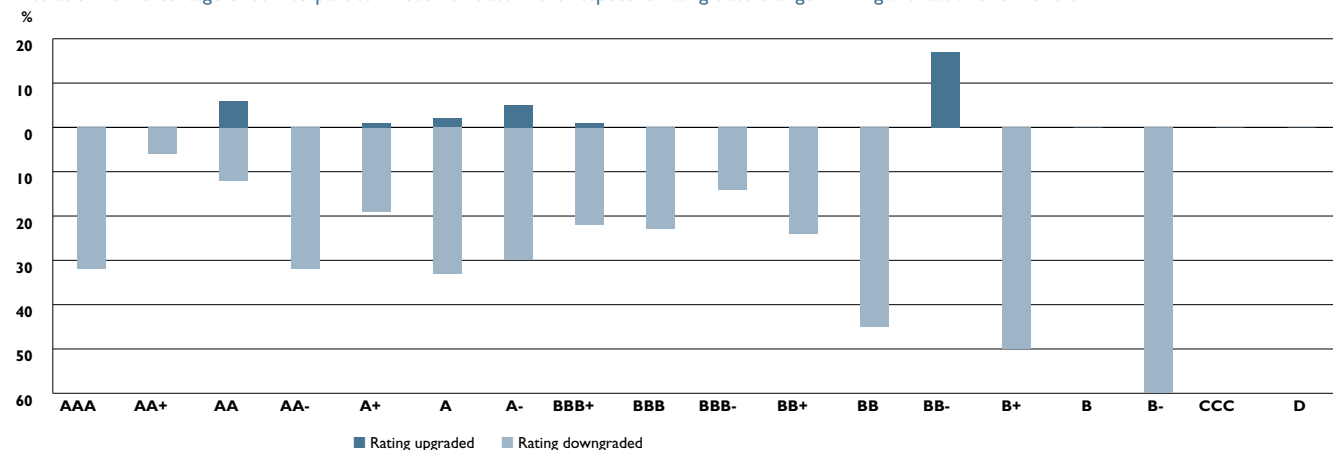
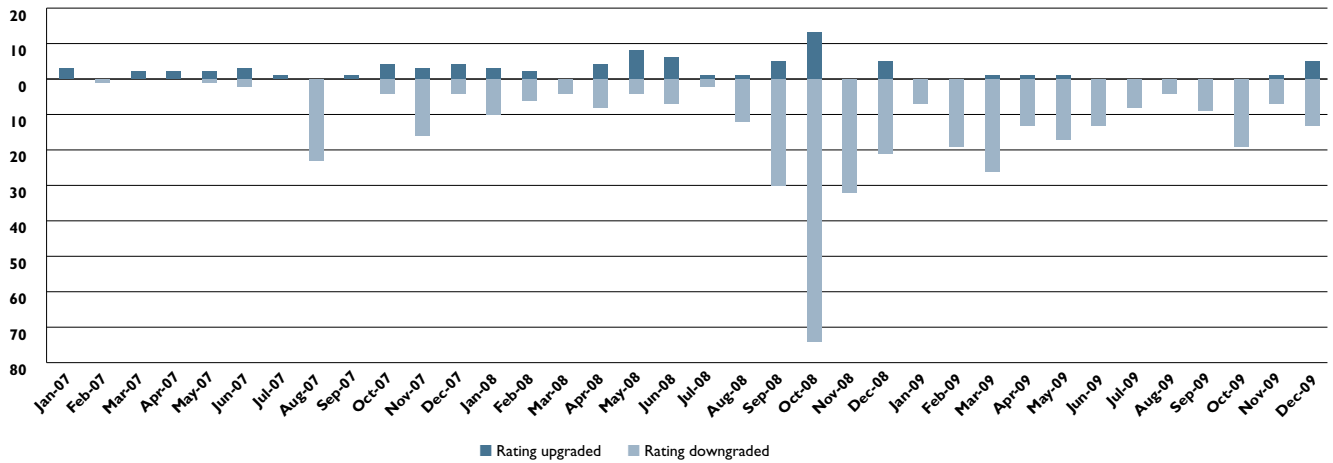


Illustration 16: Number of counterparties whose risk class changed during 2007–2009, (per month)



4.1.4.2 Information about the correlation between internal and external rating

The illustrations below display a summary of SEK’s outcome analysis showing the correlation between ratings assigned by SEK’s internal ratings-based approach and Standard & Poor’s, Fitch’s and Moody’s credit ratings. The purpose of these is to illustrate how SEK’s risk classification performs in relation to the rating agencies’. The fact that there are differences may be an expression of the differences in analytical assessment as well as the point in time of the assessments.

Every circle represents a rating pair (for example, SEK: “BBB”,

Standard & Poor’s: “BBB+”) and the size of the circle reflects the number of counterparties that have been allocated this rating pair. The yellow points indicate where SEK’s risk classification is higher than the external ratings, while blue points report observations where SEK’s risk classifications are lower. The green color indicates where the risk classification for SEK and the external credit rating agencies is the same. The illustrations show an increasing number of circles as well as increasing diameters from 2008 to 2009, which is in line with an increase in the size of the population.

Illustration 17: Correlation between SEK’s internal ratings-based approach and Standard & Poor’s at the end of 2008 and 2009, respectively

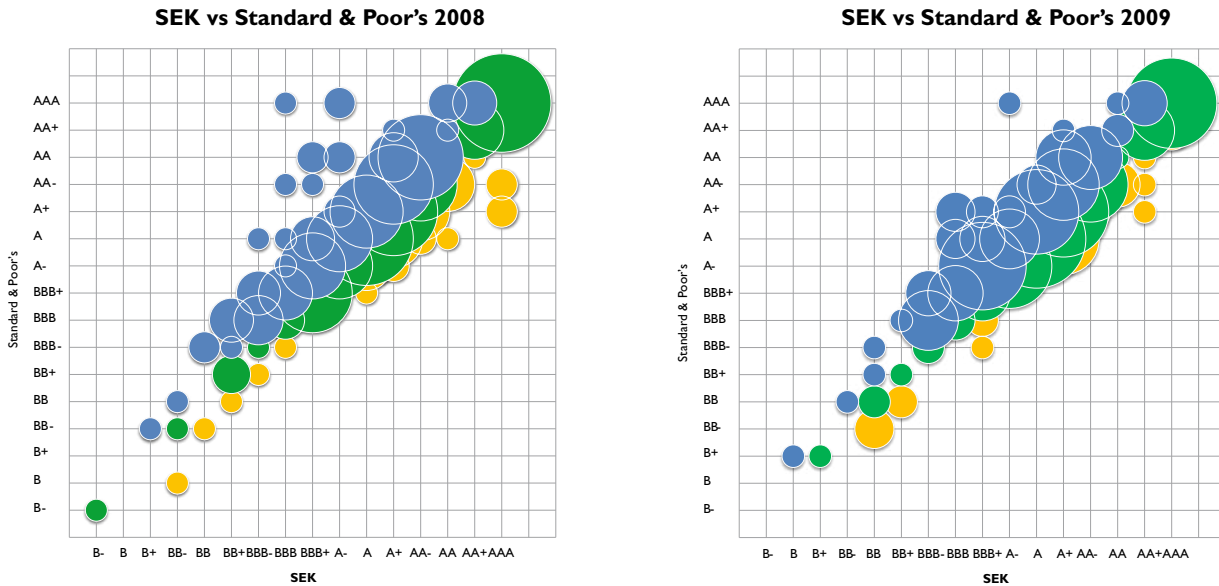


Illustration 18: Correlation between SEK's internal ratings-based approach and Moody's at the end of 2008 and 2009, respectively

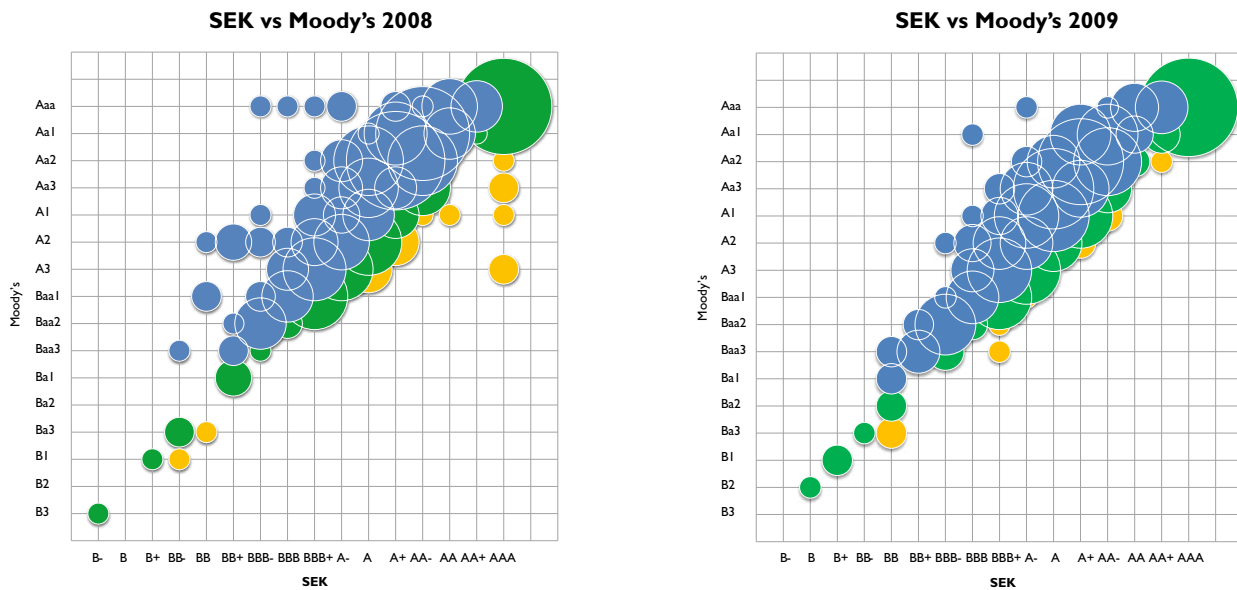
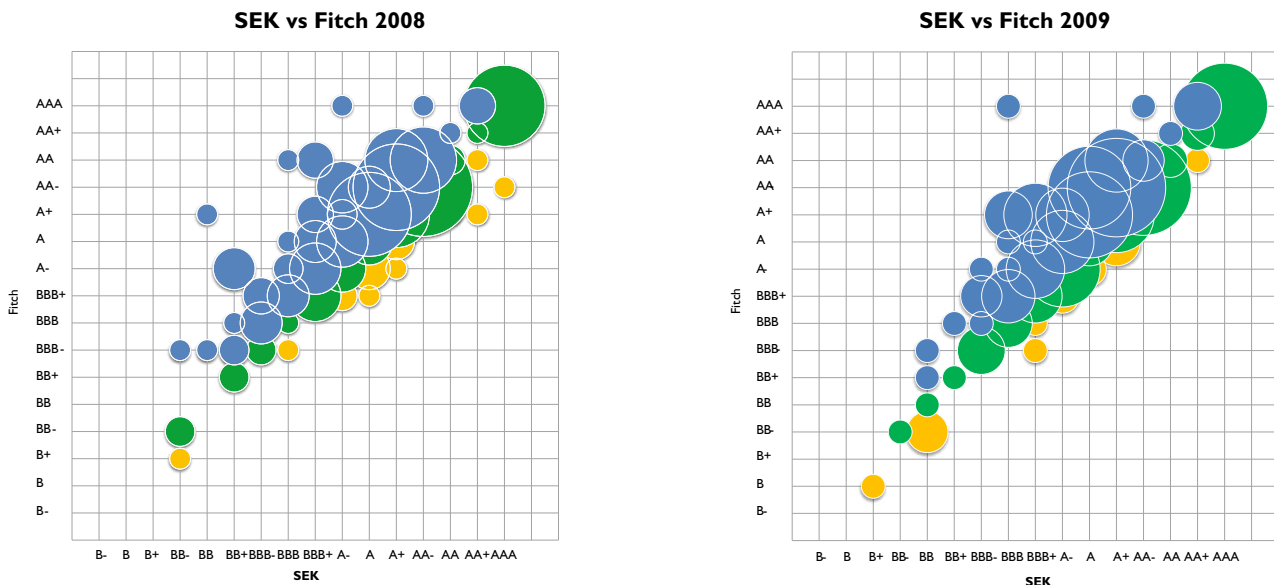


Illustration 19: Correlation between SEK's internal ratings-based approach and Fitch's at the end of 2008 and 2009, respectively



4.1.5 Information about the credit portfolio

The table below shows a breakdown, by counterparty category, of SEK's total counterparty risk exposure related to credits, interest-bearing securities as well as committed undisbursed credits (including guarantees and credit default swaps) and derivatives.

Table 20: Total exposures as of December 31, 2009 (and 2008)

| Skr bn | Total | | Credits & interest-bearing securities | | Undisbursed credits, Derivatives | |
|---|----------------------|------------------|---------------------------------------|------------------|----------------------------------|------------------|
| | Amount | % | Amount | % | Amount | % |
| <i>Classified by type of counterparty</i> | | | | | | |
| Central Governments ¹⁾ | 125.6 (43.2) | 32 (13) | 86.4 (32.6) | 26 (11) | 39.2 (10.6) | 64 (31) |
| Regional governments | 24 (21.2) | 6 (6) | 23.2 (19.1) | 7 (6) | 0.8 (2.1) | 1 (6) |
| Government export credit agencies | 33.5 (41.4) | 8 (12) | 30.0 (33.3) | 9 (11) | 3.5 (8.1) | 6 (24) |
| Financial institutions | 137.9 (157.5) | 35 (46) | 123.3 (146.4) | 37 (47) | 14.6 (11.1) | 24 (32) |
| Asset backed securities | 33.9 (43.6) | 9 (13) | 33.9 (43.6) | 10 (14) | 0 (0) | 0 (0) |
| Retail ²⁾ | 0 (0.1) | 0 (0) | 0.0 (0.1) | 0 (0) | 0 (0) | 0 (0) |
| Corporates | 38.7 (35.5) | 10 (10) | 35.3 (33.0) | 11 (11) | 3.4 (2.5) | 5 (7) |
| Total | 393.6 (342.5) | 100 (100) | 332.1 (308.1) | 100 (100) | 61.5 (34.4) | 100 (100) |

¹⁾ Includes exposures to the Swedish Export Credits Guarantee Board (EKN)

²⁾ Retail exposures are as a whole related to exposures of Venantius AB

The following applies for the other tables presented in section 4.1.5:

- The amount for gross exposure is reported before credit-risk protection (guarantees and credit derivatives) while net exposures are reported after guarantees and credit derivatives.
- Exposure amounts (gross and net amounts) are reported on the basis of volumes without regard to conversion factors. The conversion factor describes that portion of an off-balance sheet commitment that would be drawn in the event of a future default.

4.1.5.1 Exposures by exposure class

Table 21 shows the allocation of credit exposures to each of SEK's different exposure classes. The table illustrates that exposures to central governments and government export credit agencies correspond to approximately 46 percent (31) of SEK's total net exposures.

Table 21: Credit-risk exposures

| Skr bn | Gross exposure, December 31, 2009 | Share | Average gross exposure 2009 ¹⁾ | Net exposure December 31, 2009 | Share | Average net exposure 2009 ¹⁾ |
|-----------------------------------|-----------------------------------|--------------------|---|--------------------------------|--------------------|---|
| Central governments | 37.7 (14.6) | 10% (4%) | 23.0 (14.0) | 33.6 (11.9) | 8% (3%) | 23.9 (8.8) |
| Government export credit agencies | 0.0 (0.0) | 0% (0%) | 0.0 (0.0) | 125.1 ²⁾ (72.2) | 32% (22%) | 87.3 (56.6) |
| Regional governments | 13.2 (10.3) | 3% (3%) | 11.9 (8.9) | 24.0 (21.2) | 6% (6%) | 23.0 (19.9) |
| Sum | 50.9 (24.9) | 13% (7%) | 34.9 (22.9) | 182.7 (105.3) | 46% (31%) | 134.2 (85.3) |
| Multilateral development banks | 0.0 (0.1) | 0% (0%) | 0.1 (0.4) | 0.4 (0.5) | 0% (0%) | 0.5 (0.8) |
| Financial institutions | 118.5 (146.5) | 30% (43%) | 132.5 (136.1) | 137.9 (157.5) | 35% (46%) | 147.4 (145.3) |
| Corporates | 188.6 (125.5) | 48% (37%) | 150.9 (98.7) | 38.7 (35.5) | 10% (10%) | 38.1 (30.5) |
| Securitization positions | 35.6 (45.4) | 9% (13%) | 40.2 (46.3) | 33.9 (43.6) | 9% (13%) | 38.4 (42.5) |
| Retail | 0.0 (0.1) | 0% (0%) | 0.1 (0.0) | 0.0 (0.1) | 0% (0%) | 0.1 (0.0) |
| Total | 393.6 (342.5) | 100% (100%) | 358.7 (304.4) | 393.6 (342.5) | 100% (100%) | 358.7 (304.4) |

¹⁾The average exposure figures are calculated on a monthly basis.

²⁾ Includes exposures to the Swedish Export Credits Guarantee Board (EKN).

4.1.5.2 Exposure by risk class

The illustration 22 and table 23 show the net exposures to financial institutions and corporates by risk class (rating) and the probability of default (PD) as of December 31, 2009. The capital requirement calculations for exposures in these risk classes are based on the stated PD-estimates based on the IRB-approach, as shown in table 23. For other exposure classes, the capital requirement calculations are based on risk weights established by the supervisory authorities (standardized approach).

Note that the PD-estimates shown in table 23 are the company's internal estimates. FFFS 2007:1 mandates that for exposures to institutions and corporate exposures the PD shall be at least 0.03 percent (the so-called floor rule). SEK uses this floor rule in connection with its capital requirement calculations.

Illustration 22: Net exposures by risk class

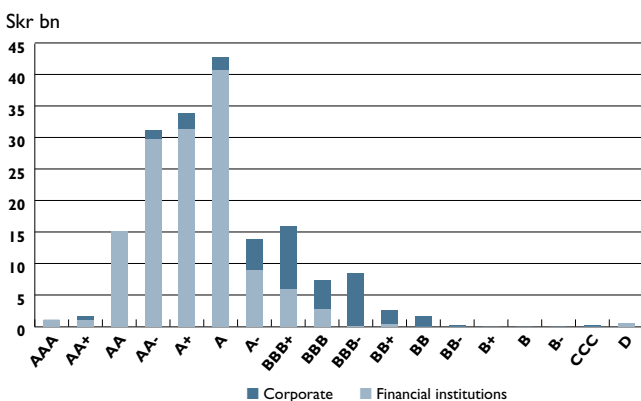


Table 23: Net exposures split by rating and PD as of December 31, 2009 (and 2008)

| Skr bn | PD | Financial institutions | Corporates |
|--------------|----------------|------------------------|--------------------|
| AAA | 0.02% (0.01) | 1.1 (5.9) | 0.0 (0.0) |
| AA+ | 0.02% (0.01) | 1.1 (0.2) | 0.6 (1.0) |
| AA | 0.04% (0.02) | 15.1 (22.3) | 0.0 (1.0) |
| AA- | 0.05% (0.03) | 29.8 (39.4) | 1.3 (1.5) |
| A+ | 0.07% (0.05) | 31.4 (40.0) | 2.5 (4.3) |
| A | 0.10% (0.08) | 40.7 (30.7) | 2.0 (3.1) |
| A- | 0.15% (0.12) | 9.0 (10.0) | 4.8 (4.2) |
| BBB+ | 0.21% (0.19) | 6.0 (5.8) | 9.9 (7.3) |
| BBB | 0.31% (0.29) | 2.7 (1.1) | 4.6 (4.8) |
| BBB- | 0.44% (0.44) | 0.1 (0.4) | 8.3 (3.1) |
| BB+ | 0.86% (0.86) | 0.4 (0.8) | 2.2 (2.4) |
| BB | 1.27% (1.27) | 0.0 (0.0) | 1.7 (0.4) |
| BB- | 2.12% (2.12) | 0.0 (0.3) | 0.3 (0.4) |
| B+ | 3.39% (3.39) | 0.0 (0.0) | 0.0 (0.2) |
| B | 9.22% (9.22) | 0.0 (0.0) | 0.0 (0.0) |
| B- | 13.66% (13.66) | 0.0 (0.0) | 0.0 (0.1) |
| CCC | 30.95% (30.95) | 0.0 (0.0) | 0.3 (0.1) |
| D | 100% (100) | 0.5 (0.5) | 0.0 (0.1) |
| Total | | 137.9 (157.4) | 38.5 (34.0) |

4.1.5.3 Exposures split by region

Tables 24 and 25 illustrate SEK's gross and net exposures as of December, 31 2009 (and 2008) based on geographic distribution of the company's exposures.

Table 24: Gross exposure split by region and exposure classes

| Skr bn | Africa | Asia | North America | Oceania | South America | Sweden | Other Nordic countries | Other European countries | Total |
|-----------------------------------|------------------|--------------------|--------------------|--------------------|------------------|---------------------|------------------------|--------------------------|----------------------|
| Central governments | 0.0 (0.0) | 7.9 (8.2) | 0.0 (0.0) | 0.0 (0.0) | 0.4 (0.5) | 3.2 (1.7) | 13.8 (3.6) | 12.4 (0.6) | 37.7 (14.6) |
| Government export credit agencies | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) |
| Regional governments | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 10.7 (7.1) | 2.5 (3.2) | 0.0 (0.0) | 13.2 (10.3) |
| Multilateral development banks | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.1) | 0.0 (0.1) |
| Financial institutions | 0.0 (0.0) | 2.1 (2.7) | 16.1 (17.2) | 4.9 (6.8) | 0.3 (0.1) | 36.0 (41.6) | 7.3 (10.7) | 51.8 (67.4) | 118.5 (146.5) |
| Corporates | 2.2 (2.6) | 29.2 (20.1) | 23.0 (19.1) | 1.1 (1.0) | 3.2 (3.5) | 62.6 (37.2) | 20.2 (18.8) | 47.1 (23.2) | 188.6 (125.5) |
| Securitization positions | 0.0 (0.0) | 0.0 (0.1) | 4.9 (5.3) | 6.1 (7.9) | 0.0 (0.0) | 0.0 (0.4) | 0.4 (0.5) | 24.2 (31.2) | 35.6 (45.4) |
| Retail | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.1) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.1) |
| Total | 2.2 (2.6) | 39.2 (31.1) | 44.0 (41.6) | 12.1 (15.7) | 3.9 (4.1) | 112.5 (88.1) | 44.2 (36.8) | 135.5 (112.5) | 393.6 (342.5) |

Table 25: Net exposure split by region and exposure class

| Skr bn | Africa | Asia | North America | Oceania | South America | Sweden | Other Nordic countries | Other European countries | Total |
|-----------------------------------|------------------|------------------|--------------------|--------------------|------------------|----------------------|------------------------|--------------------------|----------------------|
| IRB-method | | | | | | | | | |
| Financial institutions | 0.0 (0.0) | 0.6 (0.4) | 24.3 (24.0) | 4.9 (6.8) | 0.0 (0.0) | 34.3 (38.8) | 8.3 (12.4) | 65.5 (75.1) | 137.9 (157.5) |
| Corporates | 0.0 (0.0) | 0.8 (0.4) | 0.8 (1.7) | 0.0 (0.0) | 0.0 (0.0) | 23.6 (20.0) | 8.0 (9.3) | 5.5 (4.1) | 38.7 (35.5) |
| Securitization positions | 0.0 (0.0) | 0.0 (0.1) | 4.9 (5.3) | 6.1 (7.9) | 0.0 (0.0) | 0.0 (0.3) | 0.4 (0.6) | 22.5 (29.4) | 33.9 (43.6) |
| Standardized approach | | | | | | | | | |
| Central governments | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 3.2 (1.8) | 14.1 (3.6) | 16.3 (6.5) | 33.6 (11.9) |
| Government export credit agencies | 0.0 (0.0) | 0.0 (0.0) | 10.0 (10.0) | 0.0 (0.0) | 0.0 (0.0) | 91.5 (30.8) | 1.8 (1.5) | 21.8 (29.9) | 125.1 (72.2) |
| Regional governments | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 21.1 (17.5) | 2.9 (3.7) | 0.0 (0.0) | 24.0 (21.2) |
| Multilateral development banks | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.4 (0.5) | 0.4 (0.5) |
| Corporates | 0.0 (0.0) | 0.8 (0.4) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (35.5) |
| Retail | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.1) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.1) |
| Total | 0.0 (0.0) | 1.4 (0.9) | 40.0 (41.0) | 11.0 (14.7) | 0.0 (0.0) | 173.7 (109.3) | 35.5 (31.1) | 132.0 (145.5) | 393.6 (342.5) |

4.1.5.4 Exposures by remaining maturity

Table 26 and 27 below show SEK's exposures in maturity buckets, both gross and net as of December 31, 2009 (and 2008). The average maturity for SEK's exposures was 4.1 years as of December 31, 2009.

Table 26: Gross exposure split by maturity ("M") and exposure class

| Skr bn | M ≤ 1 year | 1 year < M ≤ 3 years | 3 years < M ≤ 5 years | M > 5 years | Total |
|-----------------------------------|---------------------|----------------------|-----------------------|---------------------|----------------------|
| Central governments | 25.9 (3.4) | 1.9 (1.0) | 1.2 (0.9) | 8.7 (9.3) | 37.7 (14.6) |
| Government export credit agencies | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) |
| Regional governments | 7.1 (3.9) | 3.3 (2.5) | 1.5 (2.0) | 1.3 (1.9) | 13.2 (10.3) |
| Multilateral development banks | 0.0 (0.1) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.1) |
| Financial institutions | 66.6 (61.4) | 32.5 (56.3) | 2.7 (10.5) | 16.7 (18.3) | 118.5 (146.5) |
| Corporates | 22.5 (17.4) | 43.2 (34.6) | 41.0 (31.1) | 81.9 (42.4) | 188.6 (125.5) |
| Securitization positions | 2.9 (2.1) | 18.1 (16.1) | 6.1 (14.6) | 8.5 (12.6) | 35.6 (45.4) |
| Retail | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.1) | 0.0 (0.1) |
| Total | 125.0 (88.3) | 99.0 (110.5) | 52.5 (59.1) | 117.1 (84.6) | 393.6 (342.5) |

Table 27: Net exposure split by maturity ("M") and exposure class

| Skr bn | M ≤ 1 year | 1 year < M ≤ 3 years | 3 years < M ≤ 5 years | M > 5 years | Total |
|-----------------------------------|---------------------|----------------------|-----------------------|---------------------|----------------------|
| IRB-method | | | | | |
| Financial institutions | 68.4 (63.3) | 43.9 (63.1) | 10.1 (17.2) | 15.5 (13.9) | 137.9 (157.5) |
| Corporates | 7.5 (6.2) | 10.0 (8.9) | 8.8 (11.1) | 12.4 (9.3) | 38.7 (35.5) |
| Securitization positions | 2.9 (2.1) | 18.2 (16.1) | 6.0 (14.6) | 6.8 (10.8) | 33.9 (43.6) |
| Standardized approach | | | | | |
| Central governments | 26.8 (3.6) | 1.6 (2.0) | 0.8 (0.7) | 4.4 (5.6) | 33.6 (11.9) |
| Government export credit agencies | 10.3 (7.7) | 20.2 (16.4) | 24.5 (12.6) | 70.1 (35.5) | 125.1 (72.2) |
| Regional governments | 8.9 (4.9) | 4.9 (3.9) | 2.3 (3.0) | 7.9 (9.4) | 24.0 (21.2) |
| Multilateral development banks | 0.2 (0.5) | 0.2 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.4 (0.5) |
| Corporates | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) |
| Retail | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.0) | 0.0 (0.1) | 0.0 (0.1) |
| Total | 125.0 (88.3) | 99.0 (110.5) | 52.5 (59.1) | 117.1 (84.6) | 393.6 (342.5) |



4.1.5.5 Exposures by industry

Table 28 below summarizes the distribution of SEK's corporate exposures by industry as of December, 31 2009 (and 2008).

Table 28: Exposure split by industry (GICS)

| Skr bn | Gross exposure | Net exposure |
|----------------|----------------|--------------|
| Utilities | 13.5 (16.3) | 5.2 (6.2) |
| Energy | 2.2 (1.5) | 0.8 (0.9) |
| Financials | 28.9 (30.2) | 2.7 (4.8) |
| Health Care | 6.2 (1.9) | 1.4 (1.0) |
| Industrials | 30.5 (25.1) | 14.2 (10.9) |
| IT and telecom | 70.1 (29.7) | 5.6 (3.9) |
| Consumer goods | 12.6 (7.7) | 2.7 (2.9) |
| Materials | 24.0 (12.0) | 6.1 (4.5) |
| Other | 0.6 (1.1) | 0.0 (0.4) |
| Total | 188.6 (125.5) | 38.7 (35.5) |

4.1.5.6 Number of exposures by industry and risk class

Table 29 on the next page describes SEK's credit portfolio based on industry and internal rating. The values in the table, which are grouped by risk class, show the number of counterparties that are in each industry. (Note that industry allocation is more detailed than the allocation that is reported in table 28 and that all exposure classes have been included.)

Table 29: Distribution number of counterparties by industry (GICS) and risk class

| Distribution of ratings by Industry (GICS) | | AA+' through 'AA-' | A+' through 'A-' | BBB+' through 'BBB-' | Below investment grade | Sum |
|--|-----|--------------------------|------------------------|----------------------------|------------------------------|-----|
| As per December 31, 2009 | AAA | | | | | |
| Consumer Goods | | | 3 | 9 | 6 | 23 |
| Auto Parts & Equipment | | | 1 | 2 | 1 | 4 |
| Automobile Manufacturers | | | | 1 | | 2 |
| Brewers | | | | 2 | | 2 |
| Consumer Electronics | | | | 1 | | 1 |
| Food Distributors | | | | | 3 | 3 |
| House Improvement Retail | | | 1 | 1 | | 2 |
| Household Appliances | | | | 2 | | 2 |
| Household Products | | | | | 1 | 1 |
| Movies & Entertainment | | | 1 | | | 1 |
| Tobacco | | | | | 1 | 1 |
| Energy | | | | 3 | | 3 |
| Coal & Consumable Fuels | | | | 1 | | 1 |
| Oil & Gas Refining & Marketing | | | | 2 | | 2 |
| Financials | 20 | 67 | 133 | 63 | 13 | 297 |
| Asset Management & Custody Banks | | 2 | 6 | 4 | | 12 |
| Consumer Finance | | 1 | 1 | 3 | | 9 |
| Diversified Banks | 6 | 29 | 58 | 11 | 1 | 102 |
| Diversified Capital Markets | | | 9 | 2 | | 11 |
| Investment Banking & Brokerage | | 4 | 22 | 22 | 8 | 60 |
| Multi-Sector Holdings | | | 3 | | | 5 |
| Other Diversified Financial Services | 1 | 1 | 9 | 12 | 2 | 23 |
| Property & Casualty Insurance | 1 | | | | | 1 |
| Real Estate Management & Development | 1 | 15 | | | | 3 |
| Regional Banks | 2 | 5 | 11 | 4 | 1 | 31 |
| Specialized Finance | 8 | 8 | 6 | 5 | 1 | 27 |
| Thriffs & Mortgage Finance | 1 | 2 | 8 | | | 12 |
| Health Care | | 1 | 1 | 3 | 3 | 7 |
| Biotechnology | | | | | 1 | 1 |
| Health Care Distributors | | 1 | | | | 2 |
| Health Care Equipment | | | | 1 | 1 | 1 |
| Health Care Facilities | | | | 2 | | 2 |
| Pharmaceuticals | | | 1 | | 1 | 1 |
| Industrials | | 1 | 8 | 27 | 11 | 47 |
| Aerospace & Defense | | | | | 1 | 3 |
| Air Freight & Logistics | | | | | 1 | 1 |
| Building Products | | | | 3 | | 3 |
| Construction & Engineering | | | | 6 | 2 | 9 |
| Construction & Farm Machinery & Heavy Trucks | | | | 6 | | 5 |
| Electrical Components & Equipment | | | | 1 | | 2 |
| Environmental & Facilities Services | | | | | 3 | 3 |
| Heavy Electrical Equipment | | | 3 | 2 | | 3 |
| Highways & Railtracks | | | 2 | | | 2 |
| Industrial Conglomerates | | 1 | 2 | 1 | | 2 |
| Industrial Machinery | | | 1 | 4 | 3 | 7 |
| Marine | | | | 1 | | 1 |
| Railroads | | | | 2 | | 1 |
| Security & Alarm Services | | | | 1 | | 1 |
| Trucking | | | | | 1 | 1 |
| IT and Telecom | | | 5 | 38 | 4 | 35 |
| Communications Equipment | | | | 6 | 1 | 5 |
| Electronic Equipment & Instruments | | | | 5 | 1 | 6 |
| Integrated Telecommunication Services | | | 3 | 17 | 1 | 16 |
| Wireless Telecommunication Services | | | 2 | 10 | 1 | 8 |
| Materials | | | 1 | 6 | 19 | 32 |
| Commodity Chemicals | | | | | 2 | 1 |
| Construction Materials | | | | | 2 | 4 |
| Diversified Metals & Mining | | | | 1 | 3 | 2 |
| Forest Products | | | 1 | 1 | 3 | 6 |
| Paper Packaging | | | | | 2 | 2 |
| Paper Products | | | | 2 | 6 | 12 |
| Steel | | | | 2 | 1 | 4 |
| Sovereign and Municipalities | 15 | 69 | 4 | 6 | 7 | 103 |
| Municipalities | | 62 | | 2 | 2 | 68 |
| Sovereign | 15 | 7 | 4 | 4 | 5 | 35 |
| Utilities | | 11 | 9 | 3 | 4 | 21 |
| Electric Utilities | | 10 | 8 | 2 | 4 | 19 |
| Gas Utilities | | | 1 | | | 1 |
| Independent Power Producers & Energy Traders | | | | 1 | | 1 |
| Multi-Utilities | | 1 | | | | 1 |



4.1.5.7 Information about securitization positions

Table 30 includes current aggregated information regarding SEK's total net exposures (after effects related to risk mitigation and any write-downs) related to securitization positions held. All of these assets represent first-priority tranches, and they were all

rated 'AAA' or 'Aaa' by Standard & Poor's or Moody's at the time of acquisition. Four transactions do not have the highest-possible rating from the rating agencies. These transactions represent exposures to the U.S. mortgage market.

Table 30: Securitization positions held as of December 31, 2009

Net exposures

| Skr mn | Exposure | RMBS | Credit cards | Auto Loans | Consumer | | CDO | CLO | Total | ...of which | | | | ...of which CDO rated 'CCC' |
|--------|----------------|---------------|--------------|--------------|-----------|------------|------------|--------------|---------------|---------------|---------------------------|-------------------------|-------------------------|-----------------------------|
| | | | | | CMBS | Loans | | | | rated 'AAA' | rated 'AA+' | rated 'AA' | rated 'A+' | |
| | Australia | 6,072 | | | | | | | 6,072 | 6,072 | | | | |
| | Austria | | | 61 | | | | | 61 | 61 | | | | |
| | Belgium | 880 | | | | | | | 880 | 880 | | | | |
| | Denmark | | | | | | | 413 | 413 | 413 | | | | |
| | France | | | 396 | | 22 | | | 418 | 418 | | | | |
| | Germany | | | 1,212 | 86 | | | | 1,299 | 1,299 | | | | |
| | Ireland | 1,306 | | | | | | 462 | 1,767 | 1,306 | 173 | | 289 | |
| | Japan | | | 26 | | | | | 26 | 26 | | | | |
| | Netherlands | 1,445 | | 47 | | | | 398 | 1,889 | 1,843 | 47 | | | |
| | Portugal | 478 | | | | | | | 478 | 478 | | | | |
| | Spain | 1,497 | | 238 | | 354 | | 649 | 2,738 | 1,892 | 371 | 475 | | |
| | United Kingdom | 12,026 | 984 | | | | | | 13,009 | 13,009 | | | | |
| | United States | | 518 | | | | 330 | 3,683 | 4,531 | 3,012 | 1,189 | | | 330 ¹⁾ |
| | Total | 23,703 | 1,501 | 1,980 | 86 | 376 | 330 | 5,605 | 33,582 | 30,708 | 1,780²⁾ | 475²⁾ | 289²⁾ | 330 |

¹⁾ These assets consist of two CDOs (first-priority tranches) with end-exposure to the U.S. market. There have to date been no delays in payments due under these particular tranches of the CDOs. However, the ratings of the assets have been downgraded dramatically during 2008 and 2009, by Standard & Poor's from 'AAA' to 'CC', by Moody's from 'Aaa' to 'Ca' and by Fitch from 'AAA' to 'CCC'. Due to the dramatic rating downgrades, the company has analyzed the expected cash flows of the assets. Based on information presently known, the company has, as of December 31, 2009, recorded a total impairment of Skr 353 million for these assets.

²⁾ Of the assets amounting to Skr 1,780 million rated 'AA+', the assets amounting to Skr 475 million rated 'AA', and the assets amounting to Skr 289 million rated 'A+', as of December 31, 2009 a total amount of Skr 1,786 million still had the highest possible rating from at least one of the rating agencies.

4.1.6 Comparison between expected loss and actual losses (IRB)

SEK's estimated expected loss amount (EL), for non-defaulted exposures, as of December 31, 2009 totaled Skr 140 million, of which Skr 89 million is attributable to the exposure class, corporates, and Skr 51 million to the exposure class, financial institutions. The company basically has a low default portfolio, which is why this amount does not constitute a reliable indicator of the company's actual credit losses for 2010.

In table 31, a comparison is made, for 2008 and 2009, between the expected loss amount for non-defaulted exposures at the start of each year and the actual losses attributable to internally risk-classified exposures⁵ that defaulted during that year. In this context actual loss is defined as either the write-down or the realized loan loss, at the end of the year the exposure defaulted.

Only two defaults, in the exposure classes, corporate exposures and exposures to institutions, occurred during 2008 and 2009. The sum of the actual losses for these defaults totaled Skr 420 million, which can be compared with the sum of the expected loss amounts for these two years which totaled Skr 172 million. As the number of defaults is small, it is not possible to draw any significant conclusions based on this in regard to the accuracy of the PD-estimates.

Table 31: Comparison between expected loss and actual losses (IRB)

| Skr mn | Corporates | Financial institutions | Total |
|----------------------|------------|------------------------|-------|
| 2008 | | | |
| Expected loss amount | 37 | 25 | 62 |
| Actual loss | 0 | 389 | 389 |
| 2009 | | | |
| Expected loss amount | 64 | 46 | 110 |
| Actual loss | 31 | 0 | 31 |

The Basel II regulations have in many respects been written with focus on portfolios with high or average expected probabilities of default. For such portfolios, statistical tests are applicable and significant. Despite that SEK has access to statistics regarding defaults over a long period of time, the fact that much of SEK's portfolio consists of exposures to highly-rated counterparties makes it difficult for SEK to apply traditional statistical tests in an applicable and meaningful manner, as the number of defaults will always likely be too small to be validated by statistical methods. The regulations do not explicitly express how to handle portfolios of this kind, and both expert-based and statistical models face similar problems in this regard.

The challenge that SEK faces is thus how to apply the IRB method to prove the correctness of the PD-estimates without being able to perform a traditional statistical validation for each individual risk class. Instead, using other quantitative methods, an annual validation of PD-estimates is made, in which the company, while taking into account updated default statistics from Standard & Poor's, calculates the probability of SEK's total capital requirement being underestimated, as well as the probability of a substantial underestimation of the same. If the probability for an underestimation is greater than 10 percent, or if the probability for a substantial underestimation is greater than 1 percent, a more in-depth analysis will be performed wherein the PD-estimate will be updated so that the estimation of SEK's total capital requirement will end up within these tolerance levels.

SEK has during 2009 revised its PD-estimates after reviewing default statistics from Standard & Poor's indicating that during 2008 a relatively large number of defaults occurred among obligors that at the start of 2008 had very high credit quality. The revision resulted in increased PD-estimates for the risk class BBB, and for classes with better credit quality. For the remaining rating classes, no changes to the PD-estimates were made. These

revised PD-estimates are displayed in table 23, with the earlier PD-estimates shown in parentheses.

4.1.7 Write-downs and past due exposures

Write-downs are made if and when SEK assesses that the company will not obtain full payment for its receivable under a loan agreement or another asset from a counterparty and/or under the guarantee held and/or through the utilization of other collateral held. If the underlying assumptions for these internal models change, this could mean material changes in the provisions for anticipated credit losses. In accordance with the Swedish Financial Supervisory Authority's regulations, SEK reports credits with a principal or interest that is more than 90 days past due as past-due credits.

In 2009 write-downs of financial assets were made in the amount of Skr 283 million (557) in 2009. Of this amount, Skr 70 million (389) is related to an exposure to Glitnir Bank, Skr 9 million (38) is related to exposures to corporates and Skr 218 million (135) is related to CDOs and a provision for bad debts amounting to 85 million (0). SEK's exposures to Icelandic banks consist of one exposure with Glitnir Bank equivalent to a total of approximately Skr 514 million (before the write-downs). No part of the exposure is denominated in Icelandic currency. As of the point in time that this report is being submitted, there is a lack of information about how the Icelandic government will act in regard to creditors in the Icelandic banks and also in regard to the financial position of Glitnir Bank. In addition, SEK has two assets in the form of CDOs both priority tranches with final exposure to the U.S. mortgage market. These CDOs experienced a substantial drop in their external rating during 2008 and 2009. The assets have a book value before write-downs of Skr 684 million. On the basis of information known by year-end, the company assesses that the assets will not generate sufficient payment flow to cover the company's claim. Therefore, an additional write-down has been entered in the amount of approximately Skr 218 million in 2009. The total amount of write-downs of these CDOs to date is Skr 353 million.

Table 32: Exposures with a need for write-down as well as past due exposures

| Skr mn | Past due exposures | Exposures with a need for write-down | Accumulated individual write-downs |
|--------------------------|--------------------|--------------------------------------|------------------------------------|
| Financial institutions | 115 (0) | 514 (519) | 504 (389) |
| Corporates | 0 (0) | 77 (671) | 73 (180) |
| Retail | 0 (4) | 0 (452) | 0 (325) |
| Securitization positions | 0 (0) | 684 (385) | 363 (135) |
| Total | 115 (4) | 1,275 (2,025) | 940 (1,029) |
| of which Venantius | | | |
| Corporates | 0 (0) | 0 (528) | 0 (142) |
| Retail | 0 (4) | 0 (452) | 0 (325) |
| Total | 0 (4) | 0 (980) | 0 (467) |

Table 33: Exposures with a need for write-down as well as past due exposure, split by region

| Skr mn | Past due exposures | Exposures with a need for write-down | Accumulated individual write-downs |
|--------------------------|--------------------|--------------------------------------|------------------------------------|
| North America | 0 (0) | 684 (385) | 363 (135) |
| Sweden | 0 (4) | 46 (1,090) | 42 (472) |
| Other European countries | 0 (0) | 31 (33) | 31 (33) |
| Other Nordic countries | 115 (0) | 514 (517) | 504 (389) |
| Total | 115 (4) | 1,275 (2,025) | 940 (1,029) |
| of which Venantius | | | |
| Sweden | 0 (4) | 0 (980) | 0 (467) |
| Total | 0 (4) | 0 (980) | 0 (467) |

⁵This does not cover securitization positions since an expected loss amount is not calculated for this exposure class.

Table 34: Changes in write-downs 2009

| Skr mn | |
|-----------------------------------|-------|
| Opening balance January 1, 2009 | 1,029 |
| Write-downs 2009 | 382 |
| Recoveries (Venantius) | -471 |
| Currency effects | 0 |
| Closing balance December 31, 2009 | 940 |

Lehman Brothers

Following Lehman Brothers Holdings Inc.'s request for bankruptcy protection on September 15, 2008, SEK replaced most of the outstanding derivative contracts the company had entered into with the three different Lehman Brothers entities. According to the terms of relevant ISDA Agreements with Lehman Brothers entities, SEK also prepared Calculation Statements in relation to all of the replaced derivative contracts. The Calculation Statements were delivered to the respective counterparties in the beginning of October 2008. SEK has assessed that due to offsetting, the company will not suffer any material costs relating to the bankruptcy of Lehman Brothers. SEK has during 2009 received a claim from one Lehman Brother entity, which has been rejected by SEK. The disposition of this claim is pending. The majority of the contracts SEK had with different Lehman Brothers entities served to hedge SEK's market risk. Those contracts have been replaced with new contracts. In addition, SEK had entered into credit default swaps with Lehman Brothers entities that were accounted for as financial guarantees and therefore recorded at amortized cost. The underlying counterparties covered by these credit default swaps all now have a sufficient level of creditworthiness to qualify under SEK's internal policies to be held without default swaps coverage. As a result, SEK has not placed these credit default swaps, above mentioned calculation statements, which have now been superseded by claims filed in the bankruptcy courts, include the calculated costs related to replacement of these financial guarantees which have been accounted for as contingent assets. SEK's claims against Lehman Brothers entities associated with these financial guarantees are approximately Skr 1.5 billion, which has not been recognized in the balance sheet due to the requirement that contingent assets only be recognized when there is virtual certainty of collection. Given the unprecedented nature of the Lehman Brothers bankruptcy filing and the expected length of the bankruptcy process an assessment has been made that the "virtual certainty of collection" threshold has not yet been met with regard to the claims. SEK will continue to assess this situation and await the outcome of the Lehman Brothers bankruptcy proceedings. If its assessment with regard to its claims against Lehman Brothers were to change, the amount, if any, meeting the virtual certainty of collection threshold would be recorded as assets.

4.1.8 Credit-risk mitigation

SEK's credit risks are limited by the methodical risk-based selection of counterparties and are managed, among other things, by the use of guarantees and credit derivatives. A purchased credit derivative contract provides the holder with the right, under certain circumstances – amongst others, default of the underlying, risk-covered counterparty – to sell an asset, for its nominal value, to the issuer of the credit derivative contract. Accordingly, credit derivative contracts make it possible for the buyer to effectively convert its exposure to the underlying counterparty to a combined risk (or double default) of both the underlying counterparty and the issuer of the credit derivative contract. SEK uses credit derivative contracts to convert large volumes of its exposures, to individual counterparties to such combined (double default) exposures, where one counterparty (the issuer of the credit derivative contract) is a financial institution.

The use of agreements that obligate the individual issuers of credit derivative contracts to provide collateral in case the market

values of the issued credit derivative contracts exceeds certain levels further reduces the total risk. The market value of a credit derivative contract is derived from the changes in creditworthiness of the underlying, risk-covered counterparty. As a result, SEK will generally, when it has such contracts in place, receive additional collateral from the issuer of the credit derivative if the creditworthiness of the underlying counterparty, whose credit risk is covered by the credit derivative contract deteriorates. This risk mitigation technique is, therefore, particularly efficient from a real risk management perspective. For further information on SEK's use of credit derivatives, see section 4.1.8.2 below.

4.1.8.1 Guarantees

SEK's most important guarantors are various government export credit agencies. As of December 31, 2009, these agencies guaranteed a total of Skr 125.1 billion, which was equivalent to 31.8 percent (21.1) of SEK's total assets. Skr 107.6 billion of the total consisted of guarantees of corporate exposures, Skr 9.1 billion consisted of guarantees of exposures to financial institutions and Skr 8.4 billion consisted of guarantees of exposures to governments. Credit exposures guaranteed by government export credit agencies as of December 31, 2009 (and 2008) are shown in table 35.

Table 35: Credit exposures guaranteed by government export credit agencies

| Skr bn | | Guaranteed exposure | Share |
|---------|--|---------------------|-------------|
| EKN | The Swedish Export Credits Guarantee Board | 91.5 (30.8) | 73% (42%) |
| ECGD | Export Credits Guarantee Department | 7.9 (13.1) | 6% (18%) |
| US EXIM | Export-Import Bank of the United States | 10.0 (10.0) | 8% (14%) |
| HERMES | Euler Hermes Kreditversicherungs AG | 7.7 (9.2) | 6% (13%) |
| Other | | 8.0 (9.1) | 6% (13%) |
| Total | | 125.1 (72.2) | 100% (100%) |

4.1.8.2 Credit derivatives

At year-end 2009, Skr 34.0 billion of SEK's assets were hedged through CDS's (credit default swaps) coverage provided by a total of 21 different financial institutions. (SEK has not purchased any CDSs issued by so-called monolines.) Skr 31.9 billion of the total covered corporate exposures and Skr 1.7 billion covered exposures in securitization positions and Skr 0.4 billion covered exposures to financial institutions. SEK has collateral agreements in place with issuers of all of these credit derivatives. These collateral agreements oblige the individual issuers of credit derivatives to provide collateral to SEK if the market value of the credit derivatives issued exceeds previously agreed levels (threshold value). SEK also issues credit derivatives. At year-end 2009, the amount of SEK-issued credit derivatives was Skr 0.7 billion, all of which relate to underlying exposures to corporates.

Illustration 36: Covered exposures per the covering counterparty's risk class as a percentage of the total covered exposure

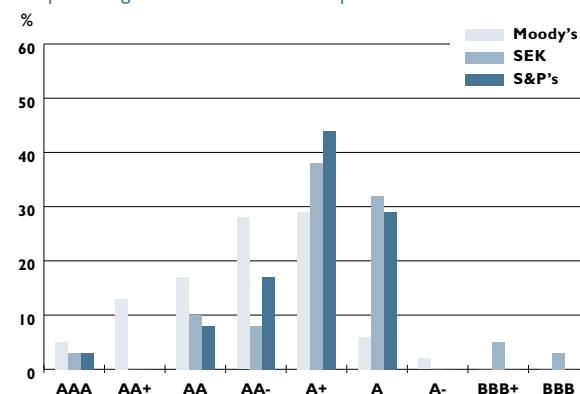
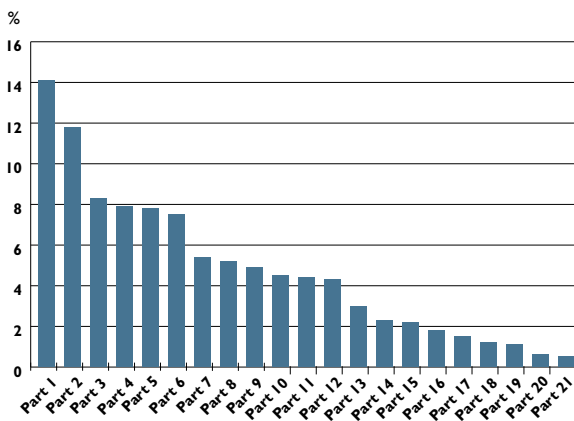




Illustration 37: All SEK's CDS-counterparties and their percentage of total covered amounts



4.1.8.3 Other credit-risk mitigation types

SEK uses various types of credit support in order to reduce and reallocate credit risks. Credit support under the ISDA Credit Support Annex mostly consists of cash and, to a limited extent, government bonds. To a certain limited extent, other collateral is also used such as real estate, ship and aircraft mortgages, as well as security in leased equipment. A special type of collateral that is also used is a so-called environment certificate. The value of individual credit support or collateral is usually assessed as the equivalent of a long-term market value. Any collateral that SEK is entitled to receive must be managed and documented in a manner such that the collateral fulfills its function and can be used in the intended manner when needed. When a credit decision is made, the creditor's assessed creditworthiness and ability to repay, as well as, when applicable, the value of any collateral, is taken into account. The credit decision may be made on the condition that certain collateral is provided.

4.2 Counterparty risk in derivative contracts

Counterparty risk arises when SEK has entered into derivative contracts with a counterparty, e.g. swaps or options. Counterparty risk can be considered to be a type of credit risk, where the size of the exposure is a consequence of the combined effect of the market value of the contract and the counterparty's creditworthiness. If there is a positive value for the contract, a default by the counterparty means a loss for SEK, similar to an ordinary credit exposure. Counterparty risks are limited through credit limitations in the ordinary credit process. The size of the risks can vary substantially due to changes in value of the underlying contracts or a sudden drop in the counterparty's creditworthiness.

SEK's counterparty risks in derivatives are reduced through the

use of netting provisions contained in ISDA Master Agreements, in other words, the offset of the positive and negative values in all derivative transactions with one and the same counterparty under the ISDA Master Agreement entered into by SEK and such counterparty. SEK has a policy of signing ISDA Master Agreements containing netting provisions with each counterparty it enters into derivatives transactions with. The risk values that are netted are the market values with add-ons for potential risk increases combined with the counterparty's creditworthiness. ISDA Master Agreements are complemented by supplementary agreements between the parties for the purpose of balancing the net exposure, which further reduces credit risk. The supplementary agreements are in the form of ISDA Credit Support Annexes (CSAs) and regulate the counterparty risks in derivative contracts with a fall-back to certain other provisions (recouping or repricing provisions) ISDA Master Agreement, where the economic effect is the same as under a CSA, with the only difference being that they are based on another contractual legal concept. Some of SEK's ISDA Master Agreements are supported exclusively by such recouping or repricing provisions. In many of the ISDA Master Agreements that SEK has entered into, conditions relating to rating-based threshold amounts applicable to the counterparties are included. These conditions mean that a counterparty must act to reduce the net exposure in the event of its credit rating is downgraded. Recent agreements contain a lower fixed threshold that reduces to zero upon occurrence of an event of default.

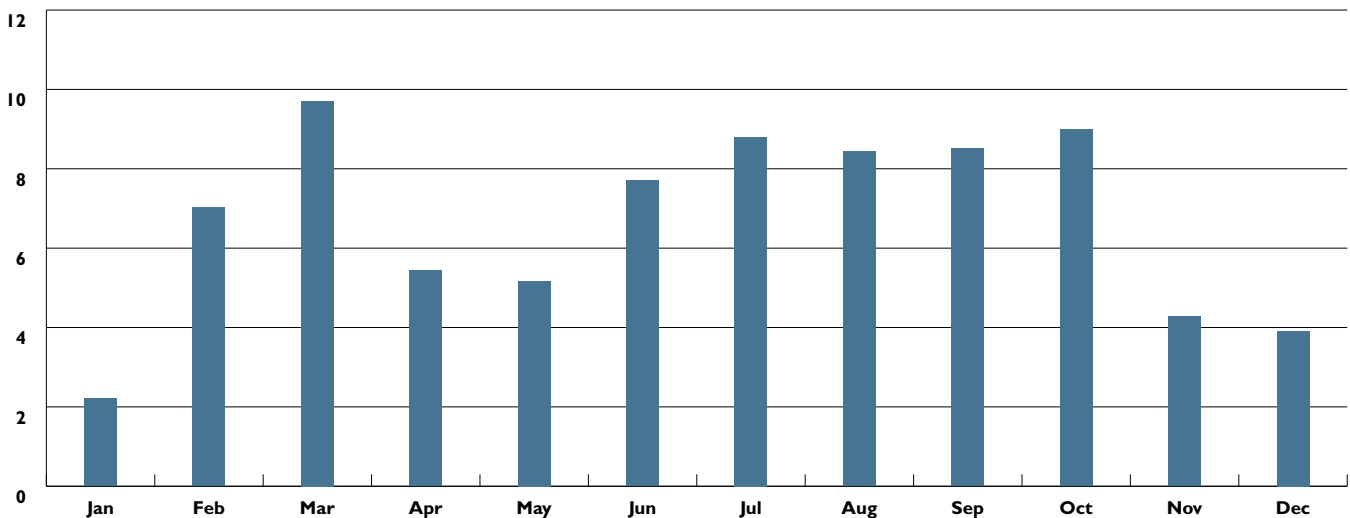
4.2.1 Information about counterparty risk in derivative contracts

Regarding counterparty risks, SEK analyzes the effect on the requirement for regulation of net exposures when the credit rating of the company is stressed. At year-end 2009, in the event of a downgrading of SEK's rating by three steps (from 'AA+' to 'A+'), the total requirement for regulation of net exposures would amount to a value of approximately Skr 2 billion.

For counterparty exposures that, as a result of market value changes, exceed the threshold amounts under CSAs, the net exposure must be regulated so that the exposure will be reduced to the accepted level. As of December 31, the positive gross value of derivative contracts on the Balance Sheet was Skr 22.7 billion. After applying netting on the basis of the current ISDA Agreements (by counterparty), the exposure was equal to approximately Skr 7.5 billion, i.e. Skr 15.2 billion less than the gross exposure. Counterparties had provided Skr 3.9 billion in credit support. During 2009, credit support received amounted on average to Skr 6.7 billion. The illustration 38 displays by counterparty paid amounts under credit support annexes to ISDA Agreements, average per month during 2009.

Illustration 38: By counterparty paid amounts under credit support annexes to ISDA Agreements, average per month during 2009

Skr bn



The table 39 shows values of derivative contracts on the balance sheet as of December 31, 2009 (and 2008).

Table 39: Derivative instruments

| Skr bn | Assets fair value | Liabilities fair value | Nominal amounts |
|---------------------------------|--------------------|------------------------|----------------------|
| Currency-related contracts | 5.3 (15.6) | 4.6 (11.5) | 198.8 (240.0) |
| Interest-rate related contracts | 12.8 (19.9) | 8.8 (9.5) | 256.8 (202.1) |
| Equity-related contracts | 3.6 (2.5) | 7.3 (16.6) | 58.8 (68.4) |
| Others | 1.0 (0.9) | 1.9 (1.8) | 19.4 (16.0) |
| Total | 22.7 (38.9) | 22.6 (39.4) | 533.8 (526.5) |
| Net-settled amounts under ISDA | | | 3.9 (2.4) |
| Netting gains | | | 15.2 (20.6) |

4.2.2 Capital requirement for counterparty risk in derivative contracts

As of December 31, 2009, the capital requirement for counterparty risk in derivative contracts totaled Skr 254 million. See table 40 in section 4.3.

4.3 Capital requirement for credit risk

Table 40 summarizes the capital requirement for credit risk split by the IRB-approach and the standardized approach.

Table 40: Capital requirement credit risk

Skr mn

| Standardized approach | Risk-weighted assets | Capital requirement |
|--|------------------------|----------------------|
| Central governments | 808 (600) | 65 (48) |
| Government export credit agencies | 0 (313) | 0 (26) |
| Corporates | 30 (422) | 2 (34) |
| Retail | 4 (109) | 0 (8) |
| Total capital requirement standardized approach | 842 (1,444) | 67 (116) |
| IRB-method | | |
| Financial institutions | 33,561 (32,449) | 2,685 (2,596) |
| Securitization positions | 7,148 (11,556) | 572 (924) |
| Corporates | 21,509 (16,366) | 1,721 (1,309) |
| Non-credit-obligation assets | 131 (136) | 10 (11) |
| Total capital requirement IRB method | 62,349 (60,507) | 4,988 (4,840) |
| Total credit risk¹⁾ | 3,191 (61,951) | 5,055 (4,956) |
| ¹⁾ of which counterparty credit risk in derivative contract | 3,175 (2,725) | 254 (218) |

Corporate exposures are mainly managed according to the IRB-approach. The Export Loan does, however, form an exception. For these exposures, SEK applies the standardized approach. For exposure in Venantius AB, SEK also has authorization to use the standardized method. Venantius AB's exposures are primarily found under the exposure classes Corporates and Retail exposures.

4.4 Market risk

4.4.1 Control and reporting

SEK has only limited market risks under Pillar 1, namely those relating to currency exchange-rate risks. SEK aims to keep currency exchange-rate risks are kept at a low level since SEK usually matches assets and liabilities in terms of currencies. The remaining currency exchange-rate risk, which is limited, arises due to the difference between revenues and costs (net interest margins) related to assets and liabilities in the respective currencies. Currency exchange-rate risks are restricted by limits set by the Board of Directors. Currency exchange risk is monitored on a monthly basis and reported to the Asset and Liability Committee.

4.4.2 Capital requirement for market risk

SEK's internally established limits for currency exchange-rate risks total Skr 15 million. As of December 31, 2009, currency exchange-rate risk totaled Skr 4 million. Therefore SEK did not have any capital requirement for currency exchange-rate risk. As of the end of 2009, SEK was not exposed to any commodity risk. SEK does not have a trading book as of December 31, 2009. Thus, there was no capital requirement for market risks under Pillar 1, during 2009.

4.5 Operational risk

4.5.1 Control and reporting

The Internal Control Committee (IKK) has the overall responsibility for management and follow-up of operational risks. The responsibility for continual identification, monitoring and control of operational risks is a clear and integrated part of the management responsibility at all levels. In addition, there are persons who are in charge of information and physical security.

As support for identifying, managing and assessing operational risks, SEK has a reporting system for incidents. The reports are reviewed and a great deal of work is done to ensure that the events are not repeated. New and larger changes in products,



services and IT systems undergo a risk analysis that includes operational risk. To handle serious interruptions there are crisis and contingency plans in place in all parts of the company.

Since SEK's transactions often have a long maturity and a high degree of complexity, SEK's requirements are quite high for systems, processes and personnel in order to minimize operational risk. The comprehensive risk management that SEK carries out is often complex and therefore involves additional operational risk, which is minimized in a corresponding way. In addition, there is a risk that SEK's reputation could be damaged if the company does not act in accordance with applicable regulations and accepted practices, or in any other way does not live up to its commitments, including those not explicitly expressed. Such risks are reduced through active work involving risk culture, adherence to regulations and corporate governance.

4.5.2 Capital requirement for operational risk

SEK uses the Basic Indicator Approach to calculate the capital requirement for operational risk. The capital requirement for operational risk under the Basic Indicator Approach equals 15 percent of a revenue indicator. The revenue indicator represents an average of the operational revenues during the last three years. The operational revenues are calculated as the sum of the following items: interest and leasing revenues, interest and leasing expenses, dividends received, commissions earned, commissions incurred net results of financial transactions, and other operational revenues. As of December 31, 2009 the capital requirement for operational risk totaled Skr 251 million. See table 41 in section 5.1.

5. Capital adequacy

Since 2007, the capital requirement is determined, primarily, based on Basel II-rules. The legislature has, however, chosen not to immediately allow the full effect of the Basel II-regulations. The reason for this is that these rules would result in a lower capital requirement than a continuously reduced capital requirement calculated on the basis of the earlier, less risk-sensitive, Basel I-rules for those institutions that use internal rating methods. Therefore, during a transitional period initially set from 2007 to 2009, the relevant institutions (including SEK) have made parallel calculations of its capital requirement based on the earlier, less risk sensitive, Basel I-rules. In the event that the capital requirement calculated under the Basel I-rules – reduced to 95 percent of the calculated total in 2007, 90 percent in 2008, and 80 percent in 2009 – has exceeded the capital requirement based on the Basel II-rules, the capital requirement based on the Basel I-rules (reduced by the relevant percentage) has constituted the minimum capital requirement during the transitional period. The authorities decided during 2009 to extend the transitional rules to apply until the end of 2011. The capital requirement will thereby also be reduced to 80 percent of the calculated total during 2010 and 2011. For institutions whose capital requirements would decrease if the Basel II-rules were applied, the full effect of these rules is accordingly not allowed during the transitional period. This can be described as an asymmetric implementation of the rules, which discriminates against institutions whose risks under Basel II are lower than what is measured by the Basel I-regulations and whose capital requirements would decrease if only the Basel II-regulations were applied.

5.1 Capital adequacy analysis

At the end of 2009 SEK's total capital requirement (excluding application of the Basel I based transitional requirements) amounted to Skr 5,306 million (5,126). See Table 41 below for a detailed calculation of this amount. The aggregate amount of SEK's large exposures on December 31, 2009, was 120 percent (81) of SEK's total regulatory capital base, and consisted of risk-weighted exposures to eight counterparties or counterparty groups (7), of which the majority relates to combined exposures, for which more than one counterparty is responsible for the same payments.

Table 41: Capital requirement (Pillar 1) as of December 31, 2009 (and 2008)

| Skr mn | Risk-weighted assets | Capital requirement |
|--|------------------------|----------------------|
| Credit risk standardized approach | 842 (1,444) | 67 (116) |
| Credit risk IRB-method | 62,349 (60,507) | 4,988 (4,840) |
| Currency exchange risks | – | – |
| Operational risk | 3,137 (2,126) | 251 (170) |
| Total Basel II | 66,328 (64,077) | 5,306 (5,126) |
| Basel I based additional requirement¹⁾ | 3,880 (24,071) | 311 (1,926) |
| Total Basel II incl. additional requirement | 70,208 (88,148) | 5,617 (7,052) |
| Total Basel I | 87,760 (97,942) | 7,021 (7,835) |

¹⁾ The item "Basel I Based Additional Requirement" is calculated in accordance with § 5 in the law (2006:1372) on implementation of the new capital adequacy requirements (2006:1371).

The capital adequacy ratio, calculated in accordance with Basel II, Pillar 1, totaled 19.8 (21.4) percent as of December 31, 2009 before consideration of the transitional regulations. With the transitional regulations taken into consideration the ratio of capital adequacy totaled 18.7 percent (15.5), of which the Tier-1 ratio was 17.9 percent (14.8). Table 42 illustrates the calculation of these ratios.

Table 42: Capital adequacy analysis (Pillar 1) as of December 31, 2009 (and 2008)

| % | Excl. Basel I based add. requirement | Incl. Basel I based add. requirement |
|--|--------------------------------------|--------------------------------------|
| Total capital adequacy | 19.8% (21.4%) | 18.7% (15.5%) |
| <i>of which:</i> | | |
| Related to Tier-1 | 18.9% (20.4%) | 17.9% (14.8%) |
| Related to Tier-2 | 0.9% (1.0%) | 0.9% (0.7%) |
| <i>of which:</i> | | |
| Upper Tier-2 | 0.3% (0.1%) | 0.3% (0.1%) |
| Lower Tier-2 | 0.6% (0.9%) | 0.6% (0.6%) |
| Capital adequacy quota¹⁾ | 2.48 (2.67) | 2.34 (1.94) |

¹⁾ Capital adequacy = Total capital base/total capital requirement

5.2 Capital base

The capital base is intended to act as a buffer against the risks to which SEK is exposed and comprises the sum of Tier-1 and Tier-2 capital. Concisely put, the capital base consists of equity capital after various adjustments plus subordinated debt. Subordinated loans may be included in the capital base because if the obligor is declared bankrupt, the holder would be repaid after other creditors, but before shareholders. Subordinated debt can be both perpetual and non-perpetual and the amount of each type that may be included in the capital base is restricted by the capital adequacy rules. The ratio of the capital base to risk-weighted assets (RWA) is the capital adequacy ratio. The ratio of the capital base to the capital requirement is the capital quota. Details of the calculation of the capital base are shown in tables 43 and 44.

There are no ongoing or expected material obstacles or any legal obstacles for a quick transfer of funds from the capital base or repayment of liabilities between SEK and its subsidiaries.

Table 43: Capital base as of December 31, 2009 (and 2008)

| Skr mn | | |
|--------------------------------|---------------|-----------------|
| Primary capital (Tier-1) | 12,556 | (13,066) |
| Supplementary capital (Tier-2) | 606 | (619) |
| <i>of which:</i> | | |
| Upper Tier-2 | 181 | (72) |
| Lower Tier-2 | 425 | (547) |
| Total capital base | 13,162 | (13,685) |

Table 44: Capital base – supplemental and deduction items as of December 31, 2009 (and 2008)

| Skr mn | | |
|---|---------------|-----------------|
| Equity | 12,918 | (10,394) |
| Equity-portions of untaxed reserves | n.a. | (n.a.) |
| <i>Adjusting items:</i> | | |
| Items recognized at fair value | -1,520 | (-30) |
| Intangible assets | -11 | (-11) |
| Tier-1 eligible subordinated debt | 2,524 | (2,713) |
| Deduction from Tier-1 ¹⁾ | -1,355 | (0) |
| 50% of expected loss in accordance | n.a. | (n.a.) |
| Total Tier-1 capital | 12,556 | (13,066) |
| Tier-2 eligible subordinated debt | 518 | (546) |
| Deduction from Tier-2 capital ¹⁾ | -1,355 | (0) |
| Financial assets available for sale | 1,262 | (0) |
| <i>Adjusting items:</i> | | |
| 100% of expected loss surplus | 181 | (73) |
| Total Tier-2 capital | 606 | (619) |

¹⁾The capital base has been reduced by the book value of the shares in Swedbank AB, Skr 2,710 million, since the value exceeds 10 percent of the total capital base.

Table 45: Subordinated debt as of December 31, 2009 (and 2008)

| Skr mn | | |
|---|--------------|----------------|
| Perpetual, non-cumulative subordinated loan, foreign currency (i), (ii) | 2,625 | (2,777) |
| Non-perpetual, cumulative subordinated loan, foreign currency (iii) | 518 | (547) |
| Total subordinated debt outstanding | 3,143 | (3,324) |
| <i>of which denominated in:</i> | | |
| Swedish kronor | | – |
| Foreign currency | 3,143 | (3,324) |

(i) Nominal value USD 200 million. Interest payments quarterly in arrears at a rate of 5.40 percent per annum. Redeemable, at SEK's option only, on or after December 27, 2008, and quarterly thereafter at 100 percent of the nominal value. Redemption requires the prior approval of the Swedish Financial Supervisory Authority. Interest payment will not be made if SEK does not have available distributable capital for making such a payment. The investors' right to receive accrued but unpaid interest will thereafter be lost (non-cumulative). In order to prevent the is-

suer being obliged to enter into liquidation the general meeting together with the approval of the Swedish Supervisory Authority may decide that principal amount and any unpaid interest will be utilized in meeting losses. However, SEK can not thereafter pay any dividend to its shareholders before the principal amount has been reinstated as debt in full in the balance sheet or been redeemed with approval by the Swedish Financial Supervisory Authority and such accrued but unpaid interest has been paid.

(ii) Nominal value USD 150 million. Interest payments quarterly in arrears at a rate of 6.375 percent per annum. Redeemable, at SEK's option only, on or after December 27, 2008, and quarterly thereafter at 100 percent of the nominal value. Redemption requires the prior approval of the Swedish Financial Supervisory Authority. Interest payment will not be made if SEK does not have available distributable capital for making such a payment. The investors' right to receive accrued but unpaid interest will thereafter be lost (non-cumulative). In order to prevent the issuer being obliged to enter into liquidation the general meeting of SEK together with the approval of the Swedish Supervisory Authority may decide that principal amount and any unpaid interest will be utilized in meeting losses. However, SEK can not thereafter pay any dividend to its shareholders before the principal amount has been reinstated as debt in full in the balance sheet or been redeemed with approval by the Swedish Financial Supervisory Authority and such accrued but unpaid interest has been paid.

(iii) Nominal value EUR 50 million. Matures on June 30, 2015. Interest payments quarterly in arrears at a rate of Euribor plus 0.20 percent. Redeemable, at SEK's option, on or after June 30, 2010, and quarterly thereafter at 100 percent of the nominal value. If not redeemed coupon will increase to Euribor plus 1.70 percent. Redemption requires the prior approval of the Swedish Financial Supervisory Authority. The accrued interest related to the subordinated debt, at year-end Skr 1.6 million (1.8), has been included in the item "Accrued expenses and prepaid revenues". The subordinated loans are subordinated to the company's other debts, which means that payment will not be performed until other creditors have received repayment.



6. Pillar 2

6.1 Internal capital adequacy assessment process (ICAAP)

Under Pillar 2, institutions are responsible for designing their own processes for internal capital adequacy assessment (ICAAP). This requires that institutions must in an overall and comprehensive manner measure their risks and assess their risk management and, on the basis of such assessment, determine their capital needs. They must also communicate their analysis and conclusions to the Swedish Financial Supervisory Authority. The ICAAP must be documented and disclosed throughout the whole company. As part of its strategy planning process, SEK's Board of Directors and Executive Management establish the company's risk appetite and clear objectives with regard to the level and composition of the capital requirement.

The risk-related internal capital adequacy assessment in connection with business strategy, risk management and internal control forms a single system and thus an integral part of the internal control and governance within SEK. SEK's ICAAP aims to:

1. Align risk appetite and strategy. Management considers SEK's risk appetite when evaluating strategic options, setting related objectives, and developing mechanisms to manage related risks.
2. Reduce operational surprises and losses. SEK seeks to gain enhanced capability to identify potential events and take remedial action, so as to reduce surprises as well as associated costs or losses.
3. Take advantage of favorable opportunities through integration of ICAAP and business plan processes. By considering potential events, management is positioned to identify and proactively realize business opportunities and other favorable opportunities.

4. Improve deployment of capital. Obtaining robust risk information allows management to effectively assess overall capital needs and enhance capital allocation.

A company can assess its risks in its internal processes under Pillar 2 in two alternative ways, either (i) with an overall model for calculating the need for economic capital, or (ii), as in SEK's case, using the consolidation method (the so-called building brick approach). In the latter method, SEK generally uses as the base the regulatory capital requirement that has been calculated according to the models and methods that are approved under Pillar 1 (i.e., for credit risk, market risk and operational risk). The assessment is then complemented with the capital requirement for other risks under Pillar 2. In order to also take into account, inter alia, concentration risk the company calculates, based on a quantitative approach, a total economic capital needed for credit risk. In addition, SEK makes an own assessment of capital requirement for operational risk and structural interest rate risk (based on interest rate risk in the banking book). There is also an additional buffer, which can be regarded as an expression of that SEK allocates capital for a combination of strategic risk and model risk. According to SEK, capital does not constitute a risk reducing factor for certain types of risks; this is the case for reputation and liquidity risk. Instead, SEK applies an active risk-mitigation management for these risks. Illustration 46 describes how SEK groups and analyzes its risks in the capital adequacy assessment process.

Illustration 46: SEK's grouping of risks



6.2 Economic capital

For internal assessment and evaluation of the capital requirements for credit risk under Pillar 2, SEK works with so-called economic capital (EC), which it believes to be a more precise and risk-sensitive measurement in comparison to the regulatory capital requirement.

In order to ensure continued high credit quality for SEK, and an adequate relationship between risks and the risk-carrying capital in various possible scenarios, analyses and stress tests are carried out. An important tool in this type of analysis is SEK's model for calculation of economic capital. The scenarios which are used are based on SEK's commercial activities and the composition of SEK's total portfolio. Parameters that can be used to simulate the impact of relevant scenarios are primarily ratings (rating migration), probability of default (PD), exposure at default (EAD), losses given default (LGD) and correlations. The scenario analyses and stress tests must be carried out regularly, at least once per year. Illustration 47 shows parameters essential for the quantification of credit risk, and how they are set.

Illustration 47: The difference between the IRB-approach under Pillar 1 and the calculation of economic capital under Pillar 2.

| Risk parameters | IRB- Foundation approach | IRB- Advanced approach | Economic capital |
|-----------------------------|---------------------------------|------------------------------|----------------------------|
| Probability of default (PD) | Internal estimation | Internal estimation | Internal estimation |
| Exposure at default (EAD) | Conversion factors ¹ | Internal estimation | Internal estimation |
| Loss given default (LGD) | 45% ^{1,2} | Internal estimation | Internal estimation |
| Maturity (M) | 2.5 years ^{1,2} | Internal estimation | Internal estimation |
| (Correlations) | | | Internal estimation |

¹ Risk parameters established by the authority.

² 45 % and 2.5 years are normally applicable.

6.2.1 Credit risk modeling

For internal evaluation and assessment of capital requirements regarding credit risk under Pillar 2, SEK also works with economic capital. The need for economic capital is based on a calculation of Value at Risk (VaR), calculated with different confidence levels, such as 99.9 percent, and constitutes a central part of the company's internal capital adequacy assessment. This calculation forms the basis for SEK's assessment of how much capital should be allocated for credit risk under Pillar 2, in addition to the calculated capital requirement under Pillar 1. This approach is also complemented by a comparative analysis of the capital requirement in accordance with the so-called Basel formula and necessary economic capital. This quantitative approach is complemented with qualitative assessments. Below is a description of those principles that govern the analytical model for credit risk that SEK uses in its internal capital allocation. This model is then compared with the credit-risk quantification under Pillar 1 (in other words, the use of the so-called Basel formula). SEK analyzes the differences between the applications of these two different methods in detail through a so-called decomposition, where every significant difference in approach between the methods is analyzed separately. These differences in approach are made up of both deviations in regard to modeling approaches and differences in parameters.

Two central components that characterize a portfolio risk model are (i) a model for correlations among counterparties, and (ii) a model for the probability of defaults for individual counterparties. SEK uses a simulation-based system to calculate the risk for credit portfolios where the correlation model takes into consideration the counterparties' industry and domicile through a multi-factor model. In addition, the correlation model continually takes market data into consideration and the correlations are updated weekly.

The counterparties' probability of default is based, in principle, on the same PD-estimate that is used in the calculation of capital requirements under Pillar 1. SEK's model also takes into consideration rating migrations and the unrealized value changes these result in. Output from the model consists of a probability distribution of the credit portfolio's value for a specific time horizon; normally a period of one year. This probability distribution makes possible a quantification of the credit risk for the portfolio and through that an estimation of the need for economic capital. Quantification is carried out by calculating VaR, based on the probability distribution, at the confidence level of 99.9 percent. In addition, the credit risk model forms the basis for a capital attribution by allocating the economic capital among each individual counterparty.

6.2.2 Decomposition – comparison between Pillar 1 and Pillar 2

The regulatory capital requirement under Pillar 1 are, for corporate and financial institutions exposures, calculated using the so-called Basel formula. This formula is derived from the same approach to modeling credit risk as SEK's internal model for calculating credit risk related economic capital. A very good approximation of the regulatory capital requirement under Pillar 1 is obtained by changing view in the internal model (see 6.2.1), to one that is analogous to that of the Basel formula. Then, by changing the view stepwise and thus returning to the internal view, the effect of each step on the total difference between Pillar 1 and Pillar 2 can be analyzed. This analysis is called decomposition, as it decomposes the total difference into components. This is performed periodically and is an fundamental part of the SEK's Internal Capital Adequacy Assessment Process (ICAAP).

6.2.2.1 Factors for which the Pillar 1 and Pillar 2 approaches differ
SEK has identified nine factors where SEK's Pillar 1 approach differs from SEK's internal approach under Pillar 2. These factors can be divided into two groups, (i) the internal model and its

parameterization, and (ii) exposure types where the Basel formula is not used under Pillar 1. The first six factors belong to group (i), while securitizations, government exposures and double default exposures are exposure types belonging to group (ii). Each factor is explained in detail below:

1. Name concentration

Pillar 1 assumes a well diversified portfolio, i.e. that all exposures in a portfolio are small enough that their individual size doesn't contribute to the risk. Put in another way, no name concentration is assumed. In general, this is not a realistic assumption, and particularly not for SEK's portfolio which consists of only a relatively small number of counterparties. In the internal model, the company analyzes this effect by splitting each exposure into smaller exposures to unique obligors that, besides their identity, have the same characteristics as the original obligor. This transformation results in the Pillar 1 view.

2. Correlation

The underlying correlation model of the Basel formula is a so called one factor model. Each obligor is given a value for a correlation parameter, which is only dependent on that obligor's probability of default. SEK's internal model instead employs a multi factor model, where different obligors are tied to indices that are geographic and sector specific. If the same index were to be used for all obligors, one would obtain the one factor model of the Basel formula. This way the company can easily mimic the correlation model of the Basel formula, thus enabling analysis of the effect of the capital requirement for the two correlation assumptions.

3. Short maturities

The Basel formula contains a maturity adjustment parameter. In the Foundation IRB-approach, which the company uses, this parameter is fixed at 2.5 years, regardless the true maturity of the exposure. This means that the capital requirement under Pillar 1 is independent of maturity.

SEK's internal model has a time horizon of one year. Exposures with shorter maturities are given a reduced probability of default. Thus, the probability of default of a three month exposure is reduced to a fourth of what it would be if it was one year or longer. Overnight exposures, whose default probability is only a fraction of the one year default probability, thus exhibit a significant decrease in capital requirement under Pillar 2 compared with Pillar 1.

SEK's liquidity portfolio consists, to a relatively large portion, of short term assets, making the impact, of the approach to maturity modeling, significant on the capital requirement. This impact is quantified by calculating the capital requirement, both with the default probabilities implied by the Basel formula and with default probabilities that have been adjusted in the manner described above.

4. Maturity adjustment

For exposures with maturities longer than one year, the internal model employs credit spreads to calculate the impact of maturity on the risk. This is done by letting not only potential defaults affect the portfolio value, but also credit rating migration.

SEK uses theoretically calculated credit spreads, which are based on historical default statistics from Standard & Poor's. This is motivated by the fact that SEK adopts a through the cycle approach to credit risk, as opposed to the point in time approach that is implied by using market credit spreads.

5. Floor for default probabilities

The probability of default is an important parameter in credit risk calculations. In the Basel formula, probability estimates below 0.03 percent are not allowed. SEK's estimates of default probability, though, are lower than this so called "PD floor" for the ratings "AAA" and "AA+". This means that the internal calculations are

made using slightly lower default probabilities for these two rating classes. By changing all the values below 0.03 percent to 0.03 percent in the internal model, the view of the basel formula can be replicated.

6. Loss given default

When using the basel formula, the Loss Given Default parameter is provided for each exposure. Under the Foundation IRB approach, which SEK uses, this parameter is completely governed by regulation, and for a large part of SEK's portfolio, it is set to 45 percent. Within the internal model, though, values are used that better reflect the company's internal view. By instead using the basel formula values for this parameter, the Pillar 1 view is replicated.

7. Securitizations

SEK's portfolio consists, to some extent, of securitizations. In Pillar 1, the capital requirements for these exposures are given by standardized risk weights, based on external credit ratings. In the internal model, these exposures are treated similar to other exposures, so that for example concentration risk and maturity effects are taken into account. The company quantifies the effect of this factor by comparing the Pillar 1 capital requirement with the increase in capital requirement that occurs when including these exposures in the internal model.

8. Governments

For exposures to governments in Pillar 1, SEK uses the standardized approach, giving a risk weight of zero to exposures to governments with a high credit rating. SEK's government exposures are mainly of this category. In the internal model, exposures to governments are treated similarly to other exposures. There is an important exception though, exposures to SEK's owner are calculated through a special treatment which specifies that the capital requirement for exposures to the Swedish government equals 0.7 percent of the exposure amount (0.35 percent for undisbursed credits). The effect of this factor is determined in the same way as for securitizations.

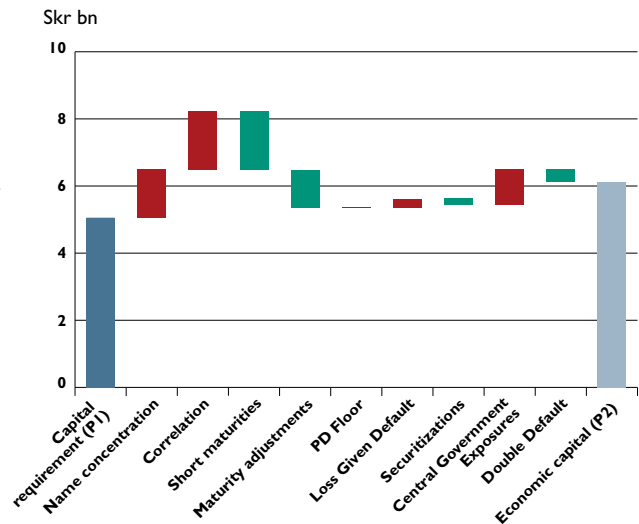
9. Double default

In order to reduce concentration risk, SEK has a large amount of credit derivatives. The name double default stems from the fact that both obligor and guarantor have to default in order for a loss to be incurred. To calculate the capital requirement in Pillar 1, a modified version of the basel formula is used that takes the respective default probabilities of both the obligor and the guarantor into account. In the internal model, double defaults are realistically simulated where losses are only incurred in cases where both obligor and guarantor default.

6.2.2.2 Decomposition as of December 31, 2009

Below, the result of the decomposition is presented for SEK's portfolio as of December 31, 2009.

Illustration 48: Decomposition of the capital requirement between Pillar 1 and Pillar 2



Green and red columns represent the effect on the capital requirement when moving from a Pillar 1 perspective to a Pillar 2 perspective. Red columns represent an increase in capital requirement, and green columns represent a decrease. The left (dark blue) column represents the Pillar 1 capital requirement for credit risk (Skr 5 055 million), and the right (light blue) column represents the total Pillar 2 capital requirement for credit risk (Skr 6 111 million). Thus, these columns represent the start point and endpoint of the decomposition.

The total additional capital required in Pillar 2 compared to Pillar 1 is Skr 1 056 million (6 111–5 055). The illustration above decomposes this difference. It is worth pointing out that components need not yield an increase in capital requirement, but can also result in a decrease. Hence, contributions of individual factors may exceed the total difference between Pillar 1 and Pillar 2.

6.3 Capital planning

6.3.1 Business plan and scenario analyses

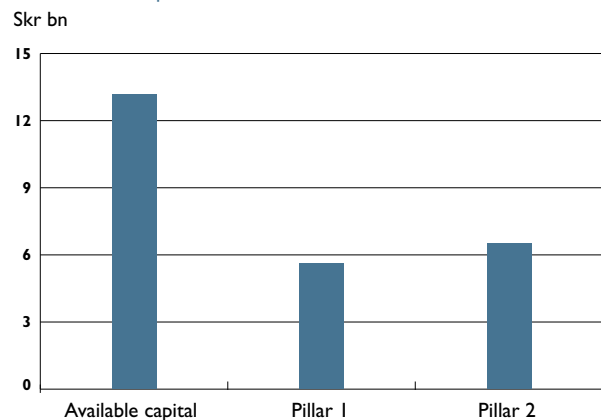
SEK annually assesses the development of its future capital requirements and available capital, primarily in connection with the three-year business plan being updated. One purpose behind the capital assessment is to ensure that the size of SEK's capital is sufficiently in line with risks and supports a high level of credit-worthiness. The assessment covers the group. The business plan for the period 2009–2011 was formulated based on the situation in September 2009, together with an assessment of the expected development of new transactions after that.

An important element in SEK's capital planning consists of scenario analyses. They give a picture of SEK's risk level and available capital resources, both according to the business plan and under recession scenarios. SEK has, within its ICAAP-process 2009, carried out a scenario analysis which consists of a strongly unfavorable business environment development, i.e. a significant economic downturn, which can be expected to occur approximately every twenty-fifth year. SEK's management has made an analysis of how the stress scenario affects the business plan. This analysis also includes the actions that would be taken if the stress scenario became a reality.

6.3.2 Capital situation

In the illustration 49, SEK's available capital is compared with the capital requirements under Pillar 1 and the overall capital requirements under Pillar 2.

Illustration 49: Capital situation as of December 31, 2009



SEK's assessment is that the expected available capital is sufficient to cover SEK's expected risks in the different scenarios that SEK foresees in a way that supports SEK's high level of creditworthiness. In addition, SEK has the possibility of taking different actions, aimed at strengthening the capital situation in order to respond to possible negative developments.

It should be noted that the implications of the recent financial crisis, in form of regulatory changes, will probably affect SEK. SEK expects to be subject to higher capital requirements and lower profitability.

6.4 Interest rate risk in the banking book

6.4.1 Control and reporting

SEK's Board of Directors has the overall responsibility for interest rate risk management. The Board sets out the central policy documents for interest rate risk management. The risks are restricted by limits set by the Board's Finance Committee. Risk Control is responsible for control, analysis and reporting of interest rate risks. Interest rate risks in the banking book are reported regularly to the Asset and Liability Committee and the Board's Finance Committee.

6.4.2 Interest rate risk measurement

Within SEK, interest rate risk in the banking book is measured based on the assumption of an upward parallel shift in the yield curve of one percentage point, thereafter the risk contribution is totaled as an absolute figure for each currency. Fixed income positions attributable to perpetual subordinated debts and shareholders' funds are excluded from these calculations.

Illustration 50 shows the calculation of interest rate risk divided among the five currencies that generate the greatest interest rate risk as well as other currencies at the end of 2009.

Illustration 50: Interest rate risk per currency

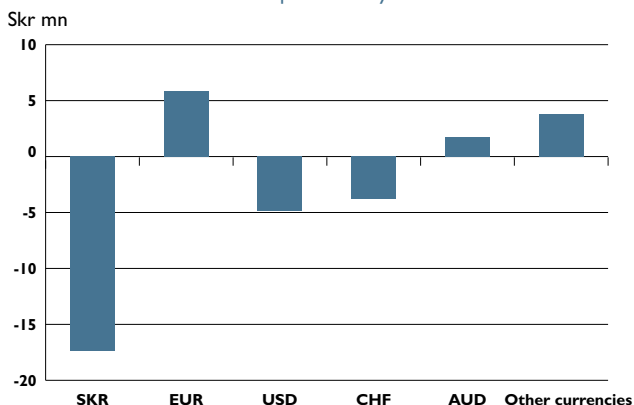
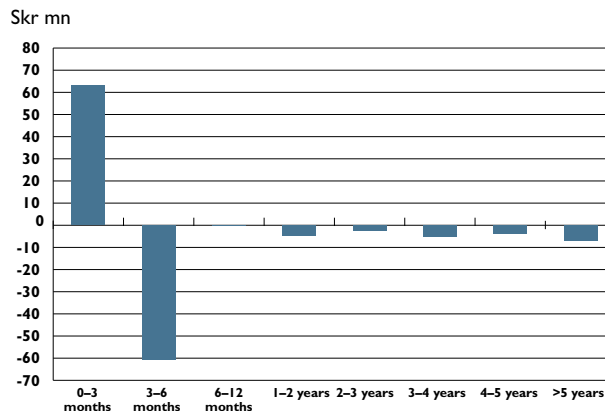


Illustration 51 shows how interest rate risk, as of December 31, 2009, is divided in relation to the fixed interest terms for assets and liabilities.

Illustration 51: Interest rate risk in relation to the fixed interest term



As illustration 51 shows the majority of SEK's interest rate risk is attributable to fixed interest terms that are at highest six months.

Interest rate risk in perpetual subordinated debt: As of December 31, 2009, perpetual subordinated debt totaled USD 350 million of dollar (350), equivalent to Skr 2,524 million (2,713). The interest rate risk was hedged with interest rate swaps with maturities between 2019 and 2034.

Interest rate risk in assets corresponding to shareholders' funds: To ensure a long-term, stable return on shareholders' equity, it is SEK's policy that investment of shareholders' equity shall be made in SEK's office property (Skr 0.1 billion) and securities with medium-length maturities. As of December 31, 2009, the volume of securities for this purpose corresponded to a book value of Skr 9.8 billion (5.0) with a remaining time to maturity of 3.2 years (3.6). The difference in volume between 2009 and 2008 arises from the fact that the capital injection received at the end of 2008 was invested at the beginning of 2009. The sensitivity with a percentage point's parallel shift in yield curves was Skr -294 million at the end of 2009.

Basis risk: The differences in the interest rate basis for different currencies lead to a risk in the case of surpluses or deficits in borrowings in relation to loans in individual currencies over a specific period. The basis risk is calculated (with the exception of surpluses in Skr, USD and EUR) as the change in present value due to changes in interest rate bases by a certain number of basis points. Surpluses in Skr, USD and EUR are excluded from the calculation of basis risk since the majority of SEK's lending is done in these currencies. Surpluses in these currencies may be transferred into a new type of lending fairly immediately.

Rotation risk: Rotation risk is defined as the impact on SEK's results and/or economic position that would occur as a result of an assumed rotation of the interest rate curve. The rotation point is obtained through studies of historical yield curves with the help of so-called principal component analysis, a method that identifies significant operational patterns among these. Rotation risk is calculated per currency and the contribution is given an absolute sum for the total rotation risk.

Table 52 reports risk utilization and risk limits.

Table 52: Interest rate risk in the banking book

| Measure | Limit | Risk (also see under respective heading) |
|------------------------------|-----------|--|
| Interest rate risk | | |
| Parallel shift | | |
| Total | 70 (70) | 37 (35) |
| of which in foreign currency | | 20 (35) |
| of which in Skr | | 17 (0) |
| Basis risk | 190 (190) | 107 (57) |
| Rotation risk | 70 (70) | 20 (14) |

6.4.3 Interest rate risk reporting to the Swedish Financial Supervisory Authority

SEK regularly reports interest rate risk in the banking book to the Swedish Financial Supervisory Authority in accordance with FFPS 2007:4. The calculations include all SEK's exposures in the banking book that contain interest rate conditions. The total interest rate risk is calculated by arriving at the interest rate risk net sum of the ten most significant currencies together with the interest rate risk for other currencies where the latter are treated as a single item. If there is a possible change in value exceeding 20 percent of SEK's capital base in either direction as a result of an interest rate change of two percentage points, a report must be submitted to the Swedish Financial Supervisory Authority. Given a positive parallel shift in all yield curves of 200 basis points, as of December 31, 2009, the market value change of all interest-rate related exposures in SEK's banking book was Skr -410 million, which corresponds to 3.1 percent of SEK's capital base. Given an opposite negative parallel shift of 200 basis points the market value change of the same exposures was Skr +182 million corresponding to 1.4 percent of SEK's capital base. The strong convexity of the result arises via a combination of prevailing market conditions with low market interest rates and the fact that SEK's perpetual subordinated debt is hedged with contracts whose time to maturity is limited.

6.4.4 Capital requirement for interest rate risk in banking book under Pillar 2

Capital requirements for interest rate risk under Pillar 2 are measured by the value change arising from a parallel one percentage point shift of all yield curves. All the company's interest rate sensitive positions, except the repurchased own issues, are included in these calculations. All risks in a foreign currency are translated to Swedish Kronor in accordance with the current spot rate.

As of December 31, 2009, the capital requirement for interest rate risk in the banking book under Pillar 2 amounted to Skr 88.1 million.

6.5 Funding and liquidity risk

6.5.1 Control and reporting

SEK's Board of Directors has the overall responsibility for liquidity risk management. The Board also sets out the central policy documents for liquidity risk management. SEK's Liquidity Management function has the operational responsibility for liquidity risk management. Short-term liquidity is monitored and managed on a daily basis, while long-term liquidity planning is monitored continuously and reported to account managers, the Asset and Liability Committee, the Executive Committee, the Finance Committee and the Board of Directors on a monthly basis. The funding managers ensure that funding always exceeds credits, including agreed but undisbursed credits, through maturity. The collective responsibility to ensure that short-term and long-term liquidity risk limits are adhered to lies with the Asset and Liability Committee, while Risk Control is responsible for the control, analysis and reporting of liquidity risks.

6.5.2 Principles for liquidity risk management

SEK applies a conservative policy concerning funding and liquidity risks, in order to avoid liquidity risk. The policy means that all credit commitments – outstanding credits as well as agreed but undisbursed credits – must be funded through maturity. This makes it possible for SEK not to have to raise new borrowings in the event that market conditions are deemed to be disadvantageous.

SEK's funding and liquidity risk is measured on the basis of different forecasts regarding the development of available funds defined as shareholders' funds, borrowing as well as credit facility with the Swedish National Debt Office in comparison with committed credits. See also illustration 56 "Lending and borrowing as of December 31, 2009".

When managing liquidity risk, different time perspectives are considered:

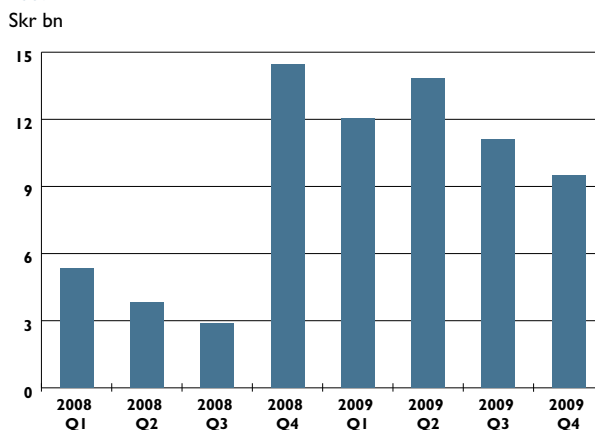
- In the short term, a deficit is avoided through overnight investments in larger or smaller amounts depending on needs and the market situation.
- Over the long-term, all credit commitments – outstanding credits as well as agreed but undisbursed credits – must be fully financed through maturity, which places demands on large volumes of long-term funding. The position taken when investing liquid funds is determined with these two time perspectives in mind.

6.5.3 Liquidity risk from a short-term perspective

Short-term liquidity risk is managed by a combination of a large volume of liquid assets, strict rules for funding needs and back-up facilities. During 2009, a credit facility of Skr 100 billion, through the Swedish National Debt Office has been granted by the government.

In daily management, deficits must be avoided. This is regulated with the help of established limits. As mentioned earlier, SEK also has back-up facilities that function as a buffer in the event of possible deficits. In addition, during turbulent times a larger proportion of liquid funds are invested via so-called O/N-investments (deposits) to further ensure access to payment funds.

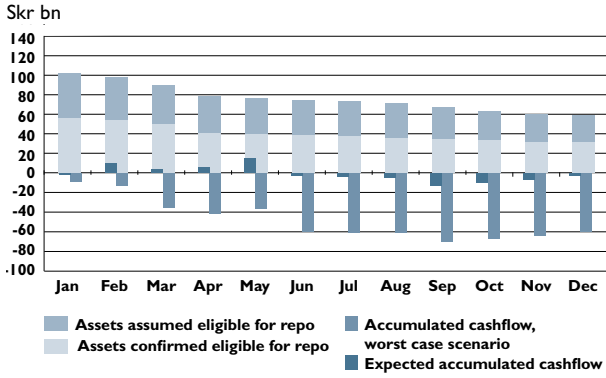
Illustration 53: Average surplus that was invested in O/N during 2008 and 2009



Cash flows are forecasted, reported and followed up thoroughly so that possible deficits can be handled in good time, firstly through new funding or repos, and secondly through sale of assets in the liquidity portfolio. Illustration 54 shows a worst case scenario and an expected scenario for accumulated future cash flows. Assets have been confirmed eligible if criteria from the Swedish national bank (Riksbanken) for repo eligible assets are met and if they are listed by the European Central Bank (ECB) as repo eligible assets. In addition, there is a large volume of assets, that are not listed explicitly by ECB but meet the Swedish national bank's criteria. To confirmed eligible assets, a haircut provided by ECB has been applied, and to assumed eligible assets, a conservative haircut of 20 per cent has been applied.

In addition to a worst case scenario and an expected scenario, the probability distribution of future cash flows is analyzed, which enables the company to assess the size of the most negative cash flows that are only exceeded with a small, pre-defined probability. This Value-at-Risk-based approach enables analysis of the sensitivity of the cash flows as well as of the risk factors that drive the refinancing risk.

Illustration 54: Accumulated cash flows measured against assets available for repo



SEK analyzes the effect on the requirement for regulation of net exposures when the credit rating of the company is stressed. In the event of a downgrade of SEK's rating by three notches (from 'AA+' to 'A+'), the total requirement for regulation of net exposures would amount to a value of approximately Skr 2 billion at year-end.

For the purpose of ensuring access to funding, SEK has several funding programs for maturities less than one year. Short-term funding programs include US Commercial Paper and European Commercial Papers, the latter in diverse currencies. However, currency risk is covered. In illustration 55, information on these funding sources are presented. As of end of 2009, the total volume of short-term programs was USD 7.0 billion, of which USD 4.3 billion had been utilized as of December 31, 2009.

Illustration 55: Short-term funding programs

| Program type | UCP | ECP |
|------------------------------|------------------|------------------|
| Currency | USD | Multi currencies |
| Number of dealers | 4 | 4 |
| "Dealer of the day facility" | No | Yes |
| Program size | 3,000 MUSD | 4,000 MUSD |
| Usage as of Dec. 31, 2009 | 2,225 MUSD | 2,093 MUSD |
| Maturity | Maximum 270 days | Maximum 364 days |

6.5.4 Liquidity risk from a long-term perspective

All SEK's credit commitments – outstanding credits as well as agreed but undisbursed credits – are financed through maturity. Consequently, additional funding is not required to manage commitments with regard to existing credits. This policy is monitored through the reporting of maturity profiles for lending and funding in accordance with the figure below.

A part of SEK's structured borrowing includes early redemption clauses that will be triggered if certain market conditions are met. Thus the actual maturity for such contracts is associated

with uncertainty. In illustration 56, funding that includes such early redemption clauses has been assumed to be due at the first possible redemption opportunity. This assumption is an expression of the precautionary principle that the company applies concerning liquidity management. In addition, SEK also carries out various sensitivity analyses with regard to such instruments, in which different market conditions are simulated.

6.5.5 Diversification

To secure access to large volumes of funding, and to ensure that insufficient liquidity among individual funding sources does not constitute an obstacle to operations, SEK issues bonds with different structures, currencies and maturities. In addition, SEK carries out issues in many different geographic markets. Illustration 57, 58 and 59 illustrate some of the aspects of the diversification of SEK's funding.

Illustration 57: Long-term funding split by currency

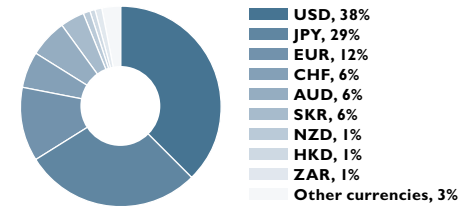


Illustration 58: Long-term funding by structure type

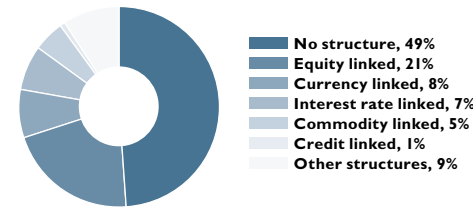
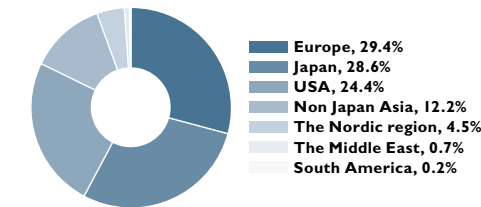


Illustration 59: Long-term funding during 2009 split by market



Structured bonds often create exposures to underlying market risks, normally an equity index or a foreign exchange rate. By

Illustration 56: Lending and borrowing as of December 31, 2009

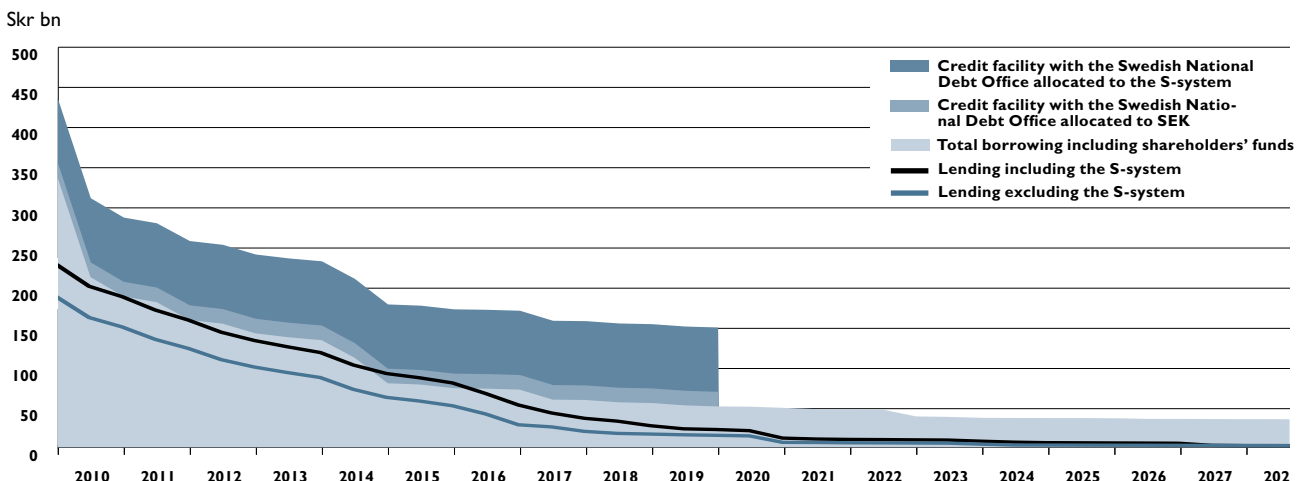
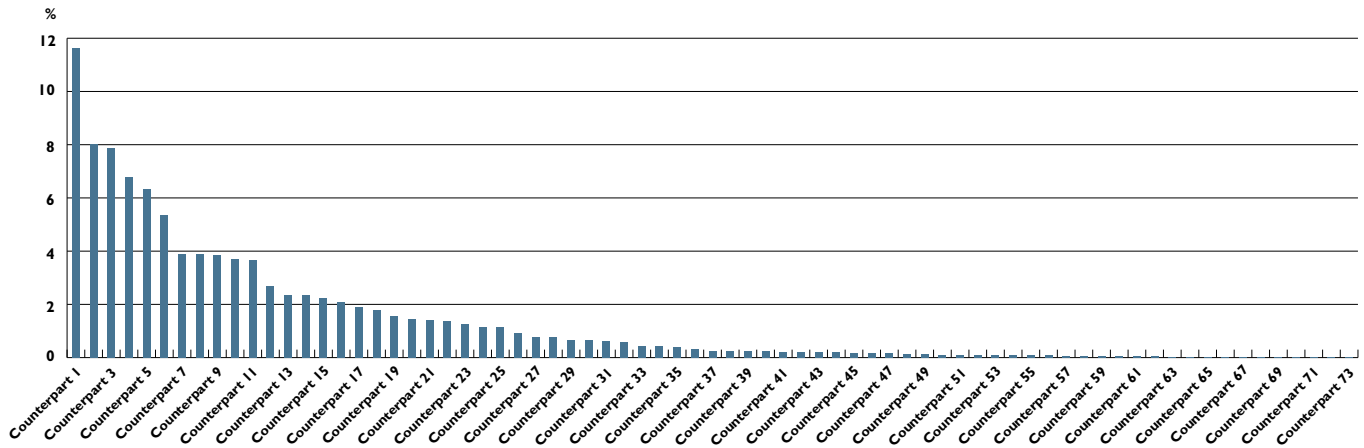


Illustration 60: Long-term funding divided by swap counterparty



using derivatives, SEK converts these flows to pure interest-based flows, which is why the net risk is only interest-rate risk. Since SEK has large number of swap counterparties, the impact of counterparty risk is reduced. Illustration 60 shows the percentage of SEK's total funding that has been converted in this manner per swap counterparty.

6.5.6 Liquidity portfolio

To meet the financing requirements for long-term lending it is required that liquidity surpluses be invested in assets with a high credit quality. It is the company's assessment that assets will be held to maturity. As of December 31, 2009, the size of the company's liquidity portfolio was Skr 156 billion. Illustrations 61-63 describe the holdings in SEK's liquidity portfolio divided by exposure type, maturity and credit quality.

Illustration 61: Liquidity portfolio split by exposure type

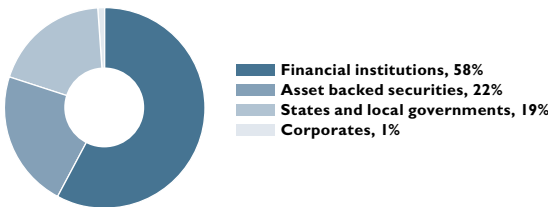


Illustration 62: Remaining maturity ("M") in SEK's liquidity portfolio

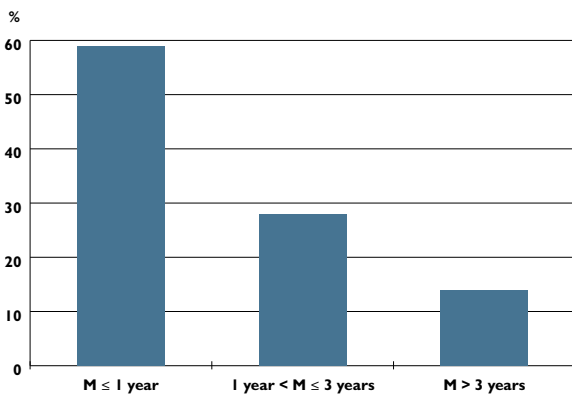
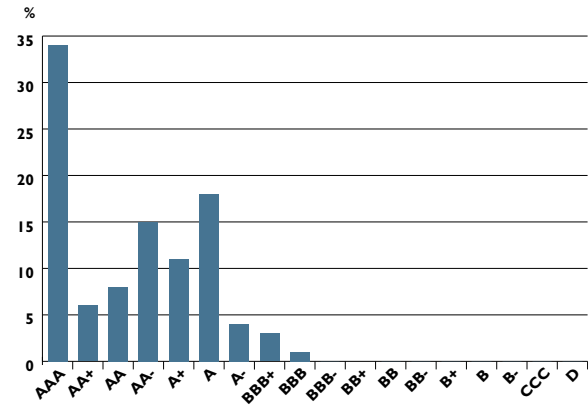


Illustration 63: Credit quality in SEK's liquidity portfolio



6.5.7 Contingency funding plans

SEK has established a contingency funding plan for the management of liquidity crises. The plan describes what constitutes a liquidity crisis according to SEK and what measures SEK intends to take if such a crisis exists. The plan describes the decision making organization during a liquidity crisis. Furthermore, an internal and external communication plan is included in SEK's contingency funding plan.

6.5.8 Capital requirements for liquidity risk under Pillar 2

SEK does not allocate capital for liquidity risk. SEK regards liquidity risk primarily to be a so-called *contingent risk*, typically caused by credit losses or other problems in its own business or general economic downturn or a financial crisis. Although liquidity risk can arise due to the aforementioned reasons, SEK believes that the emergence and impact of a liquidity crisis is alleviated or discouraged if the exposure is limited and the company has a good contingency plan as well as professional risk management. Therefore, SEK primarily focuses on a conservative and professional liquidity risk management.

Glossary

| | |
|-------|---|
| ALCO | Asset and Liability Committee |
| CDO | Collateralized Debt Obligation |
| CDS | Credit Default Swap |
| CLO | Collateralized Loan Obligation |
| CMBS | Commercial Mortgage-Backed Security |
| EAD | Exposure at default |
| EC | Economic capital |
| EKN | Swedish Exports Credits Guarantee Board |
| EL | Expected loss |
| FFFS | Swedish Financial Supervisory Authority regulations and general guidelines |
| ICAAP | Intern capital adequacy assessment |
| IKK | Internal Control Committee |
| IRB | Internal ratings-based approach |
| LGD | Loss given default |
| M | Maturity |
| O/N | Over night deposit |
| PD | Probability of default (within one year) |
| RMBS | Residential Mortgage-Backed Security |
| RWA | Risk-weighted assets |
| UL | Unexpected loss |
| VaR | Value-at-Risk |

SEK

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