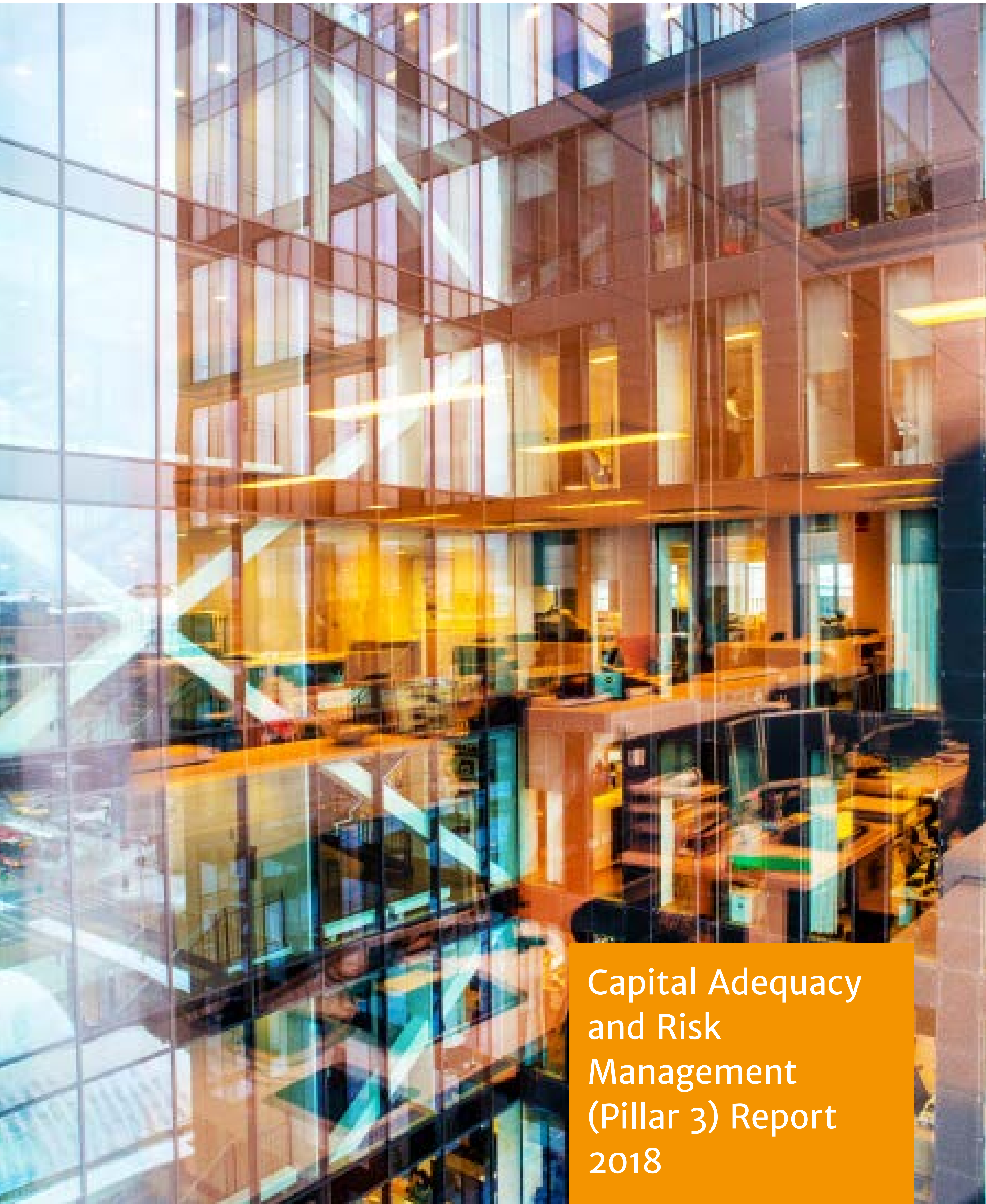
SEK

AB Svensk Exportkredit



Capital Adequacy and Risk Management (Pillar 3) Report 2018

This is SEK

Mission
SEK's mission is to ensure access to financial solutions for the Swedish export industry on commercial and sustainable terms. The mission also includes administration of the officially supported CIRR system.

Vision
SEK is to strengthen the competitiveness of the Swedish export industry to create employment and sustainable growth in Sweden.

153

SEK currently has 153 clients within the Swedish export industry.

SEK's offering

SEK has a great deal of experience and competence, as well as a broad offering of financing solutions. The offering is aimed at the Swedish export industry and buyers of Swedish products and services. SEK focuses on large and medium-sized companies with sales of more than Skr 500 million.

SEK's core values

Collaboration
Solution orientation
Professionalism

Rating

Standard & Poor's

AA+

Moody's

Aa1

SUSTAINABLE DEVELOPMENT GOALS

SEK contributes to meeting the UN Sustainable Development Goals.

Relations and collaboration

SEK has a strong network in international financing and close collaboration with many Swedish and international banks.

Contents

1. Introduction

This report provides information about risks, risk management and capital adequacy in accordance with Pillar 3 of the Capital Adequacy Regulation. The content of this report conforms with the disclosure requirements of the Capital Requirements Regulation (CRR), related technical standards adopted by the European Commission and additional requirements issued by Finansinspektionen (the Swedish FSA).

1.1 Regulatory framework and approval

The current banking regulation is based on the three "Pillars" concept. Pillar 1 establishes minimum capital requirements for credit risks, market risks and operational risks, based on explicit calculation rules. In addition, certain capital requirements must be fulfilled. Pillar 2 determines the supervisory authorities' functions and powers and describes national supervisory authorities' evaluations of companies' risks and risk processes. It also sets frameworks for institutions' internal processes for assessing risk and capital in order to supplement the capital requirements calculated within the scope of Pillar 1. Pillar 3 promotes openness and transparency. Disclosures in this report are governed by Pillar 3 requirements. This report complements, and is to be read in conjunction with, the Annual Report. A detailed description of SEK's operations, business risk and sustainability risk can be found in the 2018 Annual Report. Information regarding SEK's Remuneration Policy can be found in Note 5 of the Annual Report. Further details on internal governance are disclosed in the Corporate Governance Report, which is an integral part of the Annual Report. The information in this report is not required to be subjected to external audit and, accordingly, is unaudited.

1.2 AB Svensk Exportkredit

AB Svensk Exportkredit (the "Company") is a company domiciled in Sweden. The address of the Company's registered office is Klarabergsviadukten 61–63, P.O. Box 194, SE-101 23 Stockholm, Sweden. The wholly owned subsidiary Venantius AB, was liquidated in 2018 including the latter's wholly owned subsidiary VF Finans AB. During 2018 a new company was acquired, SEKETT AB, which is currently dormant.

The figures presented in this report refer to the Company as at December 31, 2018 unless otherwise stated. The 2018 figures are highlighted in the tables. The comparative figures in parentheses in this report refer to the same date or period in 2017 unless otherwise stated.

1.3 SEK's operations

SEK is a credit market institution wholly owned by the Swedish state. SEK's mission is to ensure access to financial solutions for the Swedish export industry on commercial and sustainable terms. SEK has a complementary role in the market, which means that it acts as a complement to bank and capital market financing for exporters wanting a range of financing sources.

SEK specializes in long-term financing, in the following main areas:

- Lending to Swedish exporters (corporate lending)
- Lending to international buyers of Swedish capital goods and services (end-customer finance), where SEK offers five different products: export credits, officially supported export credits, customer finance, trade finance and project finance.

SEK offers financing of export credits at both the commercial interest reference rate (CIRR) and at floating market interest rates. In Sweden, SEK manages the state-supported CIRR system on behalf of the Swedish government.

Due to stable ownership in the form of the Swedish state, a solid balance sheet and a sound risk profile, SEK has high credit ratings and, therefore, has many opportunities to raise funds in the global capital markets.

Due to its mission, SEK's main exposure is to credit risk. SEK's credit portfolio is, however, of high quality with 94 percent of the net exposure rated as investment grade. SEK conducts no active trading and manages its market risk arising from customer cash flows by entering into hedging transactions with other counterparties and thereby swapping both lending and funding to floating interest rates. Having a match-funded balance sheet is a fundamental and integral part of SEK's business operations. SEK ensures that funding must be available for the full maturity period for all of SEK's credit commitments – outstanding credits and agreed, but undisbursed credits. To diversify funding risk, SEK is active in different capital markets, both regarding counterparties and regions. One element of SEK's mission is to always be able to offer customers new lending. Consequently, SEK always has lending capacity to ensure that, even in times of financial stress, new lending can take place. SEK complies with international standards in its environmental and social due diligence processes.

1.4 Highlights 2018

In 2018, several events in the external environment affected the macro scenario, such as Brexit, political turbulence in Italy, the US-China trade dispute and interest-rate hikes in the US. Although these events have led to some political concern, the markets were largely stable and the world economy has thus far been marginally affected. In Sweden, lengthy government negotiations followed the election in September. At the end of the year, SEK's Export Credit Trends Survey showed a slightly more pessimistic view of the export climate. The consequences of the new regulations for the financial sector remain considerable in the form of adaptation costs, new fees and stricter capital requirements. To some extent, uncertainty still exists regarding the impact of the new regulations moving forward.

SEK's total capital adequacy and the Tier 1 capital ratio decreased in 2018. At the end of the year, the total capital ratio was 20.1 percent (2017: 23.0 percent), of which the Tier 1 capital ratio and the Common Equity Tier 1 ratio both amounted to 20.1 percent (2017: 20.6 percent). The primary reason for the decrease in total capital adequacy ratio is SEK's early redemption of Tier 2 instruments amounting to USD 250 million in November, while the lesser decrease in Tier 1 capital ratio is primarily related to the increase in exposures towards corporates. SEK's risk exposure amounts have therefore increased since the end of 2017. SEK's largest financial risks are credit risk (Skr 7.1 billion (2017: Skr 6.9 billion) in allocated capital), market risk (Skr 1.1 billion (2017: Skr 1.6 billion) in allocated capital) and operational risk (Skr 0.3 billion (2017: Skr 0.1 billion) in allocated capital) in line with internally assessed capital adequacy. The leverage ratio amounted to 5.6 percent (2017: 5.9) at year end.

The minimum requirement for own funds and eligible liabilities (MREL) is 8.3 percent (2017: 7.1) of total liabilities and own funds. This corresponds to a minimum requirement of 25.3 percent (2017: 28.0) of risk-weighted assets. SEK meets these requirements since a portion of the senior debt can be included at present. Until 2022, SEK needs to issue separate MREL capital.

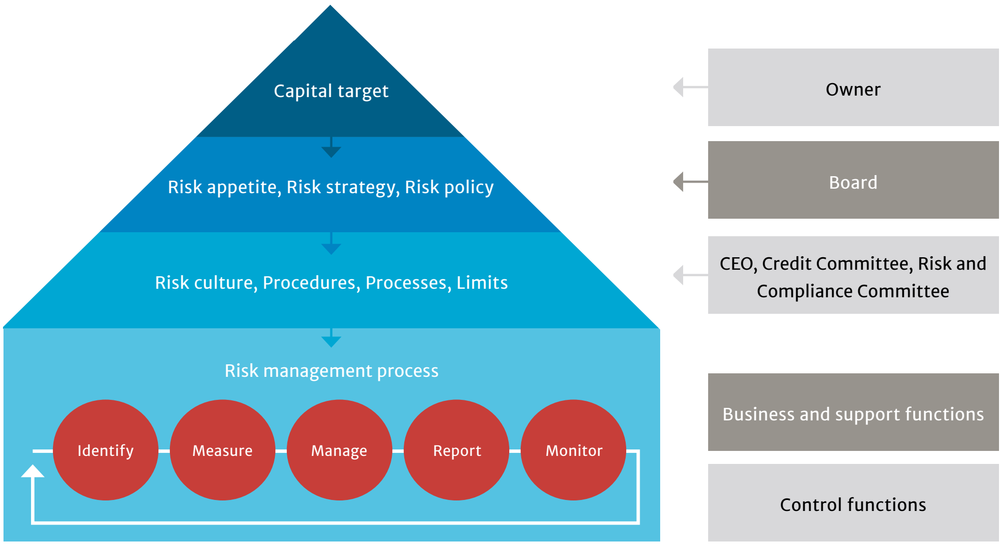
SEK's liquidity was stable during the year. Capacity for managing operational and structural liquidity risk has been good. This was confirmed by new lending capacity, which has been at a high level and amounted to 5 months (2017: 15 months), and by the liquidity coverage ratio (LCR), which was 266 percent (2017: 169) at year end.

VaR for all positions at fair value amounted to Skr 14 million (2017: Skr 20 million) at year end.

In its preparations for Brexit, SEK has presumed that the UK will leave the EU on March 29, 2019 without an agreement, what is known as a "hard Brexit." Primarily, the preparations include ensuring that SEK can continue to conduct transactions with financial counterparties domiciled in the UK. SEK is also affected by new rules for reference interest rates that entail IBOR-based rates being gradually replaced by new reference rates.

2. Risk and capital management

SEK's risk management and controls are based on a sound risk culture, effective internal processes and a well-functioning control environment achieved through integrated internal controls, access to complete information, standardized risk measures and coherent and transparent risk reporting.



2.1 SEK's risk framework

SEK risk framework is ultimately governed by SEK's mission from its owner, the Swedish state, and SEK's business model. The Board of Directors sets additional constraints for SEK's operations in the form of policies, risk appetite, capital target (approved by the general shareholders meeting). SEK's Chief Executive Officer (CEO) sets more detailed limits within these constraints and is responsible for the preparation of SEK's business plan, which establishes the strategic objectives for the Company. The Board approves the business plan and determines the overall risk strategy that the Company is to follow while executing the business plan. The independent Risk control function ensures that SEK operates within the established risk framework, i.e that the Company follows its defined risk strategy, risk policies. risk appetite and that the risks are identified, measured, monitored, reported and controlled on a regular basis. The risk management process is performed on a daily basis for the main risks, for example, credit risk, market risk, liquidity and operational risk, and regularly for the other risks. Regular follow-ups are carried out to ensure that the risk management process is performed at a satisfactory level of internal control.

The Company emphasizes the importance of broad risk awareness among staff and understanding the importance of preventive risk management in order to keep risk exposure within the determined level. SEK's risk framework (see figure above) encompasses all SEK's operations, all its risks and all relevant personnel.

2.2 Risk governance

The Board of Directors has the ultimate responsibility for the Company's organizational structure and administration of the Company's affairs, including overseeing and monitoring risk exposure, risk management and compliance, and for ensuring satisfactory internal control of the Company's compliance with legislation and other regulations governing the Company's operations. The Board determines overall risk management, for example, by establishing risk appetite and risk strategy. These are determined annually in connection with the business plan to ensure that risk management, the use of capital and business strategies are consistent. The Board also determines the Company's risk policy and decides on issues relating to credits of great significance to SEK.

The Board has established the Finance and Risk Committee, which assists the Board with overall issues regarding the governance and monitoring of risk-taking, risk management and the use of capital. For example, the Finance and Risk Committee approves essential risk and valuation models. The Finance and Risk Committee also decides upon certain limits, chiefly within market and liquidity risk. The Board's Credit Committee assists the Board in matters relating to credits and credit decisions at SEK and matters that are of fundamental significance or generally of great importance to the Company regarding credits. Furthermore, the Board's Credit committee establishes limits and makes credit decisions that exceed the mandates of the Company's Credit Committee. The Board's Credit Committee approves methods for internal risk classification for different types of exposure classes and sets the internal definition of default. The Board's Audit Committee assists the Board with financial reporting and internal control matters such as the Corporate Governance Report. For a detailed description of the work of the Board, please refer to the Corporate Governance Report in SEK's Annual Report.

SEK's CEO is responsible for the day-to-day management of business operations. The CEO has established executive management committees to follow up on matters, prepare matters for decision by the CEO or to prepare matters for decision by the Board. One of these is the Risk and Compliance Committee (RCC), which manages matters relating to Risk, Capital, Compliance and Audit, and evaluates the effects of new regulation. The Committee follows up on risk exposures, the use of capital and reports from the control functions. In addition, the CEO, after consultation with the Committee, decides upon limits on a company level and procedures for managing risk and compliance among other matters. Another committee is the Credit Committee (CC), which is responsible for matters regarding lending and credit risk management at SEK. Under its mandate, and on the basis of the delegation of authority issued by the Board, the Credit Committee is authorized to make credit decisions.

SEK has organized risk management and control according to the three lines of defense principle with a clear division of responsibilities between the business and

Division of responsibility for risk, liquidity and capital management in the Company

First line of defense

- Business and support functions.
- Day-to-day management of risk, capital and liquidity in compliance with risk appetite and strategy as well as applicable laws and rules.
- Credit and sustainability analyses.
- Daily control and follow-up of credit, market and liquidity risk.

Second line of defense

- Independent risk control and compliance functions.
- Identification, quantification, monitoring and control of risks and risk management.
- Risk, liquidity and capital reporting.
- Maintaining an efficient risk management framework and internal control framework.
- Compliance monitoring and reporting.

Third line of defense

- Independent internal audit
- Review and evaluation of the efficiency and integrity of risk management.
- Performance of audit activities in line with the audit plan adopted by the Board.
- Direct reporting to the Board.

support functions that own the risks, the control functions that independently controls the risks, and the internal audit function that reports directly to the Board.

2.3 Capital target

The Company's capital target is one of the most central steering parameters. SEK's capital target serves two purposes:

- firstly to ensure that the Company's capital strength is sufficient to support the strategy set out in the Company's business plan and to ensure that capital adequacy is always higher than the regulatory requirement, even during severe economic downturns, and
- secondly to maintain a capital strength that supports strong creditworthiness, which in turn ensures access to long-term financing on beneficial terms.

The capital target is decided by the owner, the Swedish state, at the general meetings of shareholders. The capital target is expressed as follows:

> *"SEK's total capital ratio under normal circumstances is to exceed the capital requirement communicated by the Swedish FSA by 1 to 3 percentage points."*

The margin above the capital requirement is to cover volatility that can be expected under normal circumstances. According to the result of the Financial Supervisory review and evaluation process, SEK should maintain a total capital ratio of at least 16.7 percent based on SEK's balance sheet at September 30, 2018. SEK's total capital ratio per December 31, 2018 amounted to 20.1 percent.

2.5 Risk appetite

The Board decides the Company's risk appetite that stipulates the outer constraints for all of the Company's significant risk types. The risk appetite sets the level and direction of SEK's risks that the Board accepts in order to achieve SEK's strategic goals. The risk appetite should further specify the risk measurements that the Board believes provides sufficient information for the Board members to be well informed of the nature and extent of the Company's risks. Risk appetite is strongly linked to the Company's capacity to withstand losses and thus to the Company's equity. The Board comprehensively monitors the risk exposures related to the risk appetite at least on a quarterly basis.

2.4 The Boards Risk declaration and Risk Statement

Risk declaration

The Board hereby declares that SEK has overall satisfactory risk management in relation to the Company's profile and strategy.

Risk statement

SEK's mission is to ensure access to financial solutions for the Swedish export industry on commercial and sustainable terms. The Company is consequently exposed mainly to credit risk. At the close of 2018, the total internally assessed economic capital excluding any buffer amounted to Skr 8 504 million, or 9.8 percent of risk weighted assets, of which credit risk accounted for 82 percent, market risk 13 percent, operational risk 3 percent and other risks for 2 percent.

To ensure that SEK is well capitalized in relation to the Company's risks and that the Company has a favorable liquidity situation, the owner (The Swedish state) stipulates SEK's risk tolerance for capitalization and the Board the Company's risk tolerance for liquidity risk. The owner has established that the total common equity ratio under normal circumstances shall be between 1 and 3 percentage points above the total common equity capital requirement communicated by the Swedish FSA.

Core risk management principles:

- SEK must be selective in its choice of counterparties and clients in order to ensure a high credit rating.
- SEK only lends to clients who have successfully undergone SEK's procedures for gaining understanding of the customer and its business relations (know your customer), and thus have business structures that comply with SEK's mission of promoting the Swedish export industry.
- The business operations (both lending and funding) are limited to products and positions that the Company has approved and has procedures for, whose risks can be measured and evaluated and where the Company complies with international sustainability risk guidelines.
- SEK's business strategy entails secure financing which has, at least, the same maturities as the funds we lend.

The risk profile of SEK in relation to the risk tolerance is monitored and regularly followed up by the independent risk control organization and is presented to the Risk and Compliance Committee, the Board's Finance and Risk Committee and the Board. A more in-depth description of SEK's risk management and risk profile is presented in SEK's Annual Report and in SEK's Pillar 3 Report.

The Annual Report has been adopted by the Board.

Table 2.1 Detailed risk statement

Risk class	Risk profile	Risk appetite metrics	Risk management
Credit risk Credit risk is the risk of loss that could occur if a borrower or a counterpart can not meet its obligations. Counterparty risk, concentration risk and settlement risk are certain subsets of credit risk.	SEK's lending portfolio is of a high credit quality. The Company's mission naturally entails certain concentration risks, such as geographical concentration risk in Sweden. The net risk is principally limited to counterparties with high creditworthiness, such as export credit agencies (ECAs), major Swedish exporters, banks and insurers. SEK invests its liquidity in high credit quality securities, primarily with short maturities.	• Individual and collectively limited exposures must not exceed 20 percent of SEK's own funds. • The Company's expected credit loss within one year must not exceed two percent, and the total portfolio maturity must not exceed eight percent of the Common Equity Tier 1 capital. • The average risk weight for SEK's credit-risk exposures to corporates and institutions may not exceed 55 percent. • Credit-risk-related concentration risk must not exceed 30 percent of the Swedish FSA's assessed total capital requirement for credit risk. • The Company's net exposures to counterparties in the segment <= BB- must not exceed 80 percent of SEK's Tier 1 capital.	Lending must be based on in-depth knowledge of SEK's counterparties as well as counterparties' repayment capacity. Lending must also be aligned with SEK's mission based on its owner instruction. SEK's credit risks are mitigated through a risk-based selection of counterparties and managed through the use of guarantees and other types of collateral. Furthermore, SEK's lending is guided by the use of a normative credit policy, specifying principles for risk levels and lending terms. Concentrations that occur naturally as a result of the Company's mission are accepted, but the Company continuously works towards reducing the risk of concentration where this is possible.
Liquidity and refinancing risk Liquidity and refinancing risk is the risk, of the Company not being able to refinance its existing assets or being unable to meet increased demands for liquid funds. Liquidity risk also includes the risk of the Company having to borrow at an unfavorable interest rate or needing to sell assets at unfavorable prices in order to meet its payment commitments.	SEK has secured funding for all its credit commitments, including those agreed but not yet disbursed. In addition, the size of SEK's liquidity investments allow new lending to continue at a normal pace, even during times of stress. As a consequence of SEK having secured funding for all its credit commitments, the remaining term to maturity for available funding is longer than the remaining term to maturity for lending.	• All lending transactions are to be funded on a portfolio basis using at least the same maturity. Equity capital is included here as funding with perpetual maturity. • The Company is to have contingencies in a stressed scenario for new lending (including CIRR) of at least two months, without access to the credit facility. • The maturity profile of the liquidity investments must reflect the anticipated net maturity of borrowing and lending. Under normal circumstances, the assets should be held until maturity. LCR assets are calculated to mature within two days. • The Company is to operate with an LCR for the entire balance sheet, and in EUR and USD, of not less than 110 percent. • The Company is to operate with a Net Stable Funding Ratio (NSFR) exceeding 100 percent.	SEK must have diversified funding to ensure that funding is available through maturity for all credit commitments — credits outstanding as well as agreed but undisbursed credits. The size of SEK's liquidity investments must ensure that new lending can take place even during times of financial stress.
Market risk Market risk is the risk of loss or reduction of future net income following changes in prices and volatilities on financial markets including price risk in connection with the sale of assets or closing of positions.	SEK's business model leads to exposure mainly to spread risks, interest-rate risk and currency risk. SEK's largest net exposures are to changes in spread risk, mainly to credit spreads associated with assets and liabilities and to cross-currency basis spreads.	• SEK's aggregated market risk measure for all the exposures at fair value must not exceed Skr 1 100 million. • Value-at-Risk for exposures at fair value must not exceed Skr 100 million. • VaR for the liquidity portfolio must not exceed Skr 50 million. • Total interest-rate sensitivity to a 100 bps parallel shift of all yield curves, comprising the entire balance sheet, must not exceed Skr 500 million. • Net interest income risk, one year, meaning the impact on SEK's future earnings margin resulting from a change in interest rates (100 bps parallel shift) and a change in basis spreads (20 bps parallel shift), must not exceed Skr 350 million. • The Company must hedge at least 75 percent of interest-rate risk in loans outstanding in the CIRR system.	SEK conducts no active trading. The core of SEK's market risk strategy is to borrow funds in the form of bonds which, regardless of the market risk exposures in the bonds, are hedged by being swapped to a floating interest rate. Borrowed funds are used either immediately for lending, mainly at a floating rate of interest, or swapped to a floating rate, or to ensure that SEK has sufficient liquidity. The aim is to hold assets and liabilities to maturity.
Operational risk Operational risk is the risk of losses resulting from inadequate or faulty internal processes, systems, human error or from external events. Operational risk also includes legal risk.	Operational risks arise in all parts of the business. The vast majority of incidents that have occurred are minor events that are rectified promptly within each function. Overall operational risk is low as a result of effective internal control measures and a focus on continuous improvement.	• Measures are to be taken without delay to minimize the likelihood of possible losses in excess of Skr 150 million as estimated by the Company. In the event that adequate measures cannot be taken within two months, the CEO must inform the Finance and Risk Committee. • Measures are to be taken without delay to reduce an expected credit loss exceeding Skr two million to an amount of less than Skr 2 million within six months. • The risk appetite for expected credit losses due to operational risk is limited to Skr 20 million over a one-year period. • Critical internal audit remarks must be mitigated without delay, but no later than within six months. • Critical external audit remarks must be mitigated without delay, but no later than within two months.	SEK manages the operational risk on an ongoing basis through mainly efficient internal control procedures, performing risk analysis before changes, focus on continuous improvements and business continuity management. Costs to reduce risk exposures must be in proportion to the effect that such measures have.

Risk class	Risk profile	Risk appetite metrics	Risk management
Compliance risk Compliance risk is the risk of breaches of relevant legislation and other external regulations, internal regulations or industry practices that apply to the operations requiring permits. Compliance risk includes the risk of money laundering and financing of terrorism.	SEK's operations lead to exposure to the risk of failing to comply with current regulatory requirements and ordinances in markets in which the Company operates.	• The Company does not accept material or systematic non-compliance with legislation, other external regulations, or internal regulations.	SEK works continuously to develop tools and knowledge to help identify the Company's compliance risks. The Company analyses and monitors compliance risks with the intention of continuously reducing the risk of non-compliance with regulations pertaining to operations requiring permits.
Business and strategic risk Strategic risk is the risk of lower revenue because strategic initiatives fail to achieve the pursued results, inefficient organizational changes, improper implementation of decisions, unwanted impact of outsourcing, or the lack of adequate response to changes in the business environment. Business risk is the risk of an unexpected decline in revenue resulting from, for example, changes to competitive conditions, a decrease in volumes and/or falling margins.	SEK's strategic risks mainly arise through changes in the external operating environment, such as market conditions, which could result in limited lending opportunities for SEK, and regulatory reforms from two perspectives: (1) the impact of these reforms on SEK's business model; and (2) the requirements on the organization resulting from increased regulatory complexity.	• SEK's appetite for business and strategic risk is derived from the mission, which is expressed in the owner instruction and is implemented in strategic and operational terms in the Company's business plan.	SEK's executive management is responsible for identifying and managing the strategic risks and monitoring the external business environment and developments in the markets in which SEK conducts operations and for proposing the strategic direction to the Board. A risk analysis in the form of a self-assessment concerning strategic risk is to be conducted each year.
Sustainability risk Sustainability risk is the risk of SEK directly or indirectly, negatively affects externalities within the areas of environmental and climate considerations, anti-corruption, human rights, labor conditions or business ethics.	SEK is indirectly exposed to sustainability risks in connection to its lending activities. High sustainability risks could occur in financing of large projects or businesses in countries with high risk of corruption or human rights violations.	• In project-related financing, the Company must comply with the Equator Principles or the OECD's Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence. • When lending in complex markets, the exporters or other market participants covered by the financing must have the capacity to manage sustainability risks in line with international guidelines. • Lending for coal-fired power is not permitted. In exceptional cases, loans may be offered for measures aimed at improving the environment. Gross lending to fossil operations (coal, oil and gas) are to be less than five percent of SEK's total lending. • For existing transactions that no longer align with SEK's risk appetite, SEK will based on the opportunities available take measures to influence and to report deviations to the Board. • Lending is not permitted for business transactions where the main purpose is to withhold tax.	Sustainability risks are managed according to a risk-based approach. In cases of heightened sustainability risk, a detailed sustainability review is performed and measures could be required in order to mitigate environmental and social risks. Requirements are based on national and international regulations and guidelines within the areas of environment and climate, anti-corruption, human rights including labor conditions and business ethics including tax.

2.6 Risk management process

The Company must identify, measure, manage, report and control those risks with which the business is associated and, to this end, must ensure it has satisfactory internal controls in place. SEK's risk management process comprises the following key elements:

- **Identify**. At any given time, SEK must be aware of the risks to which the Company is exposed. Risks are identified principally in new transactions, in changes in SEK's operating environment or internally in, for example, products, processes, systems and through risk analyses, conducted at least once a year, encompassing all aspects of the Company. Both forward-looking and historical analyses, as well as testing are carried out.
- **Measure**. The size of the risks is measured on a daily basis for significant measurable risks or is assessed qualitatively as frequently as necessary. For those risks that are not directly measurable, SEK evaluates the risk according to models that are based on the Company's risk appetite for the respective risk type, specified according to appropriate scales for probability and consequence.
- **Manage**. SEK aims to oversee the development of the business and make active use of risk-reduction capabilities. SEK controls the development of risks over time to ensure that the business is kept within the established risk appetite and limits. In addition, the Company carries out planning and draws up documentation to ensure the continuity of business-critical processes and systems and to ensure planning is carried out for crisis management. Exercises and training are continually performed regarding the management of situations that require crisis and/or continuity planning.
- **Report**. The Company reports on the current risk and capital situation and other related areas to the CEO, the RCC, the Finance and Risk Committee and the Board, at least every quarter.
- **Monitor**. The Company controls and monitors compliance with limits, risk appetite, capital target, risk management and internal and external regulations in order to ensure that risk exposures are maintained at an acceptable level for the Company and that risk management is effective and appropriate.

2.7 Internal capital adequacy assessment process (ICAAP)

2.7.1 Purpose and governance

The internal capital adequacy process is an integral part of SEK's strategic planning, whereby SEK's Board establishes the Company's capital target and risk appetite.

The purpose of the ICAAP is to ensure that SEK has sufficient capital to meet the regulatory capital requirements, under both normal and stressed circumstances and to support a high level of creditworthiness. The capital held by SEK is to meet capital requirements corresponding to all the risks that SEK is, or may become, exposed to. The capital assessment is based on SEK's internal views on risks and the development of risk as well as risk measurement models, risk governance and risk mitigating activities. It is linked to the business planning and establishes a strategy for maintaining appropriate capital levels. Changes in capital requirements due to new or amended regulations, as well as changes in other standards, i.e. the new accounting standard IFRS 9, are part of this assessment. The assessment is performed as a minimum for the forthcoming period of three years in the business plan.

In connection with the internal capital adequacy assessment, an assessment of the liquidity needs during the planning period is performed. Liquidity requirements and the composition of SEK's counterbalancing capacity, for the forthcoming period in the business plan are assessed in order to ensure that SEK has enough liquidity to realize the business plan and meet regulatory requirements.

SEK believes that capital does not constitute a risk-reducing factor for certain types of risks; e.g. for reputation and liquidity risk for which SEK applies active risk mitigation. Chart 2.1 describes how SEK groups and analyzes its risks in the capital adequacy assessment process.

Chart 2.1: SEK's grouping of risks in the ICAAP

2.7.2 Stress testing and internally assessed capital requirement

SEK views the macroeconomic environment as one of the major drivers of risk for the Company's earnings and financial stability. To arrive at an appropriate assessment of the Company´s capital strength, stressed scenarios representing more severe conditions are taken into consideration. Stress testing is used to assess the safety margin above the formal minimum capital requirement that is required to reach the capital target set by the Board within a three-year planning period. To assess the capital requirement under severe financial circumstances, a stress scenario is developed taking into account relevant global and local factors affecting SEK's business model and also SEK's net risk exposure. The stressed macro scenario used for the planning period 2019-2021 is based on a deepened crisis in Europe, which can arise as a consequence of, for example, a potential Euro break-up and a sharp slowdown in China, which would cause a fall in commodity prices. The stressed scenario also includes the risk of economic downturn in Sweden, with political instability, decreasing

Swedish exports, unemployment, and negative economic growth in the country, which can lead to a credit downgrade of Sweden.

Even though SEK assigns a low probability to the outlined severe recession scenario, the consequences of such a scenario can be very significant with high credit losses and decline in the creditworthiness of SEK's portfolio. This scenario forms the basis of the assessment of SEK's capital planning buffer. The effect on SEK from the stress scenario is applied to the business plan and management decides upon compensating actions.

When performing the internal calculation of how much capital that is needed, SEK uses other methods than those used to calculate the regulatory capital requirement. SEK´s assessment is based on the Company´s internal calculation of economic capital. Economic capital (EC) is a measure that is developed to capture the risks that SEK has in its specific business. The modeling techniques that SEK uses are described under each risk category in this report.
In addition to the internally assessed economic capital, SEK also takes into consideration the total capital requirement that the Swedish FSA calculates regarding SEK in the Supervisory Review and Evaluation Process (SREP). The capital requirement according to Swedish FSA is the minimum capital that SEK needs to hold.

3. Capital and Liquidity Position

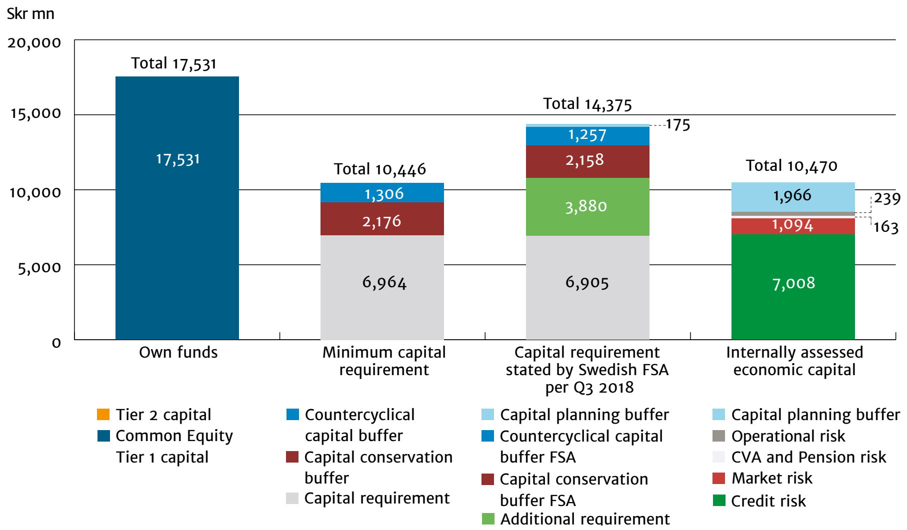
SEK's own funds remained well in excess of the capital requirements.

3.1 Summary of capital and liquidity position

Own funds fully exceed both regulatory capital requirements and internally assessed capital levels. At December 31, 2018, SEK's own funds amounted to Skr 17,531 million (year-end 2017: Skr 19,285 million), while the legally binding minimum capital requirement including buffers amounted to Skr 10,446 million (year-end 2017: Skr 9,977 million), the capital requirement according to the Swedish FSA, including buffers amounted to Skr 14,375 million (year-end 2017: Skr 14,371 million) and internally assessed economic capital amounted to Skr 10,470 million (year-end 2017 Skr 10,788 million).

As illustrated in Chart 3.1, SEK is well capitalized in relation to regulatory capital requirements and its internal risk assessment.

Chart 3.1: Capital situation at December 31, 2018



As shown in Chart 3.2, SEK's capital ratios decreased in 2018. The decrease in capital ratios compared with year-end 2017 is primarily due to the fact that SEK in September 2018 exercised its right to call the Tier 2 eligible subordinated debt instrument in accordance with its terms. Furthermore, volumes in the liquidity portfolio and the average risk weight for lending have increased. In addition to this, a weaker Swedish currency against the USD and the euro negatively affects the capital ratios.

Chart 3.2: Changes in Total Capital Ratio

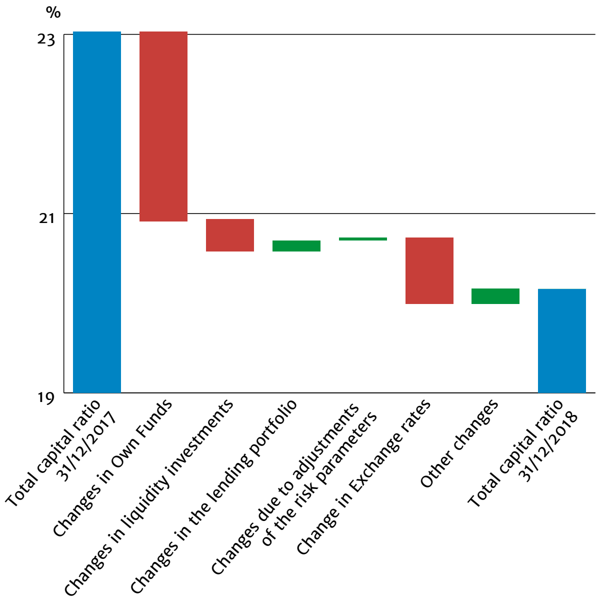


Table 3.1 below presents an overview of SEK's own funds and key capital ratios. Capital ratios are expressed as the quotients of the relevant capital measure and the total risk exposure amount (REA). The ratios express how much capital an institution holds in relation to the risk that it faces.

Table 3.1: SEK's capital and liquidity position

Skr mn	2018	2017
Own funds		
Common Equity Tier 1 capital	17,531	17,236
Tier 1 capital	17,531	17,236
Total own funds	17,531	19,285
Capital requirements		
Risk exposure amount (REA)	87,054	83,831
Capital requirements (8% of REA)	6,964	6,707
Capital ratios		
Common Equity Tier 1 capital ratio	20.1%	20.6%
Tier 1 capital ratio	20.1%	20.6%
Total capital ratio	20.1%	23.0%
Common Equity Tier 1 capital available to meet buffers	12.1%	14.6%
Transitional rules (Basel 1)		
Own funds according to transitional rules	n.a	19,350
Capital requirements according to transitional rules	n.a	7,067
Total capital ratio according to transitional rules	n.a	21,9%
Leverage		
Exposure measure for the leverage ratio	314,688	291,412
Leverage ratio	5.6%	5.9%
Liquidity		
Liquidity coverage ratio (LCR) according to FSA rules	n.a	505%
Liquidity coverage ratio (LCR) according to EU rules	266%	166%
Net stable funding ratio (NSFR)	144.1%	139.9%

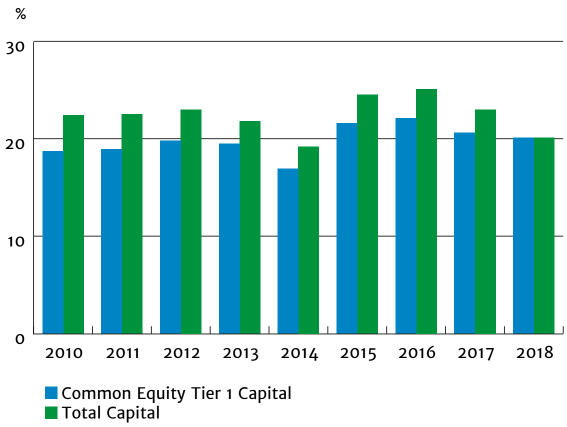
The CRR's Basel I floor transitional rules introduced in 2007, whereby the capital requirement for total own funds is to be calculated in parallel on the basis of the Basel I rules, expired on December 31, 2017. The capital adequacy ratios reflect the full impact of IFRS 9 since no transitional rules for IFRS9 are utilized.

SEK's liquidity situation remained strong during the year and the Company continued operating under the internal liquidity strategy that requires availability of funding for all of SEK's credit commitments for the entire maturity period. According to the EU requirements, institutions are expected to maintain a liquidity coverage ratio (LCR) of at least 100 percent. In addition, the Swedish FSA requires institutions to keep an LCR of at least 100 percent separately in euro and USD.

The external demands for the LCR were fulfilled at all times. For further details regarding the liquidity ratios, see Chapter 7 Liquidity.

SEK's capital situation remains stable even in the longer perspective as illustrated in Chart 3.3 below. The reduction in all capital ratios in 2014 was mainly due to the regulatory changes regarding the calculation of SEK's risk exposure amount. The increase in 2015 was primarily attributable to lower default rates over the last few years, combined with an increase in retained earnings and decreased volumes in the liquidity portfolio. SEK's capital ratios increased somewhat in 2016 and were primarily the result of increased retained earnings and revised risk parameter. The decline in 2017 was mainly related to SEK transferring from the standardized approach to apply the IRB approach to exposures to central and regional governments and to multilateral development banks. The decline in 2018 is explained on the previous page.

Chart 3.3: Capital ratios, 2010–2018



3.2 Capital requirements

The following capital requirements are applicable to SEK:

- The minimum capital requirement in accordance with the CRR combined with buffer requirements, restrictions on large exposures and the leverage ratio measure.
- The capital requirement according to the Swedish FSA including buffer requirements.
- Minimum requirement for own funds and eligible liabilities according to the Resolution Act, determined by the Swedish National Debt Office.
- The internally assessed economic capital including buffer requirements.

The components of capital requirements are illustrated in Table 3.2.

Table 3.2: Regulatory Capital requirements

	Common Equity Tier 1	Additional Tier 1	Tier 2	Total
Minimum capital requirement	4.5%	1.5%	2.0%	8.0%
Capital conservation buffer (CCoB)	2.5%	–	–	2.5%
Countercyclical capital buffer (CCyB)	1.5%	–	–	1.5%
Total minimum capital requirement including buffer requirements	**8.5%**	**1.5%**	**2.0%**	**12.0%**
Additional capital requirement according to the Swedish FSA[1]				
Interest-rate risk in the banking book	0.7%	0.1%	0.2%	1.0%
Credit-risk-related concentration risk	1.6%	0.3%	0.4%	2.3%
Pension risk	0.1%	–	–	0.1%
Capital planning buffer	0.2%	–	–	0.2%
Other	0.7%	0.2%	0.2%	1.1%
Total additional capital requirement according to the Swedish FSA	**3.3%**	**0.6%**	**0.8%**	**4.7%**
Total capital requirement	**11.8%**	**2.1%**	**2.8%**	**16.7%**

1 Based on SEK's balance sheet at September 30,2018.

3.2.1 Minimum capital requirement including buffer requirements

The CRR establishes the minimum capital requirement expressed as a percentage of the total risk exposure amount (REA), which is to be covered by an institution's own funds at all times. In addition, certain capital buffer requirements must be fulfilled. SEK is to meet the capital buffer requirements by using Common Equity Tier 1 capital.

The mandatory capital conservation buffer is 2.5 percent (2.5 percent). From March 19, 2017, a countercyclical capital buffer rate of 2.0 is applied to all exposures located in Sweden. In September 2018, the Swedish FSA decided to raise the countercyclical buffer rate from 2.0 to 2.5 percent. The amendments will enter into force on September 19, 2019. As of December 31, 2018, the weight of the Swedish buffer rate, comprising the proportion of buffer requirements related to exposures in Sweden to total capital requirements, is 70 percent (67 percent), which results in a countercyclical capital buffer of 1.5 percent (1.4 percent) applicable to SEK. Buffer rates activated in other countries may have effects on SEK, but the potential effect is limited since most buffer requirements from relevant credit exposures are related to Sweden. As of December 31, 2018, the contribution to SEK's countercyclical capital buffer from buffer rates in other countries was 0.08 percentage points (year-end 2017: 0.05 percentage points).

SEK has not been classified as a systemically important institution according to the Swedish FSA, and therefore the systemic risk buffer requirements for such institutions that came into force on January 1, 2016 do not apply to SEK.

Table 3.3 presents SEK's minimum capital requirement specified by calculation methods, risk categories, and exposure classes. The methods for calculating the REA for credit, market and operational risks are described in more detail in respective chapters 4, 5 and 6 of this report. Exposure at default (EAD) is the basis for the calculation of the REA for credit risk, and comprises a measure of the amount that is assumed to be the full exposure at the time of a default. The minimum capital requirement is calculated at 8 percent of the REA.

Table 3.3: Minimum capital requirement

Skr mn	Exposure at default		Risk exposure amount		Minimum capital requirement	
	2018	2017	2018	2017	2018	2017
Credit risk standardized method[1]						
Central governments	–	–	–	–	–	–
Regional governments	–	–	–	–	–	–
Multilateral development banks	–	–	–	–	–	–
Corporates	1,701	1,316	1,701	1,316	136	105
Total credit risk standardized method	**1,701**	**1,316**	**1,701**	**1,316**	**136**	**105**
Credit risk IRB method[1]						
Central governments	171,572	161,429	9,905	9,331	792	747
Financial institutions	33,953	38,163	9,880	12,688	790	1,015
Corporates	113,987	104,630	59,486	53,763	4,760	4,301
Assets without counterparty	90	121	90	121	7	10
Total credit risk IRB method	**319,602**	**304,343**	**79,361**	**75,903**	**6,349**	**6,073**
Credit valuation adjustment risk	n.a.	n.a.	2,037	1,989	163	159
Foreign-exchange risks	n.a.	n.a.	879	1,326	70	106
Commodities risk	n.a.	n.a.	10	13	1	1
Operational risk	n.a.	n.a.	3,066	3,284	245	263
Total	**321,303**	**305,659**	**87,054**	**83,831**	**6,964**	**6,707**
Adjustment according to Basel I floor	n.a.	n.a.	n.a.	4,503	n.a.	360
Total incl. Basel I floor	n.a.	n.a.	n.a.	**88,334**	n.a.	**7,067**

Large exposures
According to the CRR, a large exposure is defined as an aggregated exposure to a single counterparty or a group of connected counterparties that accounts for at least 10 percent of an institution's total own funds. SEK's eligible capital is equivalent to its own funds in this respect. The value of such exposures to a single counterparty or a group of connected counterparties may not exceed 25 percent of an institution's own funds. For these purposes, credit risk mitigation may be considered and some exposures, most notably certain exposures to central governments, may be fully or partially excluded. SEK complies with these rules and reports its large exposures to the Swedish FSA on a quarterly basis. SEK has defined internal limits to manage large exposures, which restrict the size of such exposures beyond what is stated in the CRR. Identification of possible connections between counterparties from a risk perspective forms an integral part of SEK's credit process, and SEK has developed guidelines for the identification of connected counterparties.

Table 3.4: SEK's large exposures as a percentage of own funds

	2018	2017
The aggregate amount of SEK's large exposures	318,6%	230.6%
Exposures between 10% and 20%	24 exposures, totaling Skr 55,848 mn	18 exposures, totaling Skr 44,471 mn
Exposures > 20%	none	none

Leverage ratio
A leverage ratio measure has been introduced by the CRR and must be disclosed at least annually starting in 2015. Currently, there is no minimum requirement on the leverage ratio. The leverage ratio is defined as the quotient of the Tier 1 capital and an exposure measure. The exposure measure consists of assets, although special treatment is applied to derivatives, and off-balance sheet credit risk exposures, which are weighted with a factor depending on the type of exposure. The leverage ratio reflects the full impact of IFRS 9 as no transitional rules are utilized.
SEK currently has a leverage ratio of 5.6 percent (5.9).

3.2.2 The capital requirement according to Swedish FSA

In addition to the minimum capital requirements including buffer requirements established by the CRR, the Swedish FSA establishes an additional capital requirement that SEK needs to meet in the Supervisory Review and Evaluation Process (SREP). The minimum capital requirement according to the CRR forms the basis of the total capital requirement to which the Swedish FSA adds the requirement for additional risks that are not included in the minimum capital requirement, called the additional capital requirement according to Pillar 2. The additional capital requirement includes interest rate in the banking book, credit risk-related concentration risk and pension risk as well as other types of risks that according to the Swedish FSA's judgment might not be fairly reflected under minimum capital requirements. As illustrated in Chart 3.1, at December 31, 2018, SEK's additional requirement was Skr 3,880 million (3,651). Finally, the Swedish FSA adds the capital buffers according to Pillar 1. As of December 2018, SEK's buffer requirement was Skr 3,590 million (3,491). See Table 3.2 for a description of the regulatory capital requirements in percentage points.

3.2.3 Bank Recovery and Resolution Directive (BRRD)

The Swedish National Debt Office (the Debt Office) decides on plans for how Swedish banks and other financial institutions are to be managed in a crisis situation and also decides upon institutions respective minimum requirement for own funds and eligible liabilities (MREL).

The Debt Office has concluded that Swedish institutions, including SEK, have business activities that are critical to the Swedish financial system and have prepared plans that outline the measures that the Debt Office intends to take in the event of resolution.

The Debt Office has also set minimum requirements for own funds and eligible liabilities for those institutions. The minimum requirement of total eligible liabilities and own funds for SEK is 8.3 percent (7.1), as calculated in accordance with the resolution regime.

3.2.4 Internally assessed economic capital

As a part of the ICAAP, SEK calculates the total need of capital to cover all risks SEK is exposed to, including the capital needed in a stressed scenario. See Chapter 2 for more information regarding internally assessed economic capital.

Table 3.5: Internally assessed economic capital

Skr mn	2018	Percentage of REA	2017	Percentage of REA
Credit risk	7,008	8.0%	6,898	8.2%
Market risk	1,094	1.3%	1,573	1.9%
Operational risk	239	0.3%	142	0.2%
Other[1]	163	0.2%	170	0.2%
Internal capital requirement excl. buffer	**8,504**	**9.8%**	**8,783**	**10.5%**
Capital planning buffer	**1,966**	**2.2%**	**2,005**	**2.4%**
Total capital	**10,470**	**12.0%**	**10,788**	**12.9%**

1 Pension risk and credit valuation adjustment risk. The measurement of pension risk is calculated using stressed risk assumptions and stress tests on the pension assets and liabilities. The most significant risk parameters that are stressed are: discount rates, mortality assumptions and credit spreads.

3.3 New regulation

This section covers such new regulations or supervisory requirements that will have a significant impact on risk and capital management and that either have come into force but are yet to be applied or that are currently under legislative considerations in the EU or in Sweden.

3.3.1 Changes in IRB models (default definition and risk parameters)

The European Banking Authority (EBA) aims to reduce variability in the REAs in IRB models and thus create a level playing field between European banks. A key element in this is the definition of default. Guidelines on harmonizing the definition of default (EBA/GL/2016/ 07) and their accompanying Regulatory Technical Standard (EBA/RTS/2016/06) set out changes to default triggers, materiality thresholds and other closely related topics. The IRB institutes, such as SEK, are required to update their policies and processes to implement these guidelines. In addition, the EBA has published Guidelines on PD estimation, LGD estimation and the treatment of defaulted assets (EBA/GL/2017/16). The aim of these guidelines is to harmonize the concepts and methods used in the estimation of credit risk parameters for the IRB approach. The IRB institutes should identify deficiencies in the implementation of the PD and LGD and apply correct levels of conservatism. SEK is not affected by LGD estimation since fixed values prescribed by the CRR are used for LGD. The above-mentioned regulatory changes in IRB models will apply from 1 January 2021. The Swedish FSA has proposed a "two step approach" for implementation of the changes. As a first step, the IRB institutes, such as SEK, have, by the end of 2018, sent their applications for permission to use the new definition of default. In a subsequent step, the PD estimation are to be reviewed. The above-mentioned changes to the IRB models will affect SEK's management processes for creditrisk and may also have an impact on SEK's capital adequacy ratios.

3.3.2 Non-centrally cleared transactions

In July 2012, Regulation (EU) No 648/2012 (EMIR) was adopted by the EU commission. EMIR consists of three parts, Clearing, reporting and risk mitigation techniques . Variation margin and initial margin belong to risk mitigation techniques. According to EMIR, it is mandatory to clear certain types of derivatives through a central counterparty (CCP). Not all derivative transactions meet the requirements for mandatory clearing. The counterparts are then required to protect themselves against credit exposures to derivative counterparts by collecting collateral (Variation Margin and Initial Margin). The initial margin for non-centrally cleared OTC derivatives is the last part that remains to be implemented. The phase-in period runs from 2017 to 2020.

3.3.3 Ibor transition

In July 2017, the UK Financial Conduct Authority stated that LIBOR (London Inter-bank Offered Rate) could not be guaranteed after the end of 2021. Moreover, work to switch from LIBOR had already begun by international regulators before that statement. This has also spread to other IBOR. There are proposals for alternative overnight interest rates instead of IBOR. The ISDA (International Swaps and Derivatives Association) has issued a consultation paper on how IBOR can be transformed to the new rates. Consequently, SEK has started to prepare for the new rates.

3.3.4 IFRS 16 – Leases

In 2016, the IASB published the new accounting standard for leases, with changes for lessees. All leases (with the exception of short-term and smaller leases) are to be recognized as right-of-use assets subject to depreciation with liabilities in the lessee's balance sheet, and the lease payments recognized as depreciation and interest expense. SEK's preliminary assessment is that this will mainly impact the reporting of SEK's operating leases for premises, which does not entail any material impact on SEK's financial statements, capital adequacy or large exposures. The standard is applicable from January 1, 2019.

3.3.5 European Commission's reform package

In November 2016, the European Commission proposed a banking reform package with the purpose to ensure the resilience of European financial institutions. The package includes for example amendments relating to *large exposure*, liquidity risk, leverage ratio and the European resolution framework. The proposals have not yet been decided and are now being considered by the Council and the European Parliament before they can come into force. After a decision is made, it will take up to two years before these reforms begin to apply by law.

Large exposures

The EU Commission has proposed that only Tier 1 capital is eligible when calculating the minimum requirements of capital for large exposures. This new requirement does not affect SEK's operations since SEK has held only Tier 1 capital since 2018.

Liquidity risk

With regard to the LCR under the CRR, a minimum ratio of 60 percent was introduced by the CRR on October 1, 2015. The minimum ratio requirement has gradually increased, and became 100 percent on January 1, 2018. SEK has fulfilled the external demands for the LCR at all times. Under the CRR, the NSFR is subject to supervisory reporting.

Leverage ratio

The leverage ratio is a non-risk-based solvency requirement introduced as a support to the risk-based capital requirements. The European Commission has proposed a binding leverage ratio minimum requirement. The minimum requirement is expected to be calibrated to 3%. SEK has a leverage ratio that well exceeds this future requirement.

Bank Recovery and Resolution Directive (BRRD)

Also part of the European Commission's proposal is the amendment that only certain types of subordinated debt should comprise eligible liabilities. The Debt Office has announced that this requirement will take effect in Sweden on January 1, 2022 and that financial institutions affected in Sweden are to establish a plan for how the requirements will be met. SEK presented its plan to the Debt Office in 2018.

Counterparty risk (SA-CCR)

The European Commission has put forward a new standard method for counterparty credit risk, the SA-CCR. The intention is to introduce a more risk-sensitive method that better reflects the composition of the portfolio and thus better account for the offset between derivatives, primarily in the calculation of potential future exposure. The calculations are expected to be conducted on a more detailed level and will involve system improvements to enable calculations.

Fundamental review of the trading book (FRTB)

When it comes to market risk, the European Commission's requirement entails that the distinction regarding the classification between the banking book and the trading book be made stricter. The institutions will be tasked to demonstrate to the authorities that their fair value contracts are not held for trading purposes.

3.3.6 Final Basel III package by the Basel Committee

The main objective with this framework, issued in December 2017, is to reduce variability of risk-weighted assets within the banking system. The regulation contains implementing of *an output floor, altered standardized approaches for credit risk and operational risk, constrains in the use of internally modelled approaches and changes in leverage ratio.* It is planned to enter into force on January 1, 2022. From a Swedish perspective, the new Basel standards must first be introduced into EU legislation before they can serve as a basis for new decisions on capital requirements. SEK is expected to meet the requirements based on assumptions under current market situation.

Output floor

The Basel Committee has set an output floor of 72.5 percent. A bank using internal models to calculate its risk weighted exposures will not be able to reduce its overall risk weighted exposures below 72.5 percent of the risk weighted exposures that would have applied using the revised standardized approach to each risk. The output floor has a long transitional period beginning by January 1, 2022 at 50 percent and will be fully implemented by January 1, 2027 at 72.5 percent.

Revised standardized approach

A minor portion of the exposure in SEK will be calculated according to the revised standardized approaches and will therefore not have a major impact on SEK's capital adequacy ratios.

Internally-modelled approach

Constrains in use of internally-modelled approaches primarily affects banks using the advanced approach (A-IRB). The A-IRB approach cannot be used for large corporates with an annual revenue greater than EUR 500 million and for financial institutions. Since SEK uses the Foundation IRB approach (F-IRB),these two constrains do not affect SEK as to how the calculations are performed today.

Leverage ratio

The Basel Committee has finalized the exposure measure for the leverage ratio, and the main change is primarily related to a leverage ratio buffer to global systemically important banks (G-SIBs), and does not encompass SEK.

Minimum capital requirements for operational risk

A new standardized approach is proposed for minimum capital requirements for operational risks. The main change is regarding the classification of business indicators and its weighting. An early analysis of the method shows a low impact of the capital requirement for operational risk.

4. Credit risk

Credit risk is inherent in all assets and other contracts in which a counterparty is obliged to fulfill its obligations. SEK mitigates credit risk through a methodical and risk-based selection of counterparties and to a large extent by using guarantees and in certain cases collateral. SEK's appetite for credit risk is closely linked to its business model and, accordingly, is significantly greater than its appetite for other risks.

4.1 Management

4.1.1 Internal governance and responsibility

Governing Documents and responsibility

SEK's credit risk is governed by the Risk Policy, the Credit Risk Policy, the Credit Instruction, and other governing documents issued by the Board, the CEO, the Chief Risk Officer (CRO) and the Chief Credit Officer (CCO). These governing documents set out the framework for the level of credit risk assumed by SEK, and describe decision-making bodies and their mandates, the credit process, fundamental principles for limits and problem loan management. In addition, the Board decides on the risk strategy, including credit strategy, risk appetite as well as the overall limits the Company will operate within. All instructions are re-established annually. The risk control function is responsible for credit risk reporting, following up exposures versus limits and for escalating to executive management, the Board's Risk and Finance Committee, and the Board of Directors as appropriate. If a limit breach occurs it is timely escalated by the CRO to the CEO and the Board's Finance and Risk Committee. For description of SEK's risk appetite for credit risk see Table 2.1, Detailed risk statement.

Overall responsibility for the relationship with SEK's counterparties lies with account managers. They are responsible for assessing customers' product needs, credit risk assessment (with the support of credit analysts) and sustainability assessment, limit and exposure management, and assume ultimate responsibility for credit risk and its impact on SEK's income statement and balance sheet.

The Credit function is part of SEK's first line of defense and is responsible for credit analysis of SEK's counterparties and the credit process. In addition, the Credit function is responsible for developing the qualitative rating methods. The Risk function, which is part of SEK's second line of defense, develops and implements credit risk-models, monitors and validates SEK's credit risk management and credit risk assessments, and ensures controls of compliance with limit and credit decisions. The Compliance function, which is also part of SEK´s second line of defense, monitors the compliance with the credit policies set by the Board. The Internal Audit function, which is part of the third line of defense, reviews and evaluates that SEK's credit risk management is adequate and effective.

Limit and credit decision procedure

The Board
Matters related to credit and credit decisions that are of fundamental significance or in some other way of major importance to SEK.

The Board's Credit Committee
Decisions concerning limits or credit that exceed the Credit Committee's decision-making mandate.

The Credit Committee
Decisions concerning limits or credit within the Credit Committee's decision-making mandate, annual review of country limits, annual review of the 20 largest limits for corporates and financial institutions, changes in contrac-tual terms of credit risk-related nature with negative impact on SEK's credit risk, for counter-par-ties where SEK has its own credit risk, change of sustainability related conditions with a negative impact on SEK's sustainability risk credit-risk related waivers

The Risk Classification Committee
Decisions on internal risk classification. except for the decisions under Authorization according to description below.

Authorization
Decisions of two or more employees together within the limit and within the norm subject to authorization as described in the credit instruction.
Decision on Internal risk classification for non-IRB counterparties and counterparties that are fully guaranteed (by export credit agency ECA/bank/insurance company/exporter)

Limits

SEK uses limits to constrain risks in accordance with the established policies. Limits stipulate the highest permitted amounts of exposure toward a risk counterparty for specific maturities and different types of exposures. All limits are reviewed continuously and risk classifications are subject to review at least once a year.

To provide guidance for lending and the setting of limits with an acceptable risk level, SEK has established a normative credit policy (the Credit Norm), which clarifies four areas regarding the quality requirements for a credit or limit.

Normative credit policy

1. Risk level
2. Lending terms
3. Know your customer (KYC)
4. Sustainability risks

4.1.2 Credit risk mitigation methods

SEK's credit risk is mitigated through risk-based selection of counterparties. To a large extend SEK relies on guarantees in its lending, in end-customer-financing and export credits.

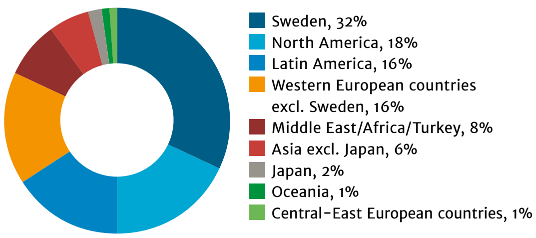
The guarantors are generally government export credit agencies as well as financial institutions and, to a lesser extent, non-financial corporations and insurance companies. Credit risk is allocated to a guarantor's limit and thus when disclosing credit risk net exposures, the majority of SEK's guaranteed credit exposure is shown as exposure to sovereign counterparties. One of the most significant guarantors for SEK is the Swedish Credit Export Agency (EKN), which explains the significant concentration risk on central government risk class and Sweden.

SEK also relies on collateral in order to reduce credit risks, primarily to hedge counterparty credit risk exposures from derivatives. Approved collateral under the ISDA Credit Support Annex comprises cash. Any collateral that SEK is entitled to receive has to be managed and documented in such a manner 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, and, where applicable, the value of the collateral are taken into account. The credit decision may be made on the condition that certain collateral is provided. Collateral and netting arrangements are, however, not allowed to reduce the outstanding exposure in SEK's risk measurements except for counterparty credit risk exposures from derivatives. On-balance sheet netting is not applied. SEK has guidelines for estimation of the market value of collateral. These guidelines are used (when collateral is included) before a credit is granted and, at least, upon annual review of the credit. If the market value of the collateral changes it should be evaluated in accordance with the guidelines. The Credit Norm provides guidance on when collateral is required. The limit and exposure IT system include reallocation of exposures based on guarantees but do notinclude other types of collateral (f ex floating charge, machinery, trucks, real estate etc).

Chart 4.1 and Chart 4.2 show how guarantees and other risk mitigation instruments affect SEK's risk exposures.

Chart 4.1: Credit risk mitigation, effect by region

Gross exposure by region, as of December 31, 2018



Net exposure after risk mitigation by region, as of December 31, 2018

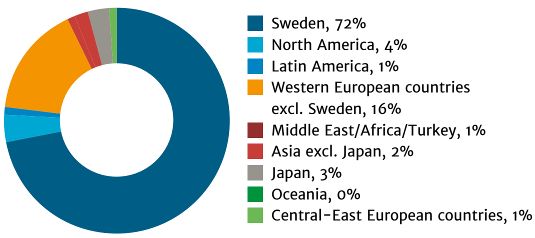
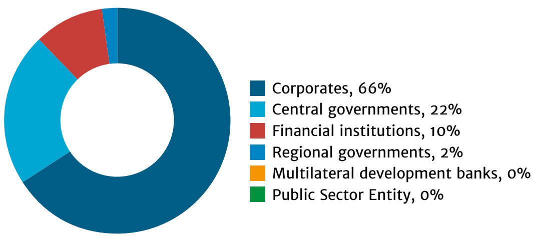
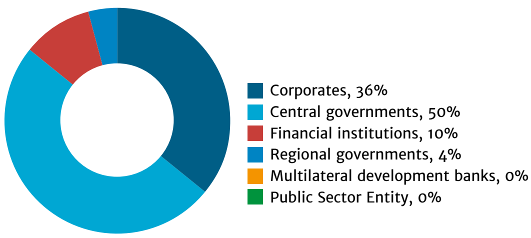


Chart 4.2: Credit risk mitigation, effect by exposure classes

Gross exposure by exposure class, as of December 31, 2018

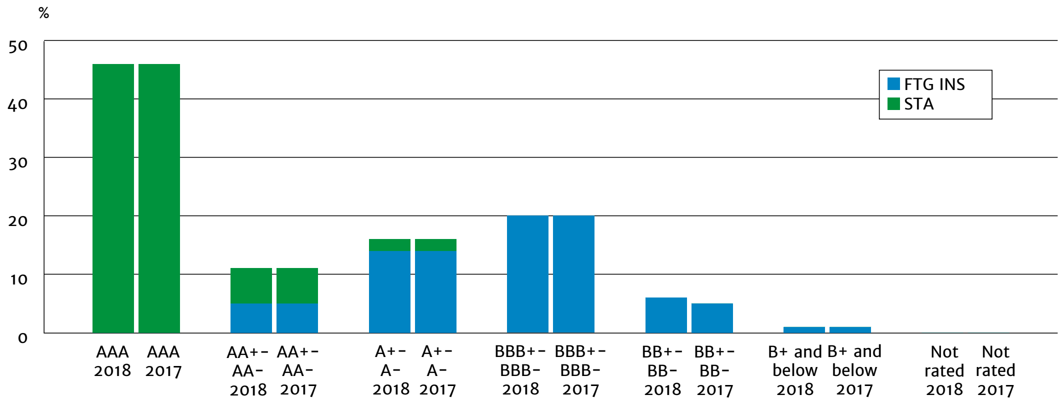


Net exposure after risk mitigation by exposure class, as of December 31, 2018



As illustrated in the Chart 4.3 below, SEK's credit portfolio maintains high quality with 47 percent of all exposures (after risk mitigation) in the highest rating category "AAA", and 74 percent of all exposures rated "A-" or higher.

Chart 4.3: Net credit risk exposure



4.2 Measurement

4.2.1 Methods for calculating capital requirements for credit risk

Foundation IRB Approach and SEK-specific exemptions from IRB

SEK uses a Foundation IRB Approach to assess the credit risk for exposures to all of its counterparties except those counterparties that have been exempted from this requirement by the Swedish FSA. When using an IRB Approach, the institution applies to some extent its own estimates of risk parameters for calculating the capital requirements according to the Basel formula. Under the Foundation IRB Approach, only the probability of default (PD) is estimated internally, while values prescribed by the CRR are used for loss given default (LGD) and credit conversion factors (CCF).

In February 2007, when the Basel II framework came into force in Sweden, the Swedish FSA granted SEK permission to use the Foundation IRB Approach for IRB exposure classes: exposures to corporates and exposures to institutions. In 2017, permission was granted to use the Foundation IRB approach for exposures to central governments and central banks.

For the following exposures, SEK has received a waiver and instead applies the standardized method:

- Exposures in the Customer Finance business area (valid as long as these exposures are of lesser significance in terms of size and risk profile)
- Guarantees issued in favor of small and medium-sized companies (valid as long as these exposures are of lesser significance in terms of size and risk profile).

Probability of default

The probability of default (PD) is the probability that a counterparty will default within one year. The risk classification at SEK does not aim to estimate a precise PD, but instead seeks to place the counterparty within a category of comparable counterparties, from a risk perspective (relative assessment). One method applied by financial institutions that use IRB systems to set PD values for their various risk classes, in particular for "low default portfolios," is to map their internal rating scale against the rating scale of a rating agency before applying the external rating agency's default statistics to calculate the PD. Rating agencies regularly publish statistics for default frequencies in their various rating classes. SEK uses essentially the same rating scale as 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 PD estimates (with sufficient margins of conservatism). SEK has two PD-models and PD-scales, one for corporates and institutions and one for central governments, local governments and central banks.

Under the IRB Approach, SEK's definition of default is aligned with Standard & Poor's definition of default. According to SEK's definition, a default arises if any of the following events have occurred (For SEK's definition of default in financial reporting, see also 4.4.2):

a) a counterparty's payment is more than 30 calendar days past due.

b) a compulsory arrangement with creditors has been made by/for the counterparty

c) the counterparty has filed a bankruptcy petition or taken a similar action

SEK reviews its estimates of PDs at least on an annual basis, or when new default statistics or other relevant information becomes available.

Internal rating methodology

One important component of SEK's model for calculating the capital requirement in accordance with the IRB Approach is the internal rating. Individual counterparties are assigned internal rating using different methods for analyzing corporates, insurance companies, financial institutions, sovereigns, regional governments and specialized lending. SEK's uses a through-the-cycle approach, where the risk classification reflects the borrower's ability to repay over an entire economic cycle, which is deemed to suit SEK's business model of mainly long-term lending with matched funding.

SEK uses an expert-based method for internal risk classification. The methodology for internal risk classification is based on both qualitative and quantitative factors. The three driving factors in SEK's internal credit risk assessment for financial institutions are systemic risk, bank specific risk, and government support. For assessment of insurance companies and corporates, the two driving factors are business risk and financial risk. Regarding specialized lending (project finance), the internal credit risk assessment has eight driving factors that define the rating: country risk, legal risk, credit risks, construction risks, operation risks, economic risks, transaction specific risks and structural risks.

Rating Committee
The decision concerning an internal rating for a counterparty, when the IRB approach is used, is made by SEK's Rating Committee. The Rating Committee's task is to use analyses and credit assessments that are carried out according to established methodologies and internal rating proposals from SEK's Credit function in order to (i) establish internal rating for new counterparties, (ii) when considered relevant, review ratings for existing counterparties, and (iii) at least on an annual basis, review internal ratings for existing counterparties. Committee members are from the Credit function and are appointed by the CEO. A rating that has been established by the Rating Committee or has been established according to the specific mandate, may not be appealed against or amended by any other decision body at SEK. In addition, some specific rating decisions are taken by two employees within the Credit function subject to authorization as described in the credit instruction. Under the new accounting standard, IFRS 9, all counterparties must receive an internal rating. Therefore, even non-IRB counterparties have been assigned an internal rating since January 1, 2018.

Use test
The IRB approach is used as an integrated part of SEK's credit management processes. In addition to contributing to the precision in credit assessments, the IRB approach is used in the Company's business activities as a basis for internal profitability analysis, and for calculation of internal capital requirements. The IRB approach is also used to decide the level of credit decision body and to report risk trends in the credit portfolio to the Board and the Risk and Compliance Committee

Credit risk quantification
Under the Foundation IRB model, SEK estimates only the PD. The other parameters of the Basel formula are set by the CRR, i.e. loss given default (LGD) and credit conversion factors (CCFs). Exposure at default (EAD) is the basis for the calculation of risk exposure amount (REA), and constitutes a measure of the amount that is assumed to be the full exposure to the counterparty at the time of a default. For on-balance sheet exposures, the EAD is the gross value of the exposure without taking provisions into account. For off-balance-sheet exposures, the EAD is calculated using a CCF which estimates the future utilization level of unutilized amounts. The two expressions that together primarily quantify the credit risk of an exposure are the PD and the LGD. Using these two parameters and the amount of the outstanding EAD, it is possible to calculate the statistically expected loss (EL) for a given counterparty exposure (PD×LGD×EAD=EL). The risk exposure amount is calculated by using the Basel formula. The Basel Formula computes capital requirements for credit risk at the 99.9 percent confidence level. Under the IRB method, the regulatory capital charge depends only on the unexpected loss (UL). Minimum capital requirements must be sufficient to cover UL, while it should be possible to cover EL, in principle, with day-to-day revenue and, accordingly, there is no need to hold capital for the EL. The EL does not represent risk since it constitutes the amount of loss that a financial institution should anticipate to incur.

Under the standardized approach, the EAD is generally calculated in the same way as under the IRB approach, although credit conversion factors may differ and specific provisions are deducted from the exposure. Institutions also allocate their exposures among the prescribed exposure classes and assign the exposures the risk weights that have been assigned to each respective exposure class. External credit assessments may be used to determine the credit quality level to which an exposure corresponds, and prescribed risk weights for each credit quality to follow. To determine this, financial institutions must utilize correspondence tables between credit rating agencies' different credit ratings and the steps in the credit quality scales established by supervisory authorities. See Table 11 in the Appendix for how these rules apply for SEK. When available, SEK uses the external ratings from the three rating agencies Standard & Poor's, Moody's and Fitch for each counterparty under the standardized approach.

Governance and validation of risk classification system
The expert based rating methods are developed by SEK's Credit function and validated before implementation by SEK's Risk function. New and updated rating methods together with the validation reports are reported to the Risk and Compliance Committee. The Board's Credit Committee approves the rating methods.

The models and estimates for riskparameters are developed and implemented by the Risk function. Validation of these models and estimates are performed by the Risk function. However, the staff who performs validation is different from the staff for model design. In order to ensure the independence of the validation function, the Model and Valuation Committee also critically reviews the new and updated modes and estimates together with the results of the validation reports. In addition, the models and estimates together with the validation reports are reported to the Risk and Compliance Committee. Finally, the Board's Finance and Risk Committee approves all new models and material changes to existing models as well as new and updated risk parameters.

The Risk function performs also yearly quantitative and qualitative validations of SEK's IRB system. Validation aims to ensure that SEK's IRB system has a satisfactory rating capability, prediction level and stability. Validation also aims to demonstrate that the IRB system is well integrated in the organization. Specifically, the aim of validating SEK's PD estimates is to ensure that they are accurate and contain sufficient margins of conservatism, using both internal and external data sources. The results of the validation are reported to the Risk and Compliance Committee and overall validation conclusions are reported to the Board.

The Internal Audit function performs the review of the risk classification system at least on an annual basis. In addition, the Internal Audit function reviews also new models/model updates that lead to applications.

The Board and the committees responsible for risk monitoring have a sound understanding of the functioning of the IRB approach, and sound understanding of the content of the reports from the risk classification system that they receive. The CEO and CRO inform the Board about all significant changes that govern the design and use of SEK's IRB system.

4.2.2 Method for internally assessed economic capital (credit risk modeling)

Internally assessed Economic Capital with regard to credit risk is based on a calculation of value at risk (VaR), calculated with a 99.9 percent confidence level, and comprises a central part of the Company's internal capital adequacy assessment. The calculation of VaR forms the basis for SEK's internal assessment of the amount of capital that should be allocated for credit risk in addition to the minimum capital requirement and Pillar 2 Additional capital requirement. The minimum capital requirement and Pillar 2 Additional capital requirement are analyzed against internally assessed Economic Capital in detail using what is referred to as decomposition, whereby every significant difference in approach between the methods is analyzed separately. Table 4.1 shows parameters that are essential for the quantification of credit risk and how they are set for the Foundation IRB Approach, used by SEK, and for economic capital.

Table 4.1: The difference between the IRB approach under Pillar 1 and internally assessed economic capital

Risk parameters	Foundation IRB approach	Economic capital
Probability of default (PD)	Internal estimate	Internal estimate
Exposure at default (EAD)	Conversion factors[1]	Internal estimate
Loss given default (LGD)	45%[1]	Internal estimate
Maturity (M)	2.5 years[1]	Internal estimate
Correlations	Basel formula[2]	Internal estimate

[1] Risk parameters according to the CRR. 45% and 2.5 years are normally applicable.

[2] The correlation coefficient is calculated in Basel risk weight formula

Two central components that characterize a portfolio credit risk model are: (i) a model for asset correlations between counterparties as a proxy for default and market value changes; 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, in which the correlation model takes into account each counterparty's 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.

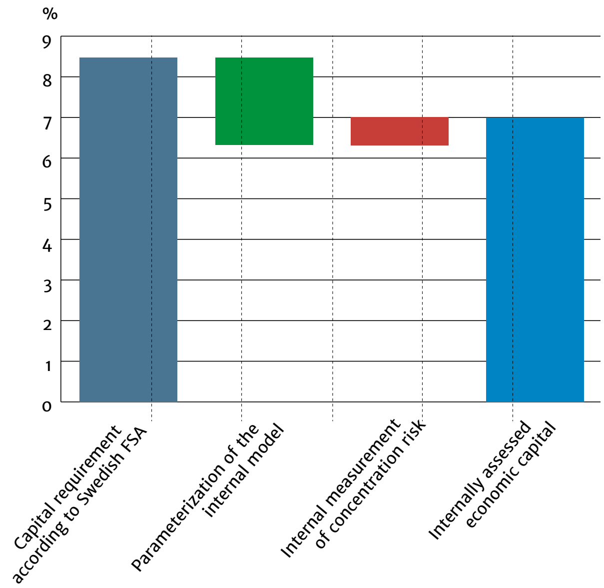
The counterparties' probability of default is based on the same PD estimate that is used in the minimum capital requirement calculation. SEK's model also takes into consideration rating migrations and the unrealized value changes that these migrations result in. Output from the model comprises a probability distribution of the credit portfolio's value for a specific time horizon – normally a period of one year. This probability distribution makes it possible to quantify the credit risk for the portfolio and, thereby, an estimate of the economic capital. Quantification is carried out by calculating VaR, based on the probability distribution, at the confidence level of 99.9 percent.

The factors in SEK's internally assessed economic capital approach that differ from the capital requirement calculated for credit risk according to the Swedish FSA can be categorized into two types: (i) parameterization of the internal model and (ii) concentration risk.

1. Parameterization of the internal model

The IRB formula essentially comprises the parameters stated in Table 4.1. SEK estimates these parameters in the internal model for economic capital. The internally estimated parameter that most significantly affects the capital requirement is maturity. Under the IRB formula, this parameter is fixed at 2.5 years regardless of the exposures' contractual maturity, whereas the internally assessed economic capital model measures the credit risk based on the contractual maturity.

Chart 4.4: Decomposition of the difference in the capital requirement for credit risk according to the Swedish FSA and internally assessed economic capital calculations



2. Concentration risk
A credit portfolio has essentially two types of concentration risk: name concentration risk; and geographic and sector-specific risk. Name concentration risk arises when a credit portfolio comprises a relatively small number of counterparties, and geographic and sector-specific concentration risk arises when counterparties in the credit portfolio are highly correlated to each other. According to SEK's own model, this requirement, Skr 2,822 million (2017: Skr 2,608 million), is somewhat higher than the capital requirement according to the Swedish FSA where the capital requirement for concentration risk is a part of the Additional Pillar 2 requirement.

4.3 Monitoring

SEK's exposures are analyzed and reported regularly for risk concentration due to (i) the size of individual exposures, (ii) the geographical location and (iii) industry affiliation. The analysis includes both direct exposure and indirect exposure. The aforementioned concentration risks are taken into account in SEK's calculation of economic capital for credit risk, where they contribute to higher capital requirements than the minimum requirement. For monitoring and control of large exposures, SEK has defined internal limits, which place further restrictions on the size of such exposures beyond those referred to in the CRR.

Exposures assessed as problem loans, meaning those for which SEK assesses that there is a high probability that the undertaking according to the original agreement will not be fulfilled, are analyzed and reviewed more frequently (see also 4.3.2). The intention is, at an early stage, to identify exposures with an elevated risk of loss and to take action in order to reduce the risk of default, adjust the exposure and minimize credit losses and to ensure that the risk classification reflects the real risk pertaining to the counterparty. Board and different committees receives information about counterparties with higher risk, and that are under more frequent monitoring, on a regular basis.

In addition, stress testing is an important credit risk management tool for SEK. Stress tests and stress scenarios are not only performed under the ICAAP framework, but are also carried out on a regular basis in accordance with SEK's framework for stress testing. Stress tests include macroeconomic scenarios, rating migration analysis and reverse scenarios. The effects of these factors and scenarios are analyzed on SEK's large exposures, expected loss and capital requirements. Stress tests form an integral part of the risk reporting to the Board and the Risk and Compliance Committee. In addition, SEK's stresstest programme includes stresstests for climate-related transitions risk annually. See table below.

Climate-related transition risk

Climate-related risks
Climate-related risks consist of two major categories: transition risks and physical risks. Transition risks include policy, legal, technology, and market changes due to adaptation of new requirements related to climate change. Physical risks are related to physical impacts of climate change such as event-driven acute physical risks and longer-term shifts in climate patterns, such as sea level rise. In the stress test in 2018, SEK focused on transition risks since physical risks were estimated to have limited impact on SEK's credit portfolio.

Scenarios
New Policies Scenario (NPS): The NPS aims to provide a sense of where today's policy ambitions seem likely to take the energy sector. It incorporates not just the policies and measures that governments around the world have already put in place, but also the likely effects of announced policies, including the Nationally Determined Contributions made for the Paris Agreement.
450 Scenario: An energy path is determined with the objective of limiting the average global temperature increase to 2 degrees Celsius by limiting the concentration of atmospheric greenhouse gases to about 450 ppm of CO_2.

Stress parameters
The stress test is conducted by applying estimated negative changes in credit ratings due to climate-related transition risks to SEK's credit portfolio.

Time frame
The stress test measures the impact of climate-related transitions risk on SEK's total capital ratio in the short term (less than 3 years), medium terms (between 3 and 10 years) and long term (more than 10 years)

The regular risk reporting to the board and different committees 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. It also contains information about the results of the stress tests that are applied and the Company's use of credit risk protection.

4.4 Exposure and capital requirements

SEK's exposure at default amounts to central governments and corporates increased due to increased volumes in the liquidity portfolio. Furthermore, a weaker Swedish currency against the USD and the EUR is increasing the total exposure. In addition to this, the average riskweight for lending has increased. This effect can be seen in table 4.2. The minimum capital requirement and the internally assessed economic capital have both increased in relation to corporates for which the risk weight is higher.

Table 4.2: Exposure at default, minimum capital requirement and internally assessed economic capital for credit risk

	Exposure at default		Minimum capital requirement		Internally assessed economic capital	
Skr mn	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Credit risk standardized method						
Central governments	–	–	–	–	–	–
Regional governments	–	–	–	–	–	–
Multilateral development banks	–	–	–	–	–	–
Corporates	1,701	1,316	136	105	152	96
Total credit risk standardized method	1,701	**1,316**	**136**	**105**	**152**	**96**
Credit risk IRB method						
Central governments	171,572	161,429	792	747	755	828
Financial institutions	33,953	38,163	790	1,015	384	470
Corporates	113,987	104,630	4,760	4,301	5,717	5,504
Assets without counterparty	90	121	7	10	–	–
Total credit risk IRB method	**319,602**	**304,343**	**6,349**	**6,073**	**6,856**	**6,802**
Total credit risk	**321,303**	**305,659**	**6,485**	**6,178**	**7,008**	**6,898**

Table 4.3: Exposure guaranteed by government export credit agencies

Skr bn	Guaranteed exposure		Percentage	
	2018	2017	2018	2017
Swedish Export Credits Guarantee Board (EKN)	131.7	137.5	92%	91%
Bpifrance Assurance Export	7.3	7.8	5%	5%
Export-Import Bank of the United States	2.1	2.4	1%	2%
Euler Hermes Kreditversicherungs AG	0.9	1.4	1%	1%
Other	1,8	2.2	1%	1%
Total	**143.8**	**151.3**	**100%**	**100%**

Table 4.4: Effect of credit exposure mitigation at December 31, 2018

Skr bn	Gross exposures by exposure class						
Amounts related to credit risk mitigation issued by:	**Central govern-ments**	**Regional governments**	**Public Sector Entity**	**Financial institutions**	**Corpo-rates**	**Total**	**wherof subject to IFRS9[1]**
Central governments	50.9	1.7	–	0.2	94.3	147.1	147.1
of which guarantees by the Swedish Export Credit Agency	49.9	1.7	–	0.1	80.1	131.8	131.8
of which guarantees by other export credit agencies	1.0	–	–	0.1	10.9	12.0	12.0
of which other guarantees	–	–	–	–	3.3	3.3	3.3
Regional governments	–	0.0	–	5.5	0.8	6.3	6.3
Multilateral development banks	–	–	–	–	0.1	0.1	0.1
Financial institutions	0.0	–	–	0.0	6.9	6.9	6.9
of which credit default swaps	–	–	–	–	–	–	–
of which other guarantees	0.0	–	–	0.0	6.9	6.9	6.9
Corporates	–	–	–	–	2.7	2.7	2.7
of which credit insurance from insurance companies	–	–	–	–	1.8	1.8	1.8
of which other guarantees	–	–	–	–	0.9	0.9	0.9
Total mitigated exposures	**50.9**	**1.7**	**–**	**5.7**	**104.8**	**163.1**	**163.1**
Non-mitigated exposures[2]	22.5	7.1	0.6	27.3	116.8	174.3	105.3
Total	**73.4**	**8.8**	**0.6**	**33.0**	**221.6**	**337.4**	**268.4**

[1] Assets valued at accrued acquisition value, which are subject to the write-down requirements in IFRS 9

[2] Exposures whereby the hedge issuer belongs to the same group as the counterparty in the unhedged exposure have been reported as "Un-hedged exposures." The amounts for these were Skr 25.8 billion for corporates and Skr 0.2 billion for central governments.

4.5 Impairments, past due exposures and provision process

From 1 January 2018, SEK applies the new accounting standard IFRS 9 for impairment of financial instruments. The model for calculating expected credit losses (ECL) is based on exposures being at one of three different stages: Stage 1, Stage 2 or Stage 3.

1. Stage 1 covers all exposures from initial recognition. Stage 1 also includes exposures where the credit risk is no longer significantly higher compared to initial recognition and therefore have been reclassified from stage 2. In stage 1, the ECL calculation should correspond to provisions based on expected credit losses for the forthcoming 12-month period (12mECL).
2. Stage 2 covers exposures where the credit risk has increased significantly since initial recognition. Stage 2 also includes exposures where the counterparty/exposure is no longer in default and which have therefore been reclassified from stage 3. In stage 2, the provision is based on expected credit losses over the remaining lending period of the asset (LTECL).
3. Stage 3 covers the exposures that are in default. An individual assessment is made for these exposures.

The ECL calculation is based on LTECL. 12mECL comprises the part of LTECL that arises from expected credit losses based on the probability of default (PD) within 12 months of the reporting date. Both LTECL and 12mECL are calculated on an individual basis. When an exposure moves between the stages different probation times are applied depending on the cause.

The ECL is based on SEK's objective expectation of how much it will lose on the exposure given its knowledge on the reporting date and after taking into consideration what could occur in the future. The LGD should incorporate actual future expectations, in other words, all cash flows including guarantees. The calculation of ECL is Point-in-Time and the included parameters PD, LGD and EAD are all Point-in-Time and should not be con-fused with the corresponding parameters for capital adequacy. SEK's impairment calculation takes into account forward-looking information and it entails three scenarios: a base scenario; a downturn scenario; and an upturn scenario. For more information about SEK's ECL-calculation, see Note 1 in SEK's Annual Report 2018.

There are some differences between the definitions of default applied in the financial reporting under IFRS 9 and under the capital adequacy framework. Under capital adequacy framework, SEK determines that a default arises if a counterparty's payment is more than 30 calendar days past due. In the financial reporting, the exposure moves into default if a counterparty's payment is more than 90 calendar days past due. In addition, SEK applies "Unlikely to pay" under the financial reporting, whereas under capital requirements the following events are regarded as defaults: (i) a compulsory arrangement with creditors has been made by/for the counterparty, and (ii) the counterparty has filed a bankruptcy petition or taken a similar action. See SEK's definition of default under capital framework in section 4.2.1.

SEK does not have any exposures more than 90 calendar days past due that are not considered as bad debts.

Under IFRS 9, SEK determines only individual, specific provisions. No general provisions are made. When there are objective circumstances indicating that the financial asset may need to be written down in accordance with Stage 3 an individual reservation test is made. The provision proposals from account managers and credit analysts are confirmed by CCO before they are prepared and recommended by the Credit Committee. The Board's Credit Committee decides on provisions. Finally, the Board determines the financial statements and, consequently, final provisions.

In the upcoming work on applying the new definition of default as well as non-performing and forborne exposures an adaption will be made to meet the new regulations.

Expected credit losses and actual losses

The table 4.5 provides a comparison for 2008–2018, between the expected loss amount for non-defaulted exposures at the start of each year and the actual losses attributable to internally risk-classified exposures that defaulted during that year. The time horizon of the expected loss amount is one year. In this context, actual loss is defined as either the write-down or the realized credit loss, at the end of the year that the exposure defaulted.

12 defaults occurred in the classes exposures to corporates and exposures to financial institutions under the IRB Approach between 2008 and 2018. Seven of these were not classified as IRB defaults before 2018. This since these exposures were earlier classified according to the standardized method. None of these defaults resulted in actual losses during 2018. Since the number of defaults for the period is small, it is not possible to draw any significant conclusions based on this in regard to the accuracy of the probability of default used by SEK.

Table 4.5: Comparison of expected losses and actual losses (IRB)

Skr mn	Corporates	Financial institutions	Central governments and central banks	Total
2008				
Expected loss amount	37	25	n.a.	62
Actual loss	–	389	n.a.	389
2009				
Expected loss amount	64	46	n.a.	110
Actual loss	31	–	n.a.	31
2010				
Expected loss amount	89	51	n.a.	140
Actual loss	–	–	n.a.	–
2011				
Expected loss amount	97	46	n.a.	143
Actual loss	–	–	n.a.	–
2012				
Expected loss amount	111	36	n.a.	147
Actual loss	–	–	n.a.	–
2013				
Expected loss amount	133	27	n.a.	160
Actual loss	–	–	n.a.	–
2014				
Expected loss amount	167	24	n.a.	191
Actual loss	–	–	n.a.	–
2015				
Expected loss amount	182	18	n.a.	200
Actual loss	33	–	n.a.	33
2016				
Expected loss amount	170	15	n.a.	185
Actual loss	–	–	n.a.	–
2017				
Expected loss amount	154	15	7	176
Actual loss	21	–	–	21
2018				
Expected loss amount	171	10	10	191
Actual loss	–	–	–	–

4.6 Counterparty credit risk

4.6.1 Management

Counterparty credit risk arises when SEK enters into derivative transactions with a counterparty. The purpose of SEK's derivatives transactions is to mitigate market risks. SEK addresses counterparty credit risk in derivatives transactions in a number of ways. Firstly, counterparty credit risk is restricted through credit limits in the ordinary credit process. SEK has sublimits that constrain counterparty credit risk exposures from derivative contracts. Secondly, SEK's counterparty credit risk in derivatives is sought to be reduced by ensuring that derivatives transactions are subject to netting agreements in the form of ISDA Master Agreements. SEK only enters into derivatives transactions with counterparties in jurisdictions where such netting is enforceable. Thirdly, the ISDA Master Agreements are complemented by supplementary agreements providing for the collateralization of counterparty credit exposure. The supplementary agreements are in the form of ISDA Credit Support Annexes (CSAs), providing for the regular transfer and re-transfer of collateral. There are no such thresholds in SEK's CSAs which would mean that SEK would need to post additional collateral in the case that any rating agency were to lower SEK's rating.

Central clearing reduces bilateral counterparty credit risk. Since end of the 2016, SEK clears, in accordance with the European Markets Infrastructure Regulation (EMIR), the interest-rate derivatives with central counterparties.

No transactions with material specific correlation risk have been identified.

4.6.2 Measurement

SEK measures the exposures from counterparty risk by using the mark-to-market method described in the CRR. The mark-to-market method defines the exposure values as the replacement costs of the contracts with a regulatory add-on for potential future credit risk exposure. SEK assigns market values to the contracts to determine the replacement cost. The potential future credit risk add-on is calculated according to the CRR and depends on the type and maturity of the transactions. The method allows for extensive netting in the calculation of exposures where there are enforceable netting agreements, which is the case in SEK's exposures and thus this option is applied consistently. The mark-to-market method is also used for calculation of minimum capital requirements and internally assessed economic capital for counterparty credit risk exposures. Credit default swaps that are included as credit risk mitigation for credit risk exposure calculations do not contribute separately to capital requirements for counterparty credit risk.

4.6.3 Monitoring

SEK:s counterparty credit risk exposures are analyzed and reported to the management and the Board of Directors regularly. In addition, SEK's stress test program also include counterparty credit risk exposures.

4.6.4 Exposure and capital requirement

All of SEK's counterparts in derivatives transactions are financial institutions, hence all counterparty credit risk exposure is to financial institutions. If a derivatives transaction with a counterparty has a positive value for SEK (SEK is "in the money"), a default by the counterparty could signify a loss for SEK. Table 4.6 displays the effects of the netting agreements, collaterals and regulatory add-ons when converting the balance sheet values of derivative assets to the exposure at default for counterparty risk for the minimum capital requirement calculated in accordance with the marked-to-market method. Exposures and capital requirements from counterparty credit risk are included in total credit risk measurements. Mitigating credit default swaps are not included in measures for counterparty credit risk.

Table 4.6: Total counterparty credit risk exposure

	Exposure	
Skr mn	2018	2017
Positive market value of derivative contracts	6,529	7,803
Exposure reduction from netting agreements	-4,621	-5,603
Exposure after netting	**1,908**	**2,200**
Exposure reduction from collateral received	-1,893	-1,705
Exposure from collaterals pledged	613	-
Exposure after netting and collateral	**628**	**495**
Regulatory add-on for potential future credit exposure	3,897	3,636
Total exposure amount from counterparty risk	**4,525**	**4,131**
Minimum capital requirement	**133**	**126**

4.7 Credit Valuation Adjustment risk

A large portion of SEK's derivative contracts are OTC (over the counter) derivatives, meaning derivative contracts that are not exchange-traded products. A capital requirement for Credit Valuation Adjustment risk (CVA) is to be calculated for all OTC derivative contracts, except for credit derivatives used as credit protection and transactions with a qualifying central counterparty. SEK calculates this capital requirement according to the standardized method.

Table 4.7: Credit Valuation Adjustment risk

	Risk exposure amount		Minimum capital requirement	
Skr mn	2018	2017	2018	2017
Credit valuation adjustment risk	2,037	1,989	163	159

5. Liquidity risk

Liquidity and funding risk is the risk of not being able to refinance existing assets or to meet increased demands for liquid funds. It also includes the risk of having to borrow at an unfavorable interest rate or selling assets at unfavorable prices in order to meet payment commitments.

5.1 Management

5.1.1 Internal governance and responsibility

Governing Documents and responsibility

SEK's liquidity risk is governed by the Risk Policy, the Liquidity Risk Instruction, and other governing documents issued by the Board, the CEO, and the CRO. These governing documents set out the framework for the level of liquidity risk assumed by SEK, limit structure that clearly defines the permitted net liquidity risk exposures, and instructions established by the CEO regulate SEK's management of liquidity risks. In addition, the Board decides on the risk strategy, including liquidity risk strategy, risk appetite as well as the overall limits the Company will operate within. All instructions are re-established annually. The risk control function is responsible for liquidity risk reporting, following up exposures versus limits and for escalating to executive management, the Board's Risk and Finance Committee, and the Board as appropriate. If a limit breach occurs it is timely escalated by the CRO to the CEO and the Board's Finance and Risk Committee. For description of SEK's risk appetite for liquidity risk see Table 2.1, Detailed risk statement.

Operational responsibility for liquidity risk management lies within SEK's Treasury function. Short-term liquidity is monitored and managed on a daily basis, while long-term liquidity planning is monitored on a monthly basis and reported to the Executive Committee and the Board. Funding managers ensure that available funding always exceeds credit commitments throughout the lifespan of the credit portfolio. Responsibility for ensuring compliance with short-term and long-term liquidity risk limits lies within Treasury.

5.1.2 Risk mitigation methods

Match funding of the Company's balance sheet is a fundamental and integral part of SEK's business operation.That means that funding must be available for the full maturity period for all of SEK's credit commitments – outstanding credits and agreed, but undisbursed credits. For CIRR credits, which SEK manages on behalf of the Swedish state, the Company includes its loan facility with the Swedish National Debt Office as available funding. The loan facility, granted by the government via the Debt Office, amounts to Skr 125 billion (125) and may only be used to finance CIRR credits. The credit facility is valid through December 31, 2018 and entitles SEK to receive financing over the maturities of the underlying CIRR credits. The credit facility is renewed annually.

The primary tools to avoid a deficit in the short term are to control the maturity profile of the liquidity portfolio. A sound maturity profile is maintained by adapting the volume of overnight deposits in accordance with current needs and market conditions. To ensure availability to long-term funding SEK ensures access to a diversified funding base. A diversified funding base is ensured by actively raising funds in different markets, currencies and maturities. SEK also has a swing line that functions as a back-up facility for the commercial paper programs used for short-term funding. Although SEK has a hold to maturity policy, the Company holds a diversified and highly liquid liquidity reserve which can be readily converted into cash at a low cost.

5.2 Measurement

5.2.1 Liquidity risk from a short-term perspective

The liquidity coverage ratio (LCR) is used to address short-term liquidity. The LCR measures the available unencumbered high-quality liquid assets (HQLAs) against net cash outflows arising in the 30-day stress scenario period. SEK calculates the LCR according to the requirement of the EU Commision's regulation. LCR reporting in accordance with the EU Commision's delegated act started on October 30, 2016. The requirement has been phased in gradually with 70% in 2016, 80% in 2017 and 100% in 2018 for all currencies combined. In addition, the Swedish FSA requires the intitutions to keep an LCR ratio of at least 100% separately also in EUR and USD. Liquidity forecasts for a period of up to one year are also produced on a regular basis.

Stress tests on cash flows are performed on a regular basis. The effects on SEK's liquidity position and access to central bank facilities are analyzed and the results are incorporated in SEK's contingency funding plan, which addresses liquidity management in a liquidity crisis. See section 5.2.3 "Stress testing and contingency plan" for more detailed information.

5.2.2 Liquidity risk from a long-term perspective

No additional funding is required to manage commitments with regard to existing credits besides collateral flows since SEK's balance sheet is match funded. This policy is monitored through the reporting of maturity profiles for lending and borrowing. Some of SEK's structured long-term borrowing includes early-redemption clauses that will be triggered if certain market conditions are met. Thus, the actual maturity for such contracts is uncertain. The reporting of maturity profiles assumes that such borrowing is to be repaid at the first possible redemption opportunity. This assumption is an expression of the precautionary principle that the Company applies concerning liquidity management. SEK also carries out various sensitivity analyses with regard to such instruments in which different market conditions are simulated.

The net stable funding ratio (NSFR) is also used to measure long-term structural liquidity risk. The NSFR measures the amount of stable funding available to a financial institution against the required amount of stable funding with a duration exceeding one year. Minimum requirements, in accordance with the CRR, will be in place in 2020 at the earliest.

5.2.3 Stress testing and contingency plan

SEK regularly stress tests liquidity risk by applying various scenarios, including a market-wide stress scenario, a company-specific stress scenario and a combination of the two.

General assumptions for these scenarios include, but are not limited to, the following:

- SEK meets all of its previously agreed credit commitments
- SEK continues to grant new credits in accordance with the business plan
- SEK's liquidity reserve can quickly be converted into liquid funds
- SEK can utilize the credit facility with the Swedish National Debt Office as one of the possible measures to avoid deficits for CIRR-credits.

Scenario-specific assumptions include, but are not limited to:

- Market stress: not all funding that matures can be refinanced and additional collateral outflows are accounted for
- Company-specific stress: only a small fraction of all funding that matures can be refinanced
- Combination of market and company-specific stress: no funding that matures can be refinanced and additional collateral outflows are accounted for.

The stress test results at December 31, 2018 show that SEK's survival period exceeds 1 year in all three scenarios described above. This is in line with the Company's liquidity policy, to have the ability to ensure readiness to make payments in the form of agreed but undisbursed credits and payments under collateral agreements. The results also show that SEK has appropriate resources to meet the liquidity needs from granting new credits in accordance with the established business plan for the coming year.

The stress test results are important input for SEK's contingency funding plan, which addresses 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 was to occur. The plan also describes the roles and responsibilities during a liquidity crisis, including the authority to invoke the plan. It contains an escalation procedure, including a description of when the plan should be activated and how the different actions should be prioritized in a liquidity crisis. Furthermore, an internal and external communication plan is included in SEK's contingency funding plan.

In addition to the scenario stress tests above, SEK analyzes the effect on the requirement for regulation of net exposures in the event that the credit rating of the Company is stressed. No amount could be claimed from SEK in the event of a downgrade of SEK's rating to 'A+' from 'AA+' at year-end 2018, which was the same outcome as at year-end 2017.

5.3 Monitoring

Liquidity risk is monitored through regular analysis and reporting to the Board, CEO and the Treasury function. Board reports are produced on a monthly basis and include follow-up of LCR, NSFR, internal measurements, portfolio composition and liquidity stress tests. Daily follow-up of liquidity risk and cash flow forecasts is reported to the Treasury function.

5.4 Exposure and capital requirements

5.4.1 Liquidity portfolio

A fundamental concept in SEK's liquidity and funding risk management is that the liquidity investments will be held to maturity. Instead of selling assets as funds are needed, the maturity profiles of the liquidity investments are matched against funds expected to be paid out. SEK's liquidity investments ensure lending capacity at times of market stress, or if market conditions are deemed disadvantageous. This is an important part of the Company's business model and necessary to meet SEK's policy on liquidity risk.

To meet the financing requirements for long-term lending, liquid assets surpluses are invested in assets with high credit quality. At December 31, 2018, the amount of SEK's liquidity investments was Skr 61.7 billion (2017: Skr 55.7 billion). The size of the liquidity portfolio is adapted to cover outflows from agreed but undisbursed credits, collateral agreements with derivative counterparties, outflows arising due to short-term funding transactions and new lending capacity. At year-end 2018, the volume of agreed but undisbursed credits, including CIRR credits, amounted to Skr 50.8 billion (2017: Skr 72.9 billion). The aim for SEK's lending capacity is to provide at least two months' new lending in line with SEK's business plan. At year-end 2018, new lending capacity corresponded to 5 months (15). The method for new lending capacity was revised in 2018, now excluding the utilisation of different credit facilitities.Issuers included in the liquidity portfolio must have an internal rating of at least 'A-'. However, for commercial paper and corporate bonds, an internal rating of at least 'BBB-' is allowed if remaining maturity does not exceed one year. The Charts 5.1, 5.2 and 5.3 below provide a breakdown of SEK's liquidity investments by exposure class/type, maturity and rating at December 31, 2018. See Appendix tables 23, and 24 for further breakdowns.

5.4.2 Liquidity reserve

SEK's liquidity reserve is a part of the liquidity portfolio and comprises highly liquid assets including balances with other banks and the National Debt Office. All assets are LCR eligible according to the EU Commission's regulations. The composition of the liquidity reserve is presented in Table 25 in the Appendix.

Chart 5.1: SEK's liquidity investments at December 31, 2018 (and 2017), by exposure class/type

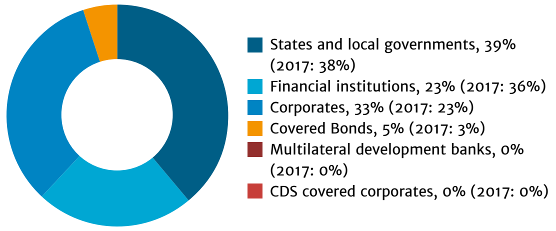
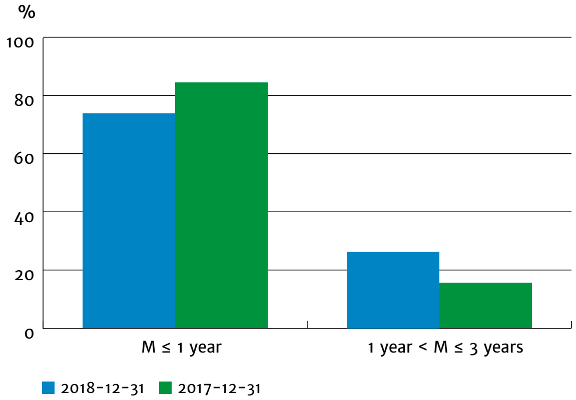


Chart 5.2: Remaining maturity (M) in SEK's Liquidity investments at December 31, 2018 (and 2017)



5.4.3 Funding portfolio

To secure access to large volumes of funding and to ensure that insufficient liquidity in individual funding sources does not pose an obstacle to operations, SEK issues bonds with different structures, currencies and maturities. In addition, SEK also carries out issues in many different geographical markets. As a general rule, SEK converts the proceeds from bonds denominated in other foreign currencies than EUR and USD to EUR or USD by using derivatives. To manage and ensure market access at all times, SEK seeks to establish and maintain good relationships with its investors. SEK has sufficiently diversified funding sources. See the following charts 5.4, 5.5 and 5.6 that illustrate some of the aspects of the diversification of SEK's funding. See Table 26 in the Appendix for a detailed breakdown by region and structure. Net total long-term funding taking into account swaps amounted to Skr 248.7 billion at December 31, 2018.

Chart 5.3: SEK's liquidity investments at December 31, 2018 (and 2017), by rating

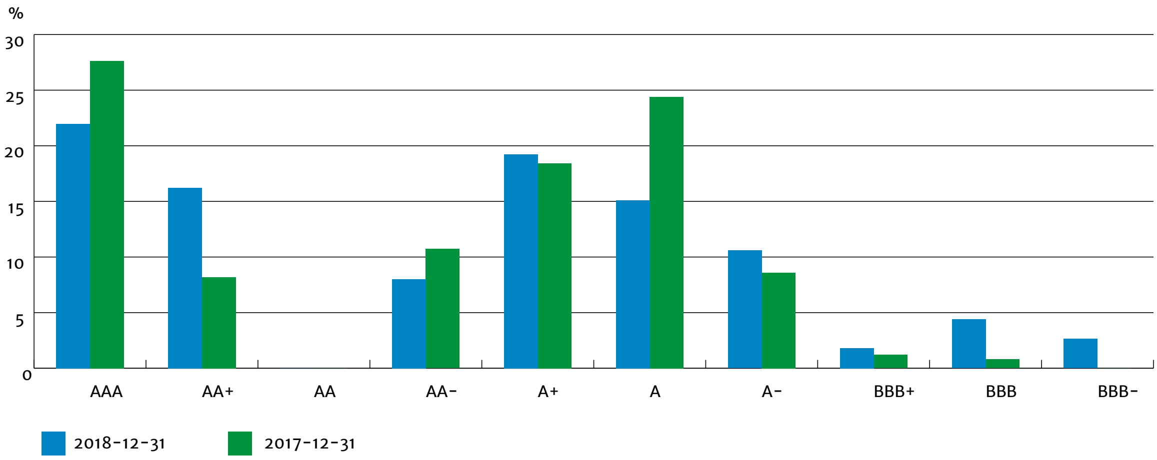


Chart 5.4: Long-term funding at December 31, 2018 (and 2017), by issue currency

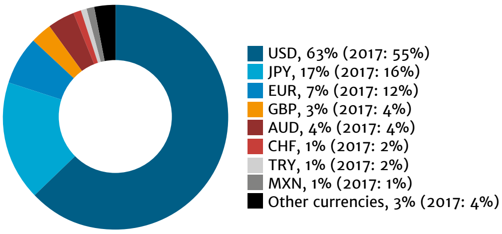


Chart 5.5: Long-term funding as of December 31, 2018 (and 2017), by structure type

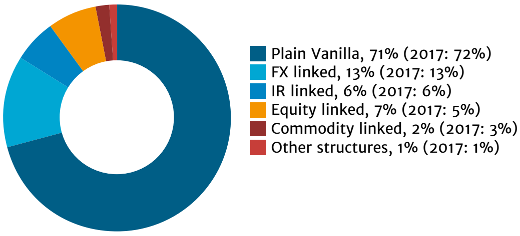
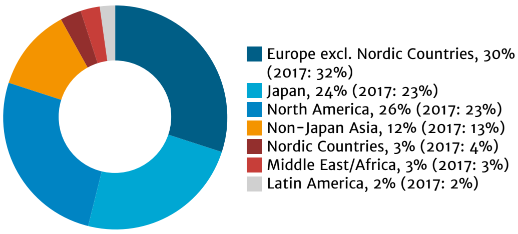


Chart 5.6: Long-term funding as of December 2018 (and 2017), by region



Some of SEK's structured long-term borrowing includes early-redemption clauses that will be triggered if certain market conditions are met. For long-term funding, the volume was 19% at December 31, 2018 (year-end 2017: 17 percent) The sensitivity to the underlying indices of such early-redemption clauses is presented to the Board's Risk and Finance Committee on a regular basis together with a forward-looking analysis of how this debt is expected to perform.

For short-term funding see Table 5.1 that illustrates SEK's funding programs, including US Commercial Paper program (UCP) and European Commercial Paper program (ECP), for maturities up to one year.

Table 5.1: Short-term funding programs

Program type	UCP	ECP
Currency	USD	Multiple currencies
Number of dealers	4	4
"Dealer of the day facility"	No	Yes
Program size	USD 3,000 mn	USD 4,000 mn
Usage at Dec. 31, 2018	USD 830 mn	USD 219 mn
Maturity	Maximum 155 days	Maximum 35 days

5.4.4 Liquidity risks during 2018

SEK's liquidity situation has been stable over the year. The following chart 5.7 illustrates the development of the liquidity measure LCR according to the EU Comission's Delegated Act. At December 31, 2018, the volume of LCR eligible assets was Skr 23.3 billion and SEK fulfilled the LCR regulatory requirements by having an LCR ratio at an aggregate level of 266 percent (169), a ratio for EUR of 323 percent and a ratio for USD of 192 percent. At December 31, 2018, the NSFR was 144 percent (140).

Table 5.7: LCR summary according to Article 435 of Regulation (EU) No 575/2013

Skr Bn		Total unweighted value (average)				Total weighted value (average)			
		Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Number of data points used in the calculation of averages		12	12	12	12	12	12	12	12
High-quality liquid assets									
1	Total high-quality liquid assets (HQLA)	–	–	–	–	20.4	19.5	18.3	18.1
Cash outflows									
2	Retail deposits and deposits from small business customers, of which:	–	–	–	–	–	–	–	–
3	Stable deposis	–	–	–	–	–	–	–	–
4	Less stable deposits	–	–	–	–	–	–	–	–
5	Unsecured wholesale funding	5.1	4.5	4.2	5.3	5.1	4.5	4.2	5.3
6	Operational deposits (all counterparties)	–	–	–	–	–	–	–	–
7	Non-operational deposits (all counterparties)	–	–	–	–	–	–	–	–
8	Unsecured debt	5.1	4.5	4.2	5.3	5.1	4.5	4.2	5.3
9	Secured wholesale funding								
10	Additional requirements	44.6	47.0	41.5	35.9	11.1	10.9	9.3	8.2
11	Outflows related to derivative exposure and other collateral requirements	7.0	6.5	5.4	4.9	7.0	6.5	5.4	4.9
12	Outflows related to loss of funding on debt products	–	–	–	–	–	–	–	–
13	Credit and liquidity facilities	36.7	40.5	36.0	30.9	4.1	4.4	3.9	3.3
14	Other contractual funding obligations	3.6	4.1	4.1	3.1	3.6	4.1	4.1	3.1
15	Other contingent funding obligations	3.4	3.4	3.4	3,3	0.1	0.1	0.1	0.1
16	Total cash outflows					19.9	19.6	17.7	16.7
Cash inflows									
17	Secured lending (eg reverse repos)	–	–	–	–	–	–	–	–
18	Inflows from fully performing exposures	15.5	15.0	15.0	15.1	11.2	10.8	10.4	10.3
19	Other cash inflows	3.1	3.4	4.9	6.4	3.1	3.4	4.9	6.4
20	Total cash inflows	18.6	18.4	19.9	21.5	14.3	14.2	15.3	16.7
EU-20a	Fully exempt inflows	–	–	–	–	–	–	–	–
EU-20b	Inflows Subject to 90% Cap	–	–	–	–	–	–	–	–
EU-20c	Inflows Subject to 75% Cap	18.6	18.4	19.9	21.5	14.3	14.2	15.3	16.7

		Total adjusted value			
21	Liquidity buffer	20.4	19.5	18.3	18.1
22	Total net cash outflows	7.4	7.3	6.8	5.3
23	Liquidity coverage ratio (%)	352%	342%	366%	400%

Throughout the year, SEK operated with a match-funded balance sheet, i.e. SEK's inflows exceeded outflows for the entire maturity period when disregarding collateral outflows from agreements with derivative counterparties.

5.4.5 Internally assessed economic capital for liquidity risk

SEK does not allocate capital for liquidity risk. SEK regards liquidity risk as being, primarily, a contingent risk, since it would be typically caused by credit losses or other problems in its own business in a general economic downturn or in a financial crisis. Although liquidity risk may arise due to the aforementioned reasons, SEK believes that the likelihood and impact of a liquidity crisis are alleviated or mitigated if the exposure is limited and if the company has a solid contingency plan and professional risk management. Accordingly, SEK focuses primarily on prudent and professional liquidity risk management.

6. Market risk

Market risk is the risk of loss or reduction of future net income following changes in prices and volatilities on financial markets including price risk in connection with the sale of assets or closing positions.

6.1 Management

6.1.1 Internal governance and responsibility

Governing Documents and responsibility

SEK's market risk is governed by the Risk Policy, the Market Risk Instruction, and other governing documents issued by the Board, the CEO, and the Chief Risk Officer (CRO). These governing documents set out the framework for the level of market risk assumed by SEK, the limit structure that defines the permitted net market risk exposures and instructions established by the CEO regulate SEK's management of market risks. In addition, the Board decides on the risk strategy, including market risk strategy, risk appetite as well as the overall limits the Company will operate within. All instructions are re-established annually. The risk control function is responsible for market risk reporting, following up exposures versus limits and for escalating to executive management, the Board's Risk and Finance Committee, and the Board as appropriate. If a limit breach occurs it is timely escalated by the CRO to the CEO and the Board's Finance and Risk Committee. For description of SEK's risk appetite for market risk see Table 2.1, Detailed risk statement.

SEK conducts no active trading and SEK's business model entails that all transactions are held to maturity.

6.1.2 Risk mitigation methods

SEK funds itself by issuing debt, both plain vanilla and structured, which is swapped to a floating interest rate. Funds that are not immediately used for lending are retained to provide lending capacity in the form of liquidity investments and a liquidity reserve. The lending is also either granted at or swapped to floating interest rates. Liquidity investments and the liquidity reserve are typically floating rate notes. The intention is to hold both assets and liabilities to maturity.

SEK ensures that, apart from the market risk that originates from unrealized changes in value of SEK's assets and liabilities, the market risk is low. The open interest-rate and currency risk that results from residual mismatches between the interest rate fixing dates in different currencies is immunized against the changes in currency exchange rates and interest-rate changes.

Duration of funding typically matches the duration of lending and the liquidity investments' maturity profile is adjusted to ensure that all the agreed lending transactions are funded. The remaining unrealized changes in the value of SEK's assets and liabilities due to market movements may affect the volatility of both own funds and earnings. Effects on own funds and earnings are primarily the result of changes in credit spreads, cross-currency basis swap spreads, interest rates and currency exchange rates. SEK's Board's stated risk appetite sets clear boundaries for the volatility that affects SEK's own funds.

6.2 Measurement

SEK uses VaR as the main method for measuring market risk. It is reported for the Company as a whole as well as separately for the liquidity portfolio. VaR is complemented by the aggregated risk measure, which is based on a monthly worst-case scenario, as well as risk specific measures and various stress tests (see sections 6.2.2 to 6.2.4 below).

6.2.1 Value at Risk

VaR is a statistical technique used to measure and quantify the level of financial risk over a specific time frame at a predefined confidence level. SEK uses a historic simulation VaR model that applies historic market movements to current positions and estimates the expected loss for a time horizon of one day at a 99% confidence level. Market parameters used as risk factors are:

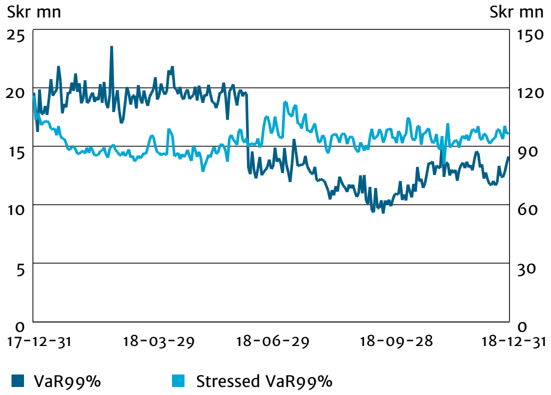
- Interest rates
- Cross-currency basis spreads
- Credit spreads
- Foreign exchange
- Equities
- Indices
- Commodities
- Volatilities

The VaR simulations are based on two years' daily market movements. In addition to VaR, stressed VaR is also calculated on a daily basis. The market data time series used for stressed VaR starts in 2006 and includes periods with extreme market movements, such as the bankruptcy of Lehman Brothers in 2008 and the euro crisis taking off in 2010, allowing for the identification of a worst case scenario. Stressed VaR is based on daily market movements for one year during the stressed period.

VaR is calculated for the potential impact on own funds. It includes positions measured at fair value in the balance sheet, excluding effects from changes in own credit spread, plus foreign-exchange risk originating from positions held at amortized cost.

The main risk drivers for the daily VaR are interest rates, credit and basis spreads. See section 6.2.3 Risk specific measures for a more detailed description of the risk drivers.

Chart 6.1: VaR and stressed VaR, Skr mn



6.2.2 Aggregated risk measure

The aggregated risk measure is based on a number of scenarios that have a one month risk horizon. The scenarios are updated monthly and consist of historical risk factor movements from the entire period since the end of 2006. SEK's aggregated risk measure evaluates the impact on SEK's equity value by applying extreme movements of market factors which have been observed in the past. The exposure which is based on the worst scenario is evaluated using SEK's current market sensitivities for interest-rate risk, cross-currency basis swap risk, credit spread risk in assets and foreign-exchange risk. The Board's risk limit for the aggregated risk measure of Skr 1,100 million is measured against the worst scenario which, for SEK at the end of 2018, was the scenario based on the market movements from October 31,2008.

6.2.3 Risk specific measures

VaR and the aggregated risk measure are supplemented by specific risk measures including specific interest-rate risk measures, spread risks and currency risk measures, etc.

The measurement and limiting of interest-rate risk at SEK are divided into two categories:

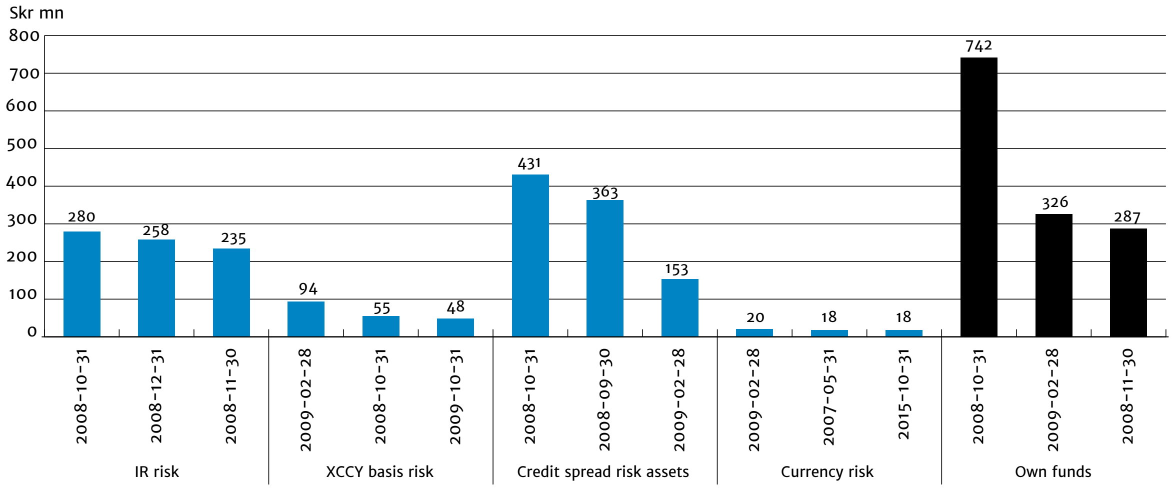
- Interest-rate risk affecting economic value of equity (EVE)
- Interest-rate risk affecting net interest income (NII).

Interest-rate risk affecting EVE

The interest-rate risk affecting economic value of equity is calculated, by means of stress tests, as the change in present value from a one percentage point upward parallel shift in all the yield curves and as a half-percentage-point rotation of all the yield curves. The exposure, for each stress test, is aggregated per currency and the highest of the absolute sum for all negative respectively positive outcomes defines the risk. SEK hedges interest-rate risk for all holdings with a goal of reducing the impact on net interest income. This means that SEK does not fully hedge the interest-rate risk for changes in market values on instruments measured at fair value through profit or loss, since some of these positions are hedging positions recognized at amortized cost. As can be seen from Chart 6.3, SEK's risk appetite for market risk due to the unmatched cash flow is low.

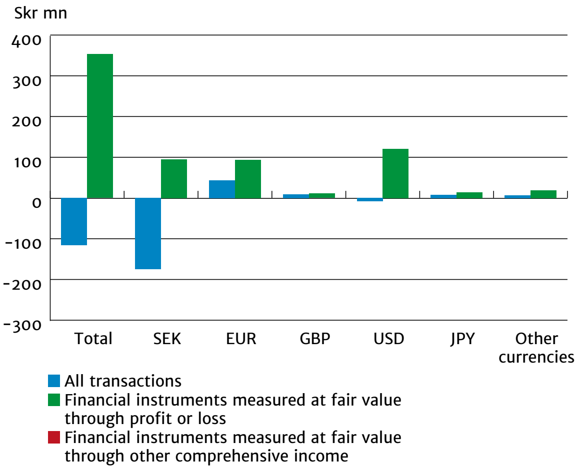
SEK's interest rate affecting EVE is shown in chart 6.3. Total interest-rate risk, netted over currencies, amounted to Skr -116 million at year-end 2018 (year-end 2017: Skr -171 million). The total interest-rate risk in Skr amounted to Skr -174 million (year-end 2017: Skr -188 million).

Chart 6.2: Top three worst scenarios in the aggregated market risk measure, per risk type and total effect over equity, Skr mn



For each risk factor, the three different dates presented in Chart 6.2 represent the date at which the worst scenario would have occurred measured on the exposures outstanding at December 31, 2018. For the total effect on equity, the three dates represents the dates at which equity had been most negatively impacted measured on the exposures outstanding at December 31, 2018.

Chart 6.3: Interest-rate risk by currency, +100 BP, at December 31, 2018, Skr mn



Interest-rate risk affecting NII within one year

The NII risk depends on SEK's overall business profile, particularly mismatches between interest bearing assets and liabilities in terms of volumes and repricing periods. Interest-rate risk to the NII within one year is calculated as the effect on the NII during the next year under the condition that new financing and investment take place after an interest-rate change of one percentage point. Assets provide positive risk to the NII and liabilities provide a negative risk to the NII. SEK hedges interest-rate risk for all positions in order to minimize volatility to the NII regardless of accounting classification.

Spread risks

SEK's significant spread risks are credit spread risk in assets, credit spread risk in own debt and cross-currency basis swap risk.

Credit spread risk in assets indicates potential unrealized gains or losses due to changes in credit spreads for bond holdings in SEK's liquidity portfolio measured at fair value through profit and loss. Credit spread risk in assets is calculated as the change in present value after a one percentage point increase in the credit spreads.

Credit spread risk in own debt indicates a potential impact on SEK's own funds in the form of unrealized gains or losses, as a result of changes in SEK's own credit spread. Credit spread risk in own debt is calculated as the change in present value after a 0.2-percentage-point shift in SEK's own credit spread and is attributable to SEK's structured debt portfolio.

A change in the cross-currency basis swap spreads impacts both the market value of SEK's positions (cross-currency basis swap price risk) and future earnings (risk to the NII from cross-currency basis swaps).

The cross-currency basis swap price risk measures a potential impact on SEK's own funds, in the form of unrealized gains or losses, as a result of changes in cross-currency basis spreads. Cross-currency basis swap price risk is calculated as the change in present value after an increase in cross-currency basis spreads by 20 basis points. The risk for each cross-currency basis spread curve is totaled as an absolute number. The risk is attributable to cross-currency swaps used by SEK to immunize foreign-exchange risk exposures.

In cases where borrowing and lending are not matched in terms of currency, the future cost of converting borrowing to the desired currency is dependent on cross-currency basis spreads. Consequently, changes in cross-currency basis spreads may have an effect on SEK's future NII and this risk is calculated by the measure for calculating risk to NII from cross-currency basis swaps. The risk to NII from cross-currency basis swaps is measured as the impact on SEK's future earnings resulting from an assumed cost increase for transfer between currencies using cross-currency basis swaps. When measuring exposure against limit, SEK does not include borrowing surpluses in the currencies Skr, USD and EUR as it is in these currencies that SEK endeavors to hold its lending capacity. SEK is however monitoring, but not limiting, the complementing risk measurement where all the exposures (including surpluses in the currencies Skr, USD and EUR) entail cost increases for transfers between currencies using cross-currency basis swaps.

Foreign-exchange risk

In accordance with SEK's risk strategy, foreign-exchange exposures related to unrealized fair value changes are not hedged. This is because, based on SEK's business model, unrealized fair value changes mainly comprise accrual effects that even out over time. SEK's foreign exchange risk exposure arises mostly due to differences between revenues and costs (net interest margins) in foreign currency, but also due to unrealized fair value changes in the assets and liabilities in foreign currencies that are held to maturity. The foreign-exchange risk excluding unrealized fair value changes is kept at a low level by matching assets and liabilities in terms of currencies or through the use of derivatives. In addition, SEK regularly exchanges accrued gains/losses in foreign currency to Skr.

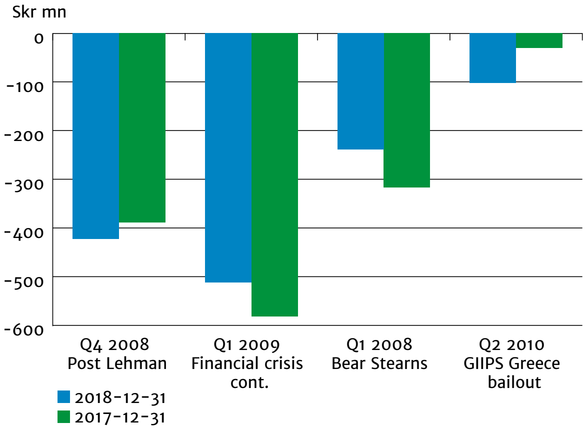
Other risks

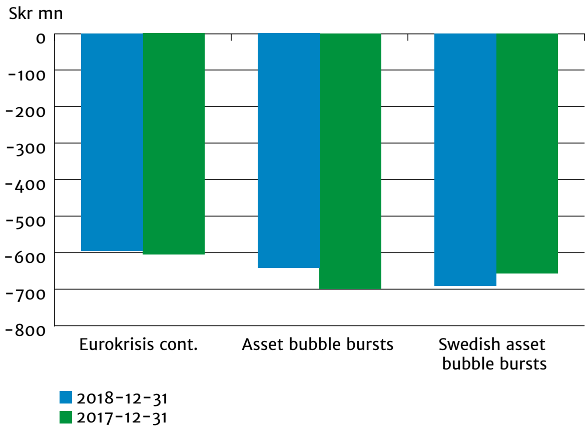
Some minor residual risk in equity, commodity and volatility is generated from structured funding. This is, despite matched cash flows, because the valuation of the issued bond takes SEK's own credit spread into account, whereas valuation of the swap hedge is not affected by this credit spread. Commodity, equity risk and volatility risks are calculated using a variety of stress tests.

6.2.4 Stress testing

SEK regularly stress tests the market risk by applying historical extreme market movements (historic stress tests) and extreme movements that could potentially occur in the future (hypothetical - or forward looking scenarios). This type of analysis provides management with a view of the potential impact that large market movements in individual risk factors, and broader market scenarios, could have on a SEK's portfolio and also ensures that risk measurement remains effective.

Chart 6.4: Effect of SEK's stress test scenarios on equity and own funds, at December 31, 2018





6.2.5 Internally assessed economic capital for market risk

The economic capital model is designed to cover all types of risks that are inherent in SEK's portfolio so that SEK is able to withstand stress related to market movements. SEK's internal assessment of how much capital should be allocated for market risk is based on both analyses of scenarios and stress tests. In the calculation of economic capital, SEK includes three main components: (i) Expected Shortfall (ES), (ii) stress testing for EVE and (iii) NII risk. The capital requirement is set to the largest of these components.

(i) In addition to ES, often referred to as conditional VaR, or tail loss, a buffer for model uncertainty is included. Calculation of ES is based on the VaR model described in 6.2.1 and is defined as the average of the 1% most negative daily PnL outcomes from the historic simulations. (ii) The stress test component is based on the set of stress tests that are similar to those prescribed by regulators and (iii) the NII component captures the short-term effect of the interest-rate changes on SEK's earnings and therefore a short-term solvency effect indirectly through profitability.

6.3 Monitoring

Market risks are measured, analyzed and reported to management on a daily basis. Limit breaches are reported, escalated and managed according to documented internal procedures. A more thorough analysis of markets, market risk trends and stress tests of the portfolio is performed and reported to management on a monthly basis and to the Board quarterly.

6.4 Exposure and capital requirements

SEK's market risk exposure measured by VaR has declined during the year, primarily due to a reduced currency position in USD/JPY and, as a consequence, a shift in VaR sceanrio. The somewhat lower stress test results are essentially driven by lower USD interest-rate risk (as of November 30, 2018).

SEK's significant risk measures are shown in table 6.3. The state-supported system ("CIRR system") has been excluded, since the state reimburses SEK for all interest differentials, financing costs and net foreign-exchange losses under the CIRR system. However, arrangement fees from the CIRR system to SEK are included in the measurement of interest-rate risk to change in the EVE.

Table 6.3: SEK's significant risk measures and limits at December 31, 2018 (and 2017)

	Limit		Risk exposure	
Skr mn	**2018**	**2017**	**2018**	**2017**
Risk measure				
Value at Risk	100	–	14	20
Aggregated risk measure	1,100	1,100	742	582
Interest-rate risk in the banking book				
Interest-rate risk to change in the EVE	500	500	116	171
Interest-rate risk to the NII, within one year	250	250	186	193
Spread risks				
Credit spread risk in assets	500	500	297	210
Credit spread risk in own debt	1,000	1,000	606	601
Cross-currency basis swap price risk	450	450	212	161
Risk to the NII from cross-currency basis swaps	100	100	51	23
Other risks				
Foreign-exchange risk (excl. market value adjustments)	15	15	8	2

SEK's entire balance sheet is assigned to the banking book since SEK's intention is to hold all the assets and liabilities until maturity. Regarding the minimum capital requirement, SEK is thus required to hold capital only for foreign-exchange risk and commodity risk that are inherent to the structured funding with the payoffs based on a commodity index. The internally assessed Economic Capital for currency and commodity risks is calculated using the same method as prescribed by the CRR for the minimum capital requirement. The total internally assessed capital requirement is defined as maximum of ES, stress test EVE and NII risk. For year-end 2018 that amounted to Skr 1,094 million (2017: Skr 1,573 million).

Table 6.4 details risk weighted assets and corresponding capital requirements in accordance with EBA GL 2016/11.

Table 6.4: Market risk under the standardised approach

	2018		2017	
	a	b	a	b
	REA	Capital require-ments	REA	Capital require-ments
Outright products	–	–	–	–
Interest-rate risk (general and specific)	–	–	–	–
Equity risk (general and specific)	–	–	–	–
Foreign-exchange risk	879	70	1,326	106
Commodity risk	10	1	13	1
Options	–	–	–	–
Simplified approach	–	–	–	–
Delta-plus method	–	–	–	–
Scenario approach*	203	16	453	36
Securitisation (specific risk)	–	–	–	–
Total	**893**	**72**	**1,339**	**107**

*Included in Foreign-exchange risk

6.5 Fair value of financial instruments

6.5.1 Fair value

Fair value is defined by IFRS 13 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Board's Finance and Risk Committee acts as the decision-making body regarding fair valuation policies, including annual approval of essential valuation models. In addition, the CEO establishes instructions that regulate responsibilities regarding fair valuation at SEK. The use of a valuation model requires a validation and thereafter an approval. Operatively, the validation is conducted by the risk control function. All the decisions are reported to SEK's Risk and Compliance Committee.

6.5.2 Fair value hierarchy

The best evidence of fair value is quoted prices in an active market. The majority of SEK's financial instruments are not publicly traded, and quoted market values are not readily available. Fair value measurements for such instruments are categorized using a fair value hierarchy. For a detailed description of SEK's principles for determination of fair value of financial instruments see Note 1 (viii) in the annual report.

7. Operational risk (including compliance risk)

Operational risk at SEK arises mainly in the day-to-day business due to faulty procedures, systems not working as intended, human error or in reputational damage.

7.1 Management

7.1.1 Internal governance and responsibility

Governing Documents and responsibility

SEK's operational risk is governed by the Risk Policy, the Operational Risk Instruction, and other governing documents issued by the Board, the CEO, and the CRO. These governing documents set out the framework for the level of operational risk assumed by SEK, limit structure and key operational risk metrics, and instructions established by the CEO regulate SEK's management of operational risks. In addition, the Board decides on the risk strategy, including operational risk strategy, risk appetite as well as the overall limits the Company will operate within. All instructions are re-established annually. The risk control function is responsible for operational risk reporting, following up exposures versus limits and for escalating to executive management, the Board's Risk and Finance Committee, and the Board as appropriate. If a limit breach occurs it is timely escalated by the CRO to the CEO and the Board's Finance and Risk Committee.

7.2 Risk identification

The main activities used to manage operational risk are described below.

7.2.1 Risk workshops

SEK conducts yearly risk workshops with all functions. The workshops are based on self-assessment with the risk control function making an independent reasonability control. Risks are identified both through top-down executive management involvement, a risk workshop with the Executive management team, and bottom-up through the risk workshops with the individual functions.

Based on identified operational risks, action plans are developed for the management or reduction of identified risks. Any identified risk that is not within the risk appetite of the Company is to be reduced to an acceptable level. The independent risk control function carries out an aggregated analysis and monitoring of all identified risks and action plans. The material risks are then analyzed and monitored individually. The annual risk analyses are conducted in coordination with business planning and the internally assessed economic capital as part of the strategic planning.

7.2.2 Incident management

SEK views incident reports as an important part of its continuous improvement measures and these reports comprise a key source of information. When operational risk events– incidents – occur, the immediate focus lies on resolving the direct event in order to minimize damage, independently of type of incident. After having resolved the incident, an analysis of the root cause is performed to understand why it occurred, and remedial actions are determined and followed up in order to prevent repetition of the event. Business incidents are reported to the independent risk function and other interested parties. The Company encourages staff to report incidents and applies no materiality criteria for reporting incidents.

7.2.3 Key risk indicators

SEK follows a selection of indicators that give an early warning of increased levels of operational risk including IT-risks. If an increased level is indicated the independent risk control function analyses the reason behind the increase and follows up on the mitigating actions, if needed.

7.2.4 Internal Control

The internal control framework is foremost aimed at ensuring adequate internal control of identified risks. However, when identifying the completeness of implemented internal controls, the functional manager performs an additional risk identification work, complementing the risk workshop.

In order to ensure correct and reliable Financial Reporting as well as control of operational and regulatory risks, SEK applies a framework for internal control based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework for internal control. The controls are carried out at a company-wide level, including general IT controls and transaction-based controls in major processes. Monitoring and testing of control activities are carried out on an ongoing basis throughout the year to ensure that risks are taken into account and managed satisfactorily. Testing is performed by staff who are independent in relation to the individuals who carry out the controls.

7.2.5 New product approval process

In order to maintain the risk level within the Company and to not expose the Company to unwanted risk exposure when making significant changes to or developing new products, processes and systems, the Company has established a new product approval process and a New Product Approval Committee. When significant changes are made, the affected functions analyze what consequences might arise to their processes, system support and the regulations that apply to them. When identifying consequences that need to be addressed, the adjustments must be made before the new product, process or system can be approved.

7.2.6 IT and Information security risk
The identification of risks related to information security is integrated in the risk workshops conducted with all functions. In addition, the Chief Security Officer conducts an independent overall risk assessment. SEK manages information security risks by identifying risks in the logical, technical and physical domains and by monitoring that control processes for information security are effective and in line with the defined risk appetite and relevant legislation. SEK has adopted a standardized threat profile that is extended on demand by more detailed information security threat assessments. Combined, these provide a baseline for the annual information security risk assessment that is supplemented with risk treatment plans. To ensure continuous availability of business critical processes, SEK annually conducts a review of its use of technology, premises and staff in the operational processes. The requirements for this are part of the information security framework. SEK runs two geographically separated IT centers between which critical servers are duplicated and data is mirrored. In addition, SEK has access to separate backup office facilities outside the city center with enough capacity for staff to run all critical business processes, including IT operations and maintenance. The effectiveness of data centers and recovery procedures is assured through disaster recovery exercises at least once a year.

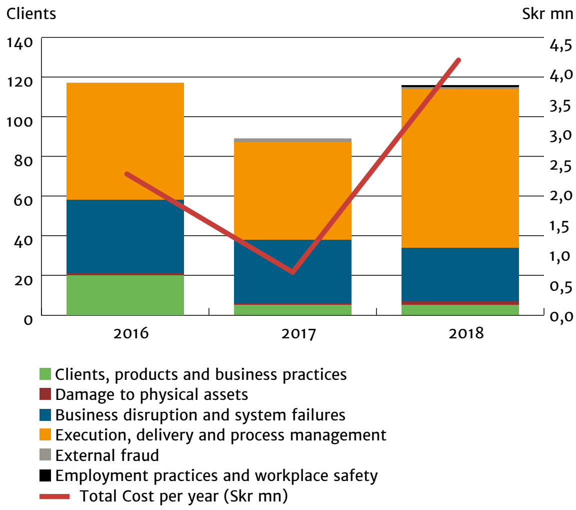
7.2.7 Compliance risk and money laundering
The compliance function is responsible for identifying the risk that business is not conducted in compliance with laws and regulations The compliance function further assists the organization in identifying and assessing the risk of legal or regulatory sanctions, material financial loss, or loss to reputation that SEK may suffer as a result of its failure to comply with the applicable regulations. This assessment also covers new legislation, internal regulations and the risk of conflicts of interest. Money laundering risks are identified in accordance with the Swedish Act on Measures against Money Laundering and Terrorist Financing. Procedures for monitoring money laundering risks include the collection and review of customer information and the monitoring of transactions in accordance with a risk based approach. All employees receive regular training and information regarding changes in regulations and new trends and patterns, as well as regarding methods that may be used for money laundering and terrorist financing. SEK has a process for providing information regarding suspicion of money laundering to the Swedish National Police Board.

7.3 Measurement
SEK measures the level of operational risk on an ongoing basis. The Company's conclusion regarding the risk level is based on an assessment of primarily five components:
- Risks identified in risk workshops and in the ongoing business
- Monitoring incidents and follows up on provisions
- The amount of losses from reported incidents
- Key risk indicators
- Whether efficient internal controls relating to financial reporting, in accordance with SOX Section 404, exist

7.4 Monitoring
7.4.1 Operational risk appetite
The risk control function monitors compliance with the risk appetite on a continuous basis. Compliance with the risk appetite is followed up with a forward looking evaluation, i.e. one-year expected loss from identified risks. The backward looking approach, i.e. actual realized losses, is followed up as a key risk indicator continuously.

7.4.2 Incidents
Chart 7.1 shows reported business incidents per incident type. The credit loss resulting from reported incidents was Skr 4.16 million (2017: Skr 0.65 million). Only a small portion of the incidents results in a credit loss.

Chart 7.1 Business incidents per incident type



7.4.3 Internal controls
The risk control function monitors and reports both the overall appropriateness of implemented internal controls as well as the results from the testing activities to the Risk and Compliance Committee and to the Audit Committee.

7.5 Exposure and Capital requirements

Over the years, the Company's ability to manage operational risk have improved through a long term work focusing on continuous improvement, well documented procedures and higher awareness of the importance of managing operational risk. In 2018, 116 incidents were reported (2017: 87 incidents). The majority of these incidents are minor events that have been rectified promptly within respective functions. Total losses due to incidents have been maintained at a low level.

The minimum capital requirement for operational risk is calculated according to the standardized approach. The Company's operations are divided into business areas in this respect as defined in the CRR. The minimum capital requirement for each area is calculated by multiplying a factor depending on the business area by an income indicator. The factors applicable for SEK are 15 percent and 18 percent. The income indicators consist of the average operating income for the past three financial years for each business area. SEK quantifies the internally assessed economic capital for operational risk based on the actual identified operational risks in the Company and considers an assessment of the consequence and probability that events were to occur. Table 7.1 shows SEK's minimum capital requrement and internally assed economic capital for year-end 2018 and 2017, respectively.

Table 7.1: SEK's minimum capital requirement and internally assessed economic capital for operational risk

	2018		2017	
SKR mn	**Minimum capital require-ment**	**Internally assessed economic capital**	**Minimum capital require-ment**	**Internally assessed economic capital**
Operational risk	245	239	263	142
Total	**245**	**239**	**263**	**142**

Appendix

Table 1: Reconciliation of balance sheet and own funds

Disclosure according to Article 2 of the Commission Implementing Regulation (EU) No 1423/2013

Skr mn	Balance sheet at parent level December 31, 2018[1]	Consolidated balance sheet at December 31, 2017[2]	Cross reference to row number in Table 2
Assets			
Cash and cash equivalents	2.415	1.231	
Treasuries/government bonds	11.117	4.382	
Other interest-bearing securities except loans	48.665	39.807	
of which: the exposure amount of securitisation positions which qualify for a RW of 1,250%, where the institution opts for the deduction alternative	-	-	20c
Loans in the form of interest-bearing securities	36.782	41.125	
Loans to credit institutions	27.725	23.198	
Loans to the public	161.094	141.111	
Derivatives	6.529	7.803	
Property. plant. equipment and intangible assets	69	88	
of which: intangible assets	43	66	8
Other assets	4.980	3.556	
Prepaid expenses and accrued revenues	2.657	2.091	
Total assets	**302,033**	**264,392**	
Liabilities and equity			
Borrowing from credit institutions	2.247	2.317	
Borrowing from the public	255.600	0	
Senior securities issued	-	222.516	
of which: gains or losses on liabilities valued at fair value resulting from changes in own credit standing	*112*	*446*	14
Derivatives	21.934	16.480	
Other liabilities	1.069	826	
Accrued expenses and prepaid revenues	2.583	2.063	
Deferred tax liabilities	0	531	
Provisions	15	45	
Subordinated securities issued	-	2.040	
of which: T2 capital instruments and the related share premium accounts	-	*2,049*	46
Total liabilities	**283,448**	**246,818**	
Share capital	3.990	3.990	1
Reserves[3]	1.547	30	
of which: accumulated other comprehensive income	*6*	*30*	3
of which: fair value reserves related to gains or losses on cash flow hedges	*6*	*25*	11
of which: regulatory adjustments relating to unrealised gains pursuant to Article 468	-	-	
Retained earnings	13.048	13.554	
of which: independently reviewed interim profits net of any foreseeable charge or dividend	*1,615*	*540*	5a
of which: retained earnings	*11,239*	*12,782*	2
Total equity	**18,585**	**17,574**	
Total liabilities and equity	**302,033**	**264,392**	

[1] In 2018, the subsidiary Venantius AB has been liquidated, which has meant that the capital situation has changed in 2018 and is now on a parent company level.

[2] Comparative figures are shown at the level of the Consolidated Group, since a consolidated level of the capital situation was in effect in 2017.

[3] Includes untaxed reserves with Skr 1,321 million.

Table 2: Transitional own funds

Disclosure according to Article 4 of the Commission Implementing Regulation (EU) No 1423/2013
In 2018, the subsidiary Venantius AB has been liquidated, which means that the capital situation is shown on a parent company level. In 2017 the amounts are shown on a consolidated level, which was in force for 2017.

Skr mn		Amount at Dec 31, 2018	Amount at Dec 31, 2017	Regulation (EU) no 575/2013 article reference
Common Equity Tier 1 capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	3.990	3.990	26 (1). 27. 28. 29
	of which: Share capital	3.990	3.990	EBA list 26 (3)
2	Retained earnings	11.239	12.782	26 (1) (c)
3	Accumulated other comprehensive income (and other reserves)	1.256	30	26 (1)
3a	Funds for general banking risk	–	–	26 (1) (f)
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	–	–	486 (2)
	Public sector capital injections grandfathered until January 1. 2018	–	–	483 (2)
5	Minority interests (amount allowed in consolidated CET1)	–	–	84
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	1.615	540	26 (2)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**18,100**	**17,342**	**Sum of rows 1 to 5a**
CommonEquity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	-496	-396	34. 105
8	Intangible assets (net of related tax liability) (negative amount)	-43	-66	36 (1) (b). 37.
9	Empty set in the EU			
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	–	–	36 (1) (c). 38.
11	Fair value reserves related to gains or losses on cash flow hedges	-6	-25	33(1) (a)
12	Negative amounts resulting from the calculation of expected loss amounts	-136	-65	36 (1) (d). 40. 159
13	Any increase in equity that results from securitised assets (negative amount)	–	–	32 (1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	112	446	33(1) (b)
15	Defined-benefit pension fund assets (negative amount)	–	–	36 (1) (e) . 41.
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	–	–	36 (1) (f). 42
17	Direct. indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	–	–	36 (1) (g). 44

Skr mn		Amount at Dec 31, 2018	Amount at Dec 31, 2017	Regulation (EU) no 575/2013 article reference
18	Direct. indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	–	–	36 (1) (h). 43. 45. 46. 49 (2) (3). 79.
19	Direct. indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	–	–	36 (1) (i). 43. 45. 47. 48 (1) (b). 49 (1) to (3). 79
20	Empty set in the EU			
20a	Exposure amount of the following items which qualify for a RW of 1.250%. where the institution opts for the deduction alternative	–	–	36 (1) (k)
20b	of which: qualifying holdings outside the financial sector (negative amount)	–	–	36 (1) (k) (i). 89 to 91
20c	of which: securitisation positions (negative amount)	–	–	36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258
20d	of which: free deliveries (negative amount)	–	–	36 (1) (k) (iii). 379 (3)
21	Deferred tax assets arising from temporary differences (amount above 10% threshold. net of related tax liability where the conditions in 38 (3) are met) (negative amount)	–	–	36 (1) (c). 38. 48 (1) (a)
22	Amount exceeding the 15% threshold (negative amount)	–	–	48 (1)
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	–	–	36 (1) (i). 48 (1) (b)
24	Empty set in the EU			
25	of which: deferred tax assets arising from temporary differences	–	–	36 (1) (c). 38. 48 (1) (a)
25a	Losses for the current fiscal year (negative amount)	–	–	36 (1) (a)
25b	Foreseeable tax charges relating to CET1 items (negative amount)	–	–	36 (1) (l)
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	–	–	36 (1) (j)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-569**	**-106**	**Sum of rows 7 to 20a, 21, 22 and 25a to 27**
29	**Common Equity Tier 1 (CET1) capital**	**17,531**	**17,236**	**Row 6 minus row 28**
Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	–	–	51. 52
31	of which: classified as equity under applicable accounting standards	–	–	
32	of which: classified as liabilities under applicable accounting standards	–	–	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	–	–	486 (3)

Skr mn		Amount at Dec 31, 2018	Amount at Dec 31, 2017	Regulation (EU) no 575/2013 article reference
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	–	–	85. 86
35	of which: instruments issued by subsidiaries subject to phase out	–	–	486 (3)
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	–	–	Sum of rows 30. 33 and 34
Additional Tier 1 (AT1) capital: regulatory adjustments				
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)	–	–	52 (1) (b). 56 (a). 57
38	Direct. indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	–	–	56 (b). 58
39	Direct. indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	–	–	56 (c). 59. 60. 79
40	Direct. indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold net of eligible short positions) (negative amount)	–	–	56 (d). 59. 79
41	Empty set in the EU	–	–	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	–	–	56 (e)
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	–	–	Sum of rows 37 to 42
44	**Additional Tier 1 (AT1) capital**	–	–	Row 36 minus row 43
45	**Tier 1 capital (T1 = CET1 + AT1)**	17.531	17.236	Sum of row 29 and row 44
Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts	–	2.049	62. 63
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	–	–	486 (4)
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	–	–	87. 88
49	of which: instruments issued by subsidiaries subject to phase out	–	–	486 (4)
50	Credit-risk adjustments	–	–	62 (c) & (d)
51	**Tier 2 (T2) capital before regulatory adjustments**	–	**2,049**	
Tier 2 (T2) capital: regulatory adjustments				

Skr mn		Amount at Dec 31, 2018	Amount at Dec 31, 2017	Regulation (EU) no 575/2013 article reference
Tier 2 (T2) capital regulatory adjustments				
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	–	–	63 (b) (i). 66 (a). 67
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	–	–	66 (b). 68
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	–	–	66 (c). 69. 70. 79
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	–	–	66 (d). 69. 79
56	Empty set in the EU	–	–	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	–	**–**	Sum of rows 52 to 56
58	**Tier 2 (T2) capital**	–	**2,049**	Row 51 minus row 57
59	**Total capital (TC = T1 + T2)**	**17,531**	**19,285**	Sum of row 45 and row 58
60	**Total risk-weighted assets**	**87,054**	**83,831**	
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	20.1%	20.6%	92 (2) (a)
62	Tier 1 (as a percentage of risk exposure amount)	20.1%	20.6%	92 (2) (b)
63	Total capital (as a percentage of risk exposure amount)	20.1%	23.0%	92 (2) (c)
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements. plus systemic risk buffer. plus the systemically important institution buffer expressed as a percentage of risk exposure amount)	8.5%	8.4%	CRD 128. 129. 130. 131. 133
65	of which: capital conservation buffer requirement	2.5%	2.5%	
66	of which: countercyclical buffer requirement	1.5%	1.4%	
67	of which: systemic risk buffer requirement	–	–	
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	–	–	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	12.1%	14.6%	CRD 128
69	[non relevant in EU regulation]			
70	[non relevant in EU regulation]			

Skr mn		Amount at Dec 31, 2018	Amount at Dec 31, 2017	Regulation (EU) no 575/2013 article reference
71	[non relevant in EU regulation]			
Amounts below the thresholds for deduction (before risk weighting)				
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	–	–	36 (1) (h). 45. 46. 56 (c). 59. 60. 66 (c). 69. 70
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	–	–	36 (1) (i). 45. 48
74	Empty Set in the EU			
75	Deferred tax assets arising from temporary differences (amount below 10% threshold. net of related tax liability where the conditions in Article 38 (3) are met)	–	–	36 (1) (c). 38. 48
Applicable caps on the inclusion of provisions in Tier 2				
76	Credit-risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)	–	–	62
77	Cap on inclusion of credit-risk adjustments in T2 under standardised approach	–	–	62
78	Credit-risk adjustments included in T2 in respect of exposures subject to internal ratings- based approach (prior to the application of the cap)	–	–	62
79	Cap for inclusion of credit-risk adjustments in T2 under internal ratings-based approach	476	455	62
Capital instruments subject to phase-out arrangements (only applicable between Jan 1, 2014 and Jan 1, 2022)				
80	Current cap on CET1 instruments subject to phase out arrangements	–	–	484 (3). 486 (2) & (5)
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	–	–	484 (3). 486 (2) & (5)
82	Current cap on AT1 instruments subject to phase out arrangements	–	–	484 (4). 486 (3) & (5)
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–	484 (4). 486 (3) & (5)
84	Current cap on T2 instruments subject to phase out arrangements	–	–	484 (5). 486 (4) & (5)
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	–	–	484 (5). 486 (4) & (5)

Table 3: Main features of capital instruments at December 31, 2018

Disclosure according to Article 3 of the Commission Implementing Regulation (EU) No 1423/2013

		Shares
1	Issuer	AB Svensk Exportkredit (556084-0315)
2	Unique identifier (eg CUSIP. ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Swedish law
Regulatory treatment		
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1

		Shares
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share capital as published in Regulation (EU) no 575/2103 Article 28
8	Amount recognised in regulatory capital (currency in million. at most recent reporting date)	Skr 3.990 mn
9	Nominal amount of instrument	Skr 3.990 mn
9a	Issue price	Skr 3.990 mn
9b	Redemption price	N/A
10	Accounting classification	Equity
11	Original date of issuance	1962
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date. contingent call dates and redemption amount	N/A
16	Subsequent call dates. if applicable	N/A
Coupons/dividends		
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
20a	Fully discretionary. partially discretionary or mandatory (in terms of timing)	N/A
20b	Fully discretionary. partially discretionary or mandatory (in terms of amount)	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible. conversion trigger(s)	N/A
25	If convertible. fully or partially	N/A
26	If convertible. conversion rate	N/A
27	If convertible. mandatory or optional conversion	N/A
28	If convertible. specify instrument type convertible into	N/A
29	If convertible. specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down. write-down trigger(s)	N/A
32	If write-down. full or partial	N/A
33	If write-down. permanent or temporary	N/A
34	If temporary write-down. description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Lowest. next senior are senior securities issued
36	Non-compliant transitioned features	No
37	If yes. specify non-compliant features	N/A

Table 4: Link between the statement of financial position categories and net exposures according to CRR.

Consolidated Group	31 december 2018							
Skr bn	**Book value**	**Adjustment from book value to exposure**[1]	**Central govern-ments**	**Regional govern-ments**	**Multilateral develop-ment banks**	**Public Sector Entities**	**Financial institution**	**Corp-orates**
Cash and cash equivalents	2.4	-0.2	0.3	–	–	–	2.3	–
Treasuries/government bonds	11.1	0	11.1	–	–	–	–	–
Other interest-bearing securities except loans	48.7	-0.1	4.8	7	–	0.6	15.7	20.7
Loans in the form of interest-bearing securities	36.8	-0.1	–	–	–	–	0.7	36.2
Loans to credit institutions including cash and cash equivalents[1]	27.7	16.2	1.4	5.5	–	–	4.5	0.1
Loans to the public	161.1	-1.1	99.5	0.9	0.1	–	5.6	56.1
Derivatives	6.5	2	–	–	–	–	4.5	0
Other assets	5	0.9	4.1	–	–	–	–	–
Total financial assets	**299.3**	**17.6**	**121.2**	**13.4**	**0.1**	**0.6**	**33.3**	**113.1**
Contingent assets and commitments[2]	55.6	-0.1	48.4	–	–	0	0.9	6.4
Total	**354.9**	**17.5**	**169.6**	**13.4**	**0.1**	**0.6**	**34.2**	**119.5**

1 Skr 16.4 billion (2017: Skr 10.3 billion) of the book value for Loans to credit institutions is Cash collateral under the security agreements for derivative contracts.
2 Contingent assets and commitments, except cash collateral.

Table 5: Geographical distribution of credit exposures and capital requirements relevant for the calculation of the countercyclical capital buffer at December 31, 2018[1]

Country	Exposure at default, Standardized approach (Skr mn)	Exposure at default, IRB approach (Skr mn)	Minimum capital requirement[2] (Skr mn)	Minimum capital requirement weights (decimal)	Countercyclical capital buffer rate[3] (percent)
Sweden	53	80868	3299	0.697	2%
Finland	–	4551	196	0.041	–
Norway	–	3941	139	0.029	2%
Denmark	–	3241	131	0.028	–
United States	509	1956	131	0.028	–
United Kingdom	114	1861	107	0.023	1%
Mexico	141	2030	80	0.017	
Japan	–	1218	75	0.016	–
Turkey	–	1268	70	0.015	–
Chile	–	1429	58	0.012	–
South Africa	–	1053	52	0.011	–
Netherlands	108	1453	47	0.010	–
Colombia	8	556	32	0.007	–
Belgium	–	452	29	0.006	–
Luxembourg	–	231	28	0.006	–
Peru	–	952	27	0.006	–
United Arab Emirates	–	595	27	0.006	–
Brazil	187	405	25	0.005	–
Spain	146	262	25	0.005	–
Tanzania. United Republic Of	–	409	25	0.0o5	–
Thailand	187	469	24	0.005	–
Canada	–	330	11	0.002	–
Italy	9	175	11	0.002	–
Saudi Arabia	–	216	11	0.002	–
Indonesia	110	–	9	0.002	–
Iceland	–	162	8	0.002	1.25%
Portugal	–	103	8	0.002	–
Ireland	–	360	7	0.002	–
Korea. Republic Of	23	178	7	0.002	–
Singapore	–	52	5	0.001	–
Switzerland	–	163	5	0.001	–
Vietnam	58	0	5	0.001	–
India	–	67	3	0.001	–
Qatar	–	41	3	0.001	–
Russian Federation	–	37	3	0.001	–
Hungary	25	–	2	0.000	–
Pakistan	–	31	2	0.000	–
Poland	12	–	1	0.000	–
Sri Lanka	11	–	1	0.000	–
Uzbekistan	–	5	1	0.000	–
Congo	–	3	0	0.000	–
France	–	0	0	0.000	–
Total	**1,701**	**111,123**	**4,730**	**1.000**	–

1 This table differs from the standard format of Commission delegated regulation (EU) 2015/1555. Columns regarding trading book and securitization positions have been omitted as SEK does not have a trading book or securitization positions.
2 Minimum capital requirement is 8.0 percent of relevant risk exposure amount.
3 Includes only active buffers at December 31, 2018.

Table 6. Amount of institution-specific countercyclical capital buffer

Skr mn	2018	2017
Total risk exposure amount	87.054	83.831
Institution specific countercyclical buffer rate (percent)	1.5%	1.4%
Institution specific countercyclical buffer requirement	**1,306**	**1,174**

Table 7: Summary reconciliation of accounting assets and leverage ratio exposures at December 31, 2018

Disclosure according to Annex 1 of the Commission Implementing Regulation (EU) according to EBA/ITS/2016/200.

Skr mn	Item	2018
1	Total assets as per published financial statements	302.033
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	–
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR"	–
4	Adjustments for derivative financial instruments	-19.006
5	Adjustments for securities financing transactions "SFTs"	–
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures	33.159
EU-6a	Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013	–
EU-6b	Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013	–
7	Other adjustments	-1.498
8	**Total leverage ratio exposure**	**314,688**

Table 8: Leverage ratio common disclosure at December 31, 2018

Disclosure according to Annex 1 of the Commission Implementing Regulation (EU) according to EBA/ITS/2016/200.

		CRR leverage ratio exposures
Skr mn		2018
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives. SFTs and fiduciary assets. but including collateral)	293.557
2	Asset amounts deducted in determining Tier 1 capital	-179
3	Total on-balance sheet exposures (excluding derivatives. SFTs and fiduciary assets) (sum of lines 1 and 2)	293.378
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	628
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	3.897
EU-5a	Exposure determined under the original exposure method	–
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	–
7	Deductions of receivables assets for cash variation margin provided in derivatives transactions	-16.374
8	Exempted CCP leg of client-cleared trade exposures	–
9	Adjusted effective notional amount of written credit derivatives	–
10	Adjusted effective notional offsets and add-on deductions for written credit derivatives	–
11	Total derivative exposures (sum of lines 4 to 10)	-11.849
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting). after adjusting for sales accounting transactions	–
13	Netted amounts of cash payables and cash receivables of gross SFT assets	–
14	Counterparty credit-risk exposure for SFT assets	–
EU-14a	Derogation for SFTs: Counterparty credit-risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	–
15	Agent transaction exposures	–
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	–
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	–
Other off-balance sheet exposures[1]		
17	Off-balance sheet exposures at gross notional amount	120.525
18	Adjustments for conversion to credit equivalent amounts	-87.366
19	Other off-balance sheet exposures (sum of lines 17 to 18)	33.159
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet)	–
EU-19b	Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet)	–
Capital and total exposures		
20	Tier 1 capital	17.531
21	Total leverage ratio exposures (sum of lines 3. 11. 16. 19. EU-19a and EU-19b)	314.688
Leverage ratio		
22	Leverage ratio	5.6%
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Fully phased in[2]
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	–

[1] Inclusive of non-binding offers. Nominal amounts for these are at December 31, 2018 Skr 64,811 mn of which 10 percent is included in leverage ratio exposure measure. In other tables regarding total credit-risk exposures non-binding offers are excluded.

[2] Since 2015 the own funds of SEK in no aspect are affected by any transitional arrangements that still are in force in Swedish regulations.

Table 9: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) at December 31, 2018

Disclosure according to Annex 1 of the Commission Implementing Regulation (EU) according to EBA/ITS/2016/200.

		CRR leverage ratio exposures
Skr mn		2018
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**277,183**
EU-2	Trading book exposures	–
EU-3	Banking book exposures. of which:	277.183
EU-4	*Covered bonds*	*3,081*
EU-5	*Exposures treated as sovereigns*	*135,281*
EU-6	*Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns*	*263*
EU-7	*Institutions*	*25,394*
EU-8	*Secured by mortgages of immovable properties*	–
EU-9	*Retail exposures*	–
EU-10	*Corporate*	*113,077*
EU-11	*Exposures in default*	*22*
EU-12	*Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)*	*65*

Table 10: Leverage ratio, disclosure on qualitative items

1	Description of the processes used to manage the risk of excessive leverage	The leverage ratio is managed in accordance with SEK´s risk management process. see chapter 2.6 in this report. The leverage ratio is measured and monitored on a quarterly basis and reported to the President and the Board of Directors quarterly.
2	Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers	The leverage ratio at December 31. 2018 was 5.6 percent (year-end 2017: 5.9 percent). a decrease of 0.3 percentage point compared to the previous year. The numerator of the ratio. that is the Tier 1 capital. amounts to Skr 17.531 million (17.236). and the increase of 2 percent compared to the previous year is primarily attributable to an increase in retained earnings. The denominator of the ratio. that is the exposure measure. amounted to Skr 314.688 million (291.412). The increase of 8 percent from the previous year is mainly due to an increase in liquidity investments and a weaker Swedish currency towards the USD and the euro.

Table 11: Correspondence table

The correspondence table below shows different credit ratings and the steps in the credit quality scales which are set by supervisory authorities.

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: Gross and net exposures under the standardized approach per quality step at December 31, 2018 (and 2017)[1]

	1		2		3–6		Not rated		Total	
Skr bn	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Net exposures										
Central governments	–	–	–	–	–	–	–	–	–	–
Regional governments	–	–	–	–	–	–	––	–	–	–
Multilateral development banks	–	–	–	–	–	–		–	–	–
Corporates	–	–	–	–	0.1	–	1.6	1.3	1.7	1.3
Gross exposures										
Central Governments	–	–	–	–	–	–	–	–	–	–
Regional governments	–	–	–	–	–	–	–	–	–	–
Multilateral development banks	–	–	–	–	–	–	–	–	–	–
Public Sector Entities	–	–	–	–	–	–	–	–	–	–
Institutions	–	–	–	–	–	–	–	–	–	–
Corporates	–	–	–	0.4	0.1	5.5	2.0	30.3	2.1	36.2

1 SEK transferred from the standardized approach to apply the IRB approach to exposures to central and regional governments and to multilateral development banks during 2017. Export credits guaranteed by EKN or other ECAs were still calculated according to the standardized approach while the net exposure to the guarantor, EKN and ECA, were calculated according to the IRB approach. This implicated a significant difference between gross and net exposures in 2017.

Table 13: Total gross and net exposure by exposure class, at December 31, 2018 (and 2017) and average during 2017

	Gross exposure			Net exposure		
Skr bn	2018	Average 2018[1]	2017	2018	Average 2018[1]	2017
Central governments	73.4	63.6	61.7	169.6	165.6	167.1
Regional governments	8.8	12.2	5.5	13.4	17.4	11.4
Multilateral development banks	–	0.2	–	0.1	0.3	0.0
Public Sector Entities	0.6	0.5	0.4	0.6	0.5	0.4
Institutions	33.0	33.7	36.9	34.2	34.6	38.6
Corporates	221.6	224.1	222.7	119.5	115.9	109.7
Total	337.4	334.3	**327.2**	**337.4**	**334.3**	**327.2**

1 Average amounts are based on monthly exposures

Table 14: Average CCF for off-balance exposures by exposure class at December 31, 2018 (and 2017)

	Exposure after risk mitigation		Exposure at default		Average CCF	
Skr bn	2018	2017	2018	2017	2018	2017
Standardized approach						
Central governments	–	–	–	–	–	–
Corporate	0.1	0.0	0.0	0.0	50%	59%
IRB approach						
Central governments	48.4	70.0	36.3	52.5	75%	75%
Institutions	0.9	1.8	0.7	1.3	75%	75%
Corporate	6.3	6.3	2.5	2.6	40%	41%

Table 15: Specialized lending at December 31, 2018 (and 2017)

Category	Exposure at default		Risk exposure amount	
Skr bn	2018	2017	2018	2017
1	3.4	2.5	2.2	1.6
2	–	–	–	–
3	–	–	–	–
4	–	–	–	–
5	–	–	–	–
Total	**3.4**	**2.5**	**2.2**	**1.6**

Within the exposure class corporate exposures, exposures that represent specialized lending (i.e. Project Finance) are separately identified. For such exposures, SEK calculates risk weights based on "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 breakdown among categories 1–4 is based on the increased risk levels for the exposures (where category 1 represents the lowest risk and therefore the highest credit rating).

Table 16: Gross exposure by exposure class and region at December 31, 2018 (and 2017)

	Middle East/ Africa/ Turkey		Asia excl. Japan		Japan		North America		Oceania		Latin America		Sweden		Western European countries excl. Sweden		Central-East European countries		Total	
Skr bn	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Central governments	2.8	1.8	5.3	5.6	4.0	4.0	1.9	–	–	–	43.7	42.7	7.1	7.4	8.6	0.2	–	–	73.4	61.7
Regional governments	1.7	0.6	–	–	–	–	–	–	–	–	–	–	7.0	4.8	0.1	0.1	–	–	8.8	5.5
Public Sector Entities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0.6	0.4	–	–	0.6	0.4
Institutions	–	–	2.4	3.1	0.5	0.0	6.2	9.1	1.1	1.1	0.4	1.2	12.3	11.3	9.8	10.8	0.3	0.3	33.0	36.9
Corporates	21.4	23.0	12.6	14.6	1.2	0.2	53.0	53.5	–	0.1	9.6	9.9	83.2	74.3	36.0	39.9	4.6	7.2	221.6	222.7
Total	**25.9**	**25.4**	**20.3**	**23.3**	**5.7**	**4.2**	**61.1**	**62.6**	**1.1**	**1.2**	**53.7**	**53.8**	**109.6**	**97.8**	**55.1**	**51.4**	**4.9**	**7.5**	**337.4**	**327.2**

Table 17: Net exposure by exposure class and region at December 31, 2018 (and 2017)

	Middle East/ Africa/ Turkey		Asia excl. Japan		Japan		North America		Oceania		Latin America		Sweden		Western European countries excl. Sweden		Central-East European countries		Total	
Skr bn	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
IRB approach																				
Central governments	–	–	0.7	0.7	4.0	4.0	3.9	2.4	–	–	0.9	0.9	139.0	145.1	18.0	10.9	3.1	3.1	169.6	167.1
Regional governments	–	–	–	–	–	–	–	–	–	–	–	–	13.2	11.2	0.2	0.2	–	–	13.4	11.4
Multilateral development banks	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0.1	0.0	–	–	0.1	0.0
Public Sector Entities	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0.6	0.4	–	–	0.6	0.4
Financial institutions	–	–	2.4	3.0	0.9	0.5	6.9	9.6	1.1	1.2	0.3	1.1	8.7	6.9	13.6	16.0	0.3	0.3	34.2	38.6
Corporates	4.6	4.9	2.9	3.4	3.1	1.7	2.4	2.6	–	–	2.7	2.9	80.2	71.9	21.8	20.9	0.1	0.1	117.8	108.4
Standardized approach																				
Central governments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Regional governments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Multilateral development banks	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Corporates	–	0.0	0.2	0.2	–	–	0.5	0.3	–	–	0.3	0.4	0.3	0.3	0.4	0.1	–	0.0	1.7	1.3
Total	**4.6**	**4.9**	**6.2**	**7.3**	**8.0**	**6.2**	**13.7**	**14.9**	**1.1**	**1.2**	**4.2**	**5.3**	**241.4**	**235.4**	**54.7**	**48.5**	**3.5**	**3.5**	**337.4**	**327.2**

Table 18: Corporate exposure by industry (GICS) at December 31, 2018(and 2017)

	Gross exposure		Net exposure	
Skr bn	**2018**	**2017**	**2018**	**2017**
IT and telecom	79.6	88.4	13.0	12.9
Industrials	46.9	41.9	41.0	36.4
Financials	27.6	32.2	16.6	19.9
Materials	24.5	21.9	19.0	16.8
Consumer goods	21.8	18.3	20.4	15.9
Utilities	15.0	14.1	5.6	4.4
Health care	3.5	3.0	3.2	2.7
Energy	2.5	2.9	0.5	0.7
Other	0.2	–	0.2	–
Total	**221.6**	**222.7**	**119.5**	**109.7**
of which: small and medium-sized enterprises	*1.2*	*0.5*	*0.5*	*0.3*

Table 19: Gross exposure by European countries, excluding Sweden, and exposure class at December 31, 2018 (and 2017)

	Central governments		Regional governments		Public Sector Entities		Financial institutions		Corporates		Total	
Skr bn	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Spain	–	–	–	–	–	–	0.1	0.1	9.8	12.4	9.9	12.5
Norway	–	–	–	–	–	–	2.4	3.3	4.1	2.5	6.5	5.8
Finland	0.1	0.2	0.1	0.1	–	–	0.2	–	5.4	7.1	5.8	7.4
United Kingdom	–	–	–	–	–	–	2.6	2.2	2.6	3.1	5.2	5.3
Denmark	–	–	–	–	–	–	1.7	1.1	3.2	2.8	4.9	3.9
Austria	2.9	–	–	–	–	–	1.7	–	–	–	4.6	–
Italy	–	–	–	–	–	–	–	–	4.2	4.2	4.2	4.2
Germany	3.1	–	–	–	0.6	0.4	0.3	0.3	–	–	4.0	0.7
Netherlands	1.7	–	–	–	–	–	0.1	2.2	1.6	2.1	3.4	4.3
Poland	–	–	–	–	–	–	–	–	3.1	3.1	3.1	3.1
France	–	–	–	–	–	–	0.6	1.6	2.1	2.5	2.7	4.1
Luxembourg	0.8	–	–	–	–	–	–	0.0	1.2	1.2	2.0	1.2
Russian Federation	–	–	–	–	–	–	–	–	1.4	4.0	1.4	4.0
Switzerland	–	–	–	–	–	–	0.1	–	0.8	0.9	0.9	0.9
Belgium	–	–	–	–	–	–	0.0	0.0	0.6	0.3	0.6	0.3
Ireland	–	–	–	–	–	–	–	–	0.4	0.4	0.4	0.4
Latvia	–	–	–	–	–	–	0.2	0.2	–	–	0.2	0.2
Iceland	–	–	–	–	–	–	–	–	0.2	0.5	0.2	0.5
Portugal	–	–	–	–	–	–	–	–	0.1	–	0.1	–
Estonia	–	–	–	–	–	–	0.0	0.1	–	–	–	0.1
Ukraine	–	–	–	–	–	–	–	–	0.0	0.0	–	0.0
Hungary	–	–	–	–	–	–	–	–	0.0	0.0	–	0.0
Greece	–	–	–	–	–	–	–	–	0.0	0.0	–	0.0
Total	**8.6**	**0.2**	**0.1**	**0.1**	**0.6**	**0.4**	**10.0**	**11.1**	**40.8**	**47.1**	**60.1**	**58.9**

Table 20: Net exposure by European countries, excluding Sweden, and exposure class at December 31, 2018 (and 2017)

	Central governments		Regional governments		Multilateral development banks		Public Sector Entities		Financial institutions		Corporates		Total	
Skr bn	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
France	7.3	7.8	–	–	–	–	–	–	1.7	2.5	0.0	0.0	9.0	10.3
Germany	3.9	1.4	–	–	–	–	0.6	0.4	1.4	2.0	1.6	0.9	7.5	4.7
United Kingdom	0.3	0.5	–	–	–	–	–	–	1.6	1.7	4.9	5.5	6.8	7.7
Norway	0.4	0.5	–	–	–	–	–	–	2.4	3.4	4.0	2.3	6.8	6.2
Denmark	0.2	0.2	–	–	–	–	–	–	2.4	2.2	3.2	2.4	5.8	4.8
Finland	0.4	0.5	0.2	0.3	–	–	–	–	0.3	–	4.6	6.3	5.5	7.1
Austria	2.9	–	–	–	–	–	–	–	1.7	0.0	–	–	4.6	0.0
Poland	3.1	3.1	–	–	–	–	–	–	–	–	0.0	–	3.1	3.1
Netherlands	1.7	–	–	–	–	–	–	–	0.4	2.4	0.7	0.2	2.8	2.6
Luxembourg	0.8	0.0	–	–	0.1	0.0	–	–	–	0.0	1.0	0.4	1.9	0.4
Spain	–	–	–	–	–	–	–	–	0.9	0.9	0.5	1.7	1.4	2.6
Belgium	–	–	–	–	–	–	–	–	0.6	0.7	0.5	0.2	1.1	0.9
Switzerland	–	–	–	–	–	–	–	–	0.3	0.2	0.5	0.3	0.8	0.5
Ireland	–	–	–	–	–	–	–	–	–	–	0.4	0.4	0.4	0.4
Latvia	–	–	–	–	–	–	–	–	0.2	0.2	–	–	0.2	0.2
Italy	–	–	–	–	–	–	–	–	–	–	0.2	0.1	0.2	0.1
Iceland	–	–	–	–	–	–	–	–	–	–	0.2	0.2	0.2	0.2
Portugal	–	–	–	–	–	–	–	–	–	–	0.1	–	0.1	–
Estonia	–	–	–	–	–	–	–	–	0.0	0.1	–	–	0.0	0.1
Russian Federation	–	–	–	–	–	–	–	–	–	–	0.0	0.1	0.0	0.1
Hungary	–	–	–	–	–	–	–	–	–	–	0.0	0.0	0.0	0.0
Total	**21.0**	**14.0**	**0.2**	**0.3**	**0.1**	**0.0**	**0.6**	**0.4**	**13.9**	**16.3**	**22.4**	**21.0**	**58.2**	**52.0**

Table 21: Gross exposure by exposure class and maturity (M)

	M<=1 year		1 year < M <= 3		3 year < M <= 5		M>5		Total	
Skr bn	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Central government	22.6	9.8	4.4	5.2	1.8	1.7	44.6	45.0	73.4	61.7
Regional governments	3.6	4.1	4.9	1.0	0.2	0.2	0.1	0.2	8.8	5.5
Multilateral banks	–	–	–	–	–	–	–	–	–	–
Public Sector Entities	0.2	0.2	0.4	0.2	–	–	–	–	0.6	0.4
Financial institutions	16.6	26.4	11.0	4.3	3.7	3.8	1.7	2.4	33.0	36.9
Corporates	68.5	55.7	69.6	85.2	45.3	43.4	38.2	38.4	221.6	222.7
Total	**111.5**	**96.2**	**90.3**	**95.9**	**51.0**	**49.1**	**84.6**	**86.0**	**337.4**	**327.2**

Table 22: Net exposure by exposure class and maturity (M)

	M<=1 year		1 year < M <= 3		3 year < M <= 5		M>5		Total	
Skr bn	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
IRB method										
Central government	46.5	26.5	34.8	58.3	23.2	20.2	65.1	62.1	169.6	167.1
Regional governments	4.0	4.5	5.4	2.1	2.8	3.1	1.2	1.7	13.4	11.4
Multilateral banks	0.0	0.0	0.1	0.0	–	–	–	–	0.1	0.0
Public Sector Entities	0.2	0.2	0.4	0.2	–	–	–	–	0.6	0.4
Financial institutions	20.0	29.7	11.1	5.8	1.9	1.9	1.2	1.2	34.2	38.6
Corporates	40.0	34.9	37.9	28.9	22.9	23.7	17.0	20.9	117.8	108.4
Standardized method										
Central government	–	–	–	–	–	–	–	–	–	–
Regional governments	–	–	–	–	–	–	–	–	–	–
Multilateral banks	–	–	–	–	–	–	–	–	–	–
Corporates	0.8	0.4	0.6	0.6	0.2	0.2	0.1	0.1	1.7	1.3
Total	**111.5**	**96.2**	**90.3**	**95.9**	**51.0**	**49.1**	**84.6**	**86.0**	**337.4**	**327.2**

Table 23. Average PD, LGD and risk weight by risk class for net IRB exposures towards Central governments

	AAA to AA– 0.003%–0.01%	A+ to A– 0.02 – 0.07%	BBB+ to BBB– 0.12 – 0.32%	BB+ to B– 0.54 – 6.80%	CCC to D 27.27 – 100%	AAA to AA– 0.003%–0.02%	A+ to A– 0.03 – 0.07%	BBB+ to BBB– 0.12 – 0.32%	BB+to B– 0.53–6.47%	CCC to D 25.29–100%
Skr bn			2018					2017		
Central governments										
Loans and interest bearing securities	127.3	7.1	–	0.9	–	101.0	7.1	–	0.8	–
Loan committments and guarantees	48.4	–	–	–	–	70.0	–	–	–	–
Reduction for loan committments and guarantees[1]	-12.1	–	–	–	–	-17.5	–	–	–	–
Exposure at default	163.6	7.1	–	0.9	–	153.5	7.1	–	0.8	–
Risk exposure amount	7.6	1.3	–	1.0	–	7.2	1.3	–	0.8	–
Average PD in %	0.004	0.04	–	1.5	–	0.004	0.04	–	0.9	–
Average LGD in %	45.0	45.0	–	45.0	–	45.0	45.0	–	45.0	–
Average risk weight in %	4.6	18.8	–	112.1	–	4.7	19.0	–	93.6	–

Table 24. Average PD, LGD and risk weight by risk class for net IRB exposures towards financial institutions and corporates except specialized lending

	AAA to AA– 0.01%–0.04%	A+ to A– 0.06 – 0.12%	BBB+ to BBB– 0.17 – 0.34%	BB+ to B– 0.54 – 8.40%	CCC to D 28.60 – 100%	AAA to AA– 0.01%–0.04%	A+ to A– 0.06 – 0.12%	BBB+ to BBB– 0.17 – 0.34%	BB+to B– 0.58 – 8.40%	CCC to D 28.60–100%
Skr bn			2018					2017		
Financial institutions										
Loans and interest bearing securities	9.1	18.3	0.9	0.4	–	8.3	22.2	1.0	1.2	–
Derivatives	1.2	2.9	0.4	–	–	1.0	2.4	0.7	–	–
Loan committments and guarantees	0.0	0.9	0.0	–	–	0.1	1.7	0.0	–	–
Reduction for loan committments and guarantees[1]	-0.0	-0.2	-0.0	–	–	-0.0	-0.4	-0.0	–	–
Exposure at default	10.3	21.9	1.3	0.4	–	9.4	25.9	1.7	1.2	–
Risk exposure amount	2.1	6.4	0.9	0.5	–	2.1	8.1	1.1	1.4	–
Average PD in %	0.04	0.08	0.23	1.31	–	0.04	0.08	0.23	0.84	–
Average LGD in %	43.8	44.2	45.0	45.0	–	41.6	44.3	45.0	45.0	–
Average risk weight in %	20.1	29.3	66.0	135.5	–	22.3	31.3	65.1	117.8	–
Corporates[2]										
Loans and interest bearing securities	7.2	21.7	60.6	19.5	0.0	7.9	17.6	58.6	15.5	0.0
Loan committments and guarantees	–	1.6	1.6	1.9	0.0	–	2.2	1.9	2.0	0.0
Reduction for loan committments and guarantees[1]	–	-0.9	-1.3	-1.3	0.0	0.0	-1.3	-0.9	-1.3	–
Exposure at default	7.2	22.4	60.9	20.1	0.0	7.9	18.5	59.6	16.2	0.0
Risk exposure amount	1.3	7.4	31.4	17.1	0.1	1.5	6.2	30.6	13.8	0.1
Average PD in %	0.03	0.10	0.25	0.79	63.11	0.03	0.10	0.25	0.81	65.59
Average LGD in %	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0	45.0
Average risk weight in %	18.6	33.0	51.5	85.5	136.2	18.5	33.6	51.3	85.6	127.1

1 Effect from the application of credit conversion factors from nominal amount to exposure value.
2 There are no derivatives exposures to corporates.

Table 25: Liquidity investments at December 31, 2018 (and 2017), by country and exposure class/type
Net Exposures in Skr bn

Country	Financial insti-tutions		States		Regional/Local govern-ments		Covered bonds		CDS covered corporates		Corporates		Multi-lateral develop-ment banks		Total[1]	
Skr bn	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Sweden	0.7	0.1	1.9	2.2	7.0	4.9	2.5	1.5	–	–	10.0	5.4	–	–	22.1	14.2
Japan	0.5	0.0	4.0	4.0	–	–	–	–	–	–	0.4	0.2	–	–	4.8	4.2
Austria	1.7	–	2.9	–	–	–	–	–	–	–	–	–	–	–	4.6	–
Germany	–	–	3.7	0.4	–	–	–	–	–	–	0.9	–	–	–	4.6	0.4
Canada	4.2	7.9	–	–	–	–	–	–	–	–	–	–	–	–	4.2	7.9
Norway	2.0	3.2	–	–	–	–	–	–	–	–	1.5	–	–	–	3.5	3.2
United States	0.9	0.6	1.9	–	–	–	–	–	–	–	–	–	–	–	2.8	0.6
UAE	–	–	–	–	–	–	–	–	–	–	2.7	2.5	–	–	2.7	2.5
Denmark	0.8	0.9	–	–	–	–	0.6	–	–	–	1.2	–	–	–	2.6	0.9
Netherlands	0.1	2.2	1.7	–	–	–	–	–	–	–	0.5	–	–	–	2.4	2.2
China	2.1	2.8	–	–	–	–	–	–	–	–	–	–	–	–	2.1	2.8
Taiwan. Province Of China	–	–	–	–	–	–	–	–	–	–	1.4	1.3	–	–	1.4	1.3
Malaysia	–	–	–	–	–	–	–	–	–	–	1.4	1.4	–	–	1.4	1.4
Australia	1.1	1.1	–	–	–	–	–	–	–	–	–	–	–	–	1.1	1.1
Luxembourg	–	–	0.8	–	–	–	–	–	–	–	–	–	–	–	0.8	–
Qatar	–	–	–	–	–	–	–	–	–	–	0.4	1.2	–	–	0.4	1.2
France	0.1	1.0	–	–	–	–	–	–	–	–	–	–	–	–	0.1	1.0
Switzerland	0.1	–	–	–	–	–	–	–	–	–	–	–	–	–	0.1	–
Finland	0.0	–	–	–	–	–	–	–	–	–	–	0.5	–	–	0.0	0.5
Belgium	0.0	0.0	–	–	–	–	–	–	–	–	–	–	–	–	0.0	0.0
United Kingdom	–	0.0	–	–	–	–	–	–	–	–	–	–	–	–	–	0.0
Total	**14.3**	**19.9**	**16.9**	**6.6**	**7.0**	**4.9**	**3.1**	**1.5**	**–**	**–**	**20.4**	**12.6**	**–**	**–**	**61.7**	**45.5**

[1] The table excludes contracts that are not settled and SEK's loan facility with the Swedish National Debt Office. Deposits over all maturities are included.

Table 26: Liquidity investments at December 31, 2018 (and 2017), by country and rating
Net exposures in Skr bn

Country	AAA		AA+ to AA-		A+ to A-		BBB+ to BBB-		Total1	
Skr bn	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Sweden	7.3	4.7	4.8	5.6	6.4	3.3	3.6	0.6	22.1	14.2
Japan	–	–	0.4	0.2	4.4	4.0	0.0	–	4.8	4.2
Austria	–	–	4.6	–	0.0	–	0.0	–	4.6	–
Germany	3.7	0.4	0.0	–	0.9	–	0.0	–	4.6	0.4
Canada	–	–	0.5	1.7	3.7	6.2	0.0	–	4.2	7.9
Norway	–	–	0.0	–	2.8	3.2	0.7	–	3.5	3.2
United States	–	–	2.8	–	0.0	0.6	0.0	–	2.8	0.6
UAE	–	–	1.8	1.7	0.9	0.8	0.0	–	2.7	2.5
Denmark	–	–	0.0	–	1.6	0.9	1.0	–	2.6	0.9
Netherlands	1.8	0.3	0.0	0.2	0.5	1.7	0.1	–	2.4	2.2
China	–	–	0.0	0.8	2.1	2.0	0.0	–	2.1	2.8
Taiwan. Province Of China	–	–	0.0	–	1.4	1.3	0.0	–	1.4	1.3
Malaysia	–	–	0.0	–	1.4	1.4	0.0	–	1.4	1.4
Australia	–	–	0.1	0.2	1.0	0.9	0.0	–	1.1	1.1
Luxembourg	0.8	–	0.0	–	0.0	–	0.0	–	0.8	–
Qatar	–	–	0.0	–	0.4	1.2	0.0	–	0.4	1.2
France	–	–	0.0	–	0.1	1.0	0.0	–	0.1	1.0
Switzerland	–	–	0.0	–	0.1	–	0.0	–	0.1	–
Finland	–	–	0.0	–	0.0	–	0.0	0.5	0.0	0.5
Belgium	–	–	0.0	0.0	0.0	–	0.0	–	0.0	0.0
United Kingdom	–	–	0.0	–	0.0	0.0	0.0	–	0.0	0.0
Total	**13.6**	**5.3**	**15.0**	**10.5**	**27.7**	**28.5**	**5.5**	**1.1**	**61.7**	**45.5**

[1] The table excludes contracts that are not settled and SEK's loan facility with the Swedish National Debt Office. Deposits over all maturities are included.

Table 27: Liquidity reserve[1] at December 31, 2018

Market values in Skr bn	Total	SKR	EUR	USD	Other
Securities issued or guaranteed by sovereigns. central banks or multilateral development banks	12.2	1.5	3.8	6.5	0.4
Securities issued or guaranteed by municipalities or other public entities	7.8	5.3	2.5	–	–
Covered bonds issued by other institutions	3.0	3.0	–	–	–
Balances with other banks and National Debt Office. overnight	0.3	0.3	–	–	–
Total Liquidity Reserve	**23.3**	**10.1**	**6.3**	**6.5**	**0.4**

[1] The liquidity reserve is a part of SEK's liquidity investments. The table excludes account balances.

Table 28: Net long-term funding amount, at December 31, 2018 (and 2017), by region and structure type
Net total long-term funding amount when swaps are taken into account: Skr 248.7 billion at December 31, 2018.

Region	Plain vanilla		FX linked		Equity linked		IR linked		Commodity linked		Other structures		Total	
Skr bn	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Europe excl. Nordic Countries	63.4	60.1	0.1	0.1	0.2	0.1	9.9	9.5	0.0	–	1.0	0.9	74.6	70.7
Japan	11.4	12	30.9	28.3	16.4	9.9	0.0	0.2	0.3	0.3	0.3	0.4	59.3	51
North America	56.5	42.6	0.0	–	1.7	1.6	0.4	0.6	5.1	5.3	0.0	–	63.8	50.1
Non-Japan Asia	27.7	26.5	0.0	–	0.0	–	3.2	2.8	0.0	–	0.0	–	30.9	29.4
Nordic Countries	6.5	7.8	0.0	–	0.0	–	0.0	–	0.0	–	1.0	0.8	7.6	8.6
Middle East/Africa	7.2	5.6	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	7.2	5.6
Latin America	4.4	2.8	0.4	0.3	0.0	–	0.0	–	0.0	–	0.0	–	4.8	3.2
Oceania	0.5	0.6	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.5	0.6
Grand Total	**177.7**	**157.9**	**31.4**	**28.7**	**18.3**	**11.7**	**13.6**	**13.1**	**5.3**	**5.5**	**2.3**	**2.1**	**248.7**	**219.1**

Table 29: Past due, impaired exposures, specific and general provisions by exposure class, 2018[1]

Skr mn	Past due but not impaired	Impaired	Specific provisions, 2018	General provisions, 2018	Specific provisions, accumulated	General provisions, accumulated
Central governments	–	–	–	-2	–	4
Regional governments	–	–	–	–	–	–
Multilateral development banks	–	–	–	–	–	–
Institutions	–	–	–	-1	–	1
Corporates	120	967	16	-11	84	52
Securitizations	–	–	–	–	–	–
Total	120	967	16	-14	82	57

1 The "Past due but not impaired" means delayed payment where the counterpart has not received impaired credit rating. "Impaired" is defined as the exposure amount for defaulted credits. Further the "General provisions" is equivalent to non defaulted credits and "Specific provisions" to defaulted credits. Any negative amounts are due to provisions reversal.

Table 30: Past due, impaired exposures, specific and general provisions by exposure class, 2017

Skr mn	Past due but not impaired	Impaired	Specific provisions, 2017	General provisions, 2017	Specific provisions, accumulated	General provisions, accumulated
Central governments	–	7	–	–	3	–
Regional governments	–	–	–	–	–	–
Multilateral development banks	–	–	–	–	–	–
Institutions	–	–	–	–	–	–
Corporates	146	714	29	-80	63	90
Securitizations						
Total	146	721	29	-80	65	90

Table 31: Past due, impaired exposures, specific and general provisions by geographical area1

Skr mn	Past due but not impaired	Impaired	Specific provisions, 2018	General provisions, 2018	Specific provisions, accumulated	General provisions, accumulated
North America	40	224	7	–	–	1
Latin America	18	207	15	-5	60	10
Sweden	16	0	-3	-9	0	28
Central-East European countries	3	–	–	–	–	9
West European countries excl. Sweden	–	–	-4	-4	–	–
Africa	14	–	–	–	–	1
Asia	29	536	1	4	22	8
Total	**120**	**967**	**16**	**-14**	**82**	**57**

1 The "Past due but not impaired" means delayed payment where the counterpart has not received impaired credit rating. "Impaired" is defined as the exposure amount for defaulted credits. Further the "General provisions" is equivalent to non defaulted credits and "Specific provisions" to defaulted credits. Any negative amounts are due to provisions reversal.

Table 32: Reconciliation of changes in the specific and general provisions[1]

Skr mn	Opening balance	Increases in provisions during 2018	Decreases in provisions during 2018	Transfers between specific and general provisions	Other adjust-ments	Closing balance	Recoveries recorded directly to the income statement
Specific provisions							
Central governments	–	–	–	–	–	–	–
Regional governments	–	–	–	–	–	–	–
Multilateral development banks	–	–	–	–	–	–	–
Institutions	–						–
Corporates	66	1	-2	-2	19	82	–
Securitizations	–	–	–	–	–	–	–
Total specific provisions	**66**	**1**	**-2**	**-2**	**19**	**82**	**–**
General provisions							
Central governments	6	–	–	–	-2	4	–
Regional governments	–	–	–	–	–	–	–
Multilateral development banks	–	–	–	–	–	–	–
Institutions	1	–	–	–	–	1	–
Corporates	64	14	-13	2	-15	52	–
Securitizations	–	–	–	–	–	–	–
Total general provisions	**71**	**14**	**-13**	**2**	**-17**	**57**	**–**
Total provisions	**137**	**15**	**-15**	**–**	**2**	**139**	**–**

1 The "General provisions" is equvalent to non defaulted credits and "Specific provisions" to defaulted credits. Any negative amounts are due to provisions reversal.

The only source of assets encumbrance for SEK are cash collaterals to swap counterparties with derivatives having a negative fair value according to ISDA Master Agreements and related ISDA Credit Support Annex. The English Credit Support Annex allows parties to establish bilateral mark-to-market arrangements under English law relying on transfer of title to collateral in the form of securities and/or cash and, in the event of default, inclusion of collateral values within the close-out netting provided by Section 6 of the ISDA Master Agreement. The English Credit Support Annex does not create a security interest, but instead relies on netting for its effectiveness. Only the parent company has encumbered assets. Approximately 80 percent of unencumbered other assets comprise cash and cash equivalents.

Table 33: Encumbered and unencumbered assets at December 31, 2018

Skr mn	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Debt securities	–	–	96,820	97,912
Other assets	15,916	15,946	188,601	190,728
Total assets	**15,916**	15,946	**285,421**	**288,640**

Table 34: Collateral received not recognised in statement of financial position at December 31, 2018

Skr mn	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Other collateral received	–	–
Total collateral received	**–**	**–**
Own debt securities issued other than own covered bonds or ABSs	**628**	**628**

Table 35: Encumbered assets/collateral received and associated liabilities at December 31, 2018

Skr mn	Matching liabilities, contingent liabilities or securites lent	Assets, collateral received and own debt securities issued other than covered bonds and ABS encumbered
Carrying amout of selected financial liabilites	15,916	16,544

Table 36: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories[1]

In 2018, the subsidiary Venantius AB has been liquidated, which resulted in that the capital situation has changed in 2018 and is now on a parent company level and not on a consolidated level. The entity it consists of is AB Svensk Exportkredit. The capital adequacy rules apply to each individual entity that has a licence to carry out banking, finance or securities operation.The scope of regulatory consolidation differ from the consolidation for accounting purposes.

	December 31, 2018					
Book values in Skr mn	As reported in published financial statements	As under scope of regulatory consolida-tion	Subject to credit risk framework[2]	Subject to counterparty credit risk framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets						
Cash and cash equivalents	2,416	2,415	2,603	–	2,141	–
Treasuries/government bonds	11,117	11,117	11,130	–	11,117	–
Other interest-bearing securities except loans	48,665	48,665	48,824	–	24,087	–
Loans in the form of interest-bearing securities	36,781	36,782	36,894	–	16,904	–
Loans to credit institutions[3]	27,725	27,725	11,408	–	21,578	–
Loans to the public	161,094	161,094	162,086	–	125,263	69
Derivatives	6,529	6,529	–	6,529	26,972	–
Property, plant, equipment and intangible assets	69	69	–	–	–	43
Other assets	4,980	4,980	4,104	–	85	856
Prepaid expenses and accrued revenues	2,657	2,657	–	–	2,446	–
Total assets	**302,033**	**302,033**	**277,049**	**6,529**	**230,593**	**968**
Liabilities and equity						
Borrowing from credit institutions	2,247	2,247	–	–	2,247	–
Senior securities issued	255,600	255,600	–	–	253,502	–
Derivatives	21,934	21,934	–	21,934	-27,735	–
Other liabilities	1,069	1,069	–	–	602	–
Accrued expenses and prepaid revenues	2,583	2,583	–	–	2,410	–
Deferred tax liabilities	276	0	–	–	–	–
Provisions	85	15	–	–	–	–
Subordinated securities issued	–	–				
Total liabilities	**283,794**	**283,448**	**–**	**21,934**	**231,026**	**–**
Share capital	3,990	3,990	–	–	–	–
Reserves	-153	1 547	–	–	–	–
Retained earnings	14,402	13,048	–	–	–	–
Total equity	**18,239**	**18,585**	**–**	**–**	**–**	**–**
Total liabilities and equity	**302,033**	**302,033**	**–**	**21,934**	**231,026**	**–**

[1] Column regarding securitization positions has been omitted as SEK does not have securitization positions.
[2] For credit risk, accrued interest is reported on the same line as the exposure. In the balance sheet, these are reported on the line "Prepaid expenses and accrued revenues".
[3] Skr 16.4 billion of the book value for Loans to credit institutions is Cash collateral under the security agreements for derivative contracts.

Table 37: Main sources of differences between regulatory exposure amounts and carrying values in financial statements[1]

	December 31, 2018			
Book values in Skr mn	**Total amount**	**Subject to credit risk framework**	**Subject to counterparty credit risk framework** [2]	**Subject to the market risk framework**
Asset under the scope of regulatory consolidation (as per template EU LI1)	514,171	277,049	6,529	230,593
Liabilities under the regulatory scope of consolidation (as per template EU LI1)	252,960	-	21,934	231,026
Total net amount under regulatory scope of consolidation	284,259	277,049	6,529	-433
Off-balance sheet amounts	59,611	55,714	3,897	-
Differences due to different netting rules, other than reported on row 2	-5,901	-	-5,901	-
Difference between accounting and regulatory treatment of positions subject to market risk	208	-	-	1,322
Exposure amounts considered for regulatory purposes	**338,177**	**332,763**	**4,525**	**889**

[1] Column regarding securitization positions has been omitted as SEK does not have securitization positions.
[2] SEK's counterparty credit risk in derivatives is reduced by ensuring that derivatives transactions are subject to netting agreements in the form of ISDA Master Agreements.

Glossary

BCBS Basel Committee on Banking Supervision
CCF Credit Conversion Factor
CCP Central counterparty
CDS Credit Default Swap
CIRR Commercial Interest Reference Rate
CRD Capital Requirements Directive
CRR Capital Requirements Regulation
CVA Credit valuation adjustment
EAD Exposure at default
EBA European Banking Authority
EC Economic capital
EKN Swedish Exports Credits Guarantee Board
EL Expected loss
EMIR European Market Infrastructure Regulation
ESMA European Securities and Markets Authority
EU European Union
EVE Economic Value of Equity
FFFS Swedish Financial Supervisory Authority regulations and general guidelines
GICS Global Industries Classification Standard
IAS International Accounting Standard
ICAAP Internal capital adequacy assessment process
IFRS International Financial Reporting Standards
IRB Internal ratings-based approach
ISDA International Swaps and Derivatives Association
KYC Know your customer
LCR Liquidity Coverage Ratio
LGD Loss given default
M Maturity
NII Net interest income
NSFR Net Stable Funding Ratio
O/N Over-night deposit
OTC Over-the-counter
PD Probability of default of a counterparty within one year
REA Risk exposure amount
SEC Security Exchange Commission
SOX Sarbanes-Oxley Act
UL Unexpected loss
VaR Value at Risk