SEK

AB Svensk Exportkredit

Capital Adequacy and Risk Management (Pillar 3) Report 2020

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.

Target group
SEK lends money to Sweden-based exporters, their suppliers and foreign customers.

Since 1962, SEK has offered loans that have enabled hundreds of Swedish companies to grow by increasing production, increasing the number of employees and selling products and services to clients across the globe.

With lending in about 60 countries, SEK allows companies to feel at home even when conducting business internationally by granting access to an entire ecosystem of banks, companies and business partners across the globe.

Sustainability is central to SEK's operations, and therefore it is a natural step to finance the industry's transition to a fossil-free society; a development that also creates new export opportunities.

SEK fulfills a well-defined function in companies' total loan portfolio. SEK specializes solely in international export financing with the sole concern that Swedish exporters are able to succeed with more export transactions. This is exactly why SEK was founded: to create more business for Swedish exporters, and thereby contributing to jobs and growth in Sweden.

To combat climate change, Swedish corporates needs to invest in becoming climate neutral. Financing from SEK assists corporates with maintaining competitiveness while they transition operations to reduce climate impact. SEK finances the climate transition in Sweden by focusing on four areas: energy, transportation, shipping and smart cities.

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; defines rules for the determination of the capital requirement relating to credit risks, market risks and operational risks.
Pillar 2 comprises a supervisory review and evaluation process (SREP) and requires institutions undertake an internal capital adequacy process (ICAAP) as well as an internal liquidity adequacy assessment process (ILAAP).
Pillar 3 promotes market discipline and requires institutions to disclose key information which allows investors and other market participants to understand their risk profiles. 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 2020 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 ("SEK" or 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 consolidated group consists of SEK and its wholly owned, inactive, subsidiary SEKETT AB.

The figures presented in this report refer to the Company as at December 31, 2020, unless otherwise stated. The 2020 figures are highlighted in the tables. The comparative figures in parentheses in this report refer to the same date or period in 2019, 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 commercial interest reference rates (CIRR-rates) and at 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 92 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, when applicable, 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 is available for the full maturity period for all of SEK's credit commitments – outstanding credits and agreed, but undisbursed credits. In doing so, SEK regards its credit facility with the Swedish National Debt Office as available borrowing. The credit facility, granted by the government through the Swedish National Debt Office, amounts to Skr 200 billion. 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 2020

In 2020 the COVID-19 pandemic dominated the general economic outlook as well as export companies' ability to pursue their activities. Global GDP decreased 4.3 percent due to the pandemic, whereas in Sweden GDP declined somewhat less 2.8 percent. The fact that GDP did not fall further was probably due to the substantial financial rescue packages that have been initiated globally during the year in order to mitigate the economic consequences of the pandemic. The Swedish economy and Swedish export companies have managed well in the prevailing circumstances and, accordingly, SEK has not incurred any substantial credit losses. However, reserves for expected credit losses have been increased but not to a magnitude that has hindered SEK from continuing lending to its customers in accordance with their needs. Credit volumes have reached record highs but SEK has nonetheless been able to refinance its relatively large new-lending-related disbursements. In the varied market conditions during the year, the financial markets have remained surprisingly stable given the constrains imposed by the situation. This was probably due to the rescue packages mentioned earlier. At the end of 2020, positive news regarding the development of several effective vaccines against COVID-19 and a clear outcome in the U.S. presidential election have helped stabilize the markets even though the increased spread of infection and the delayed Brexit negotiations have had an opposite effect.

SEK's capital adequacy has improved in 2020. At the end of the year, the total capital ratio was 21.8 percent (2019: 20.6 percent), of which the Tier 1 capital ratio and the Common Equity Tier 1 ratio amounted to 21.8 percent (2019: 20.6 percent). The increase was primarily due to a decreased risk level in the liquidity portfolio, strengthening of the Swedish krona against USD and EUR and increased own funds. Increased lending volumes had a counteracting effect.

SEK's total exposures increased since the end of 2019 related to increased lending volumes were primarily net exposures towards central governments and corporates increased. The leverage ratio amounted to 5.8 percent (2019: 5.7 percent) at year end.

SEK's largest financial risks are, in line with internally assessed capital adequacy, the following:

- credit risk, Skr 6.1 billion in allocated capital (year-end 2019: Skr 7.3 billion);
- market risk, Skr 1.1 billion (year-end 2019: Skr 1.1 billion); and
- operational risk, Skr 0.2 billion in allocated capital (year-end 2019: Skr 0.2 billion).

The minimum requirement for own funds and eligible liabilities (MREL) for 2021 is 7.0 percent (the corresponding requirement for 2020: 7.2) of total liabilities and own funds. SEK meets these requirements since a portion of the senior debt can be included at present. Under the applicable Swedish legislation, SEK needs to issue at least Skr 12 billion in Senior non-preferred (SNP) debt before 2024, said debt being subordinate to other senior debt (senior preferred). Issuance will be made according to a plan starting in 2021. However, current legislation does not take into account the updated Bank Recovery and Resolution Directive (BRRD II) of 2019. SEK expects SNP issuance of at least USD 1.4 billion, starting with USD 0.7 billion in 2021. The government's review committee has presented proposed legislation to include the changes in the Bank Recovery and Resolution Directive. The proposed legislation would mean that SEK needs to issue a somewhat lower volume of SNP debt with a gradual transition period until 1 January 2024.

SEK's liquidity was fairly stable during the year. Capacity for managing operational and structural liquidity risk has been good. This was confirmed by new lending capacity, which amounted to 3 months (year-end 2019: 5 months), and by the liquidity coverage ratio (LCR), which was 447 percent (year-end 2019: 620) at year end. The record high lending volumes during the spring were partly financed by utilizing Skr 10 billion of the loan facility from the Swedish National Debt office.

Stressed VaR for all positions at fair value amounted to Skr 100 million (year-end 2019: Skr 123 million) at year end. Following the early COVID crisis, the risk level regarding market risk in SEK's portfolio has been reduced, which is reflected in a reduction in stressed VaR for positions that impact own funds.

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

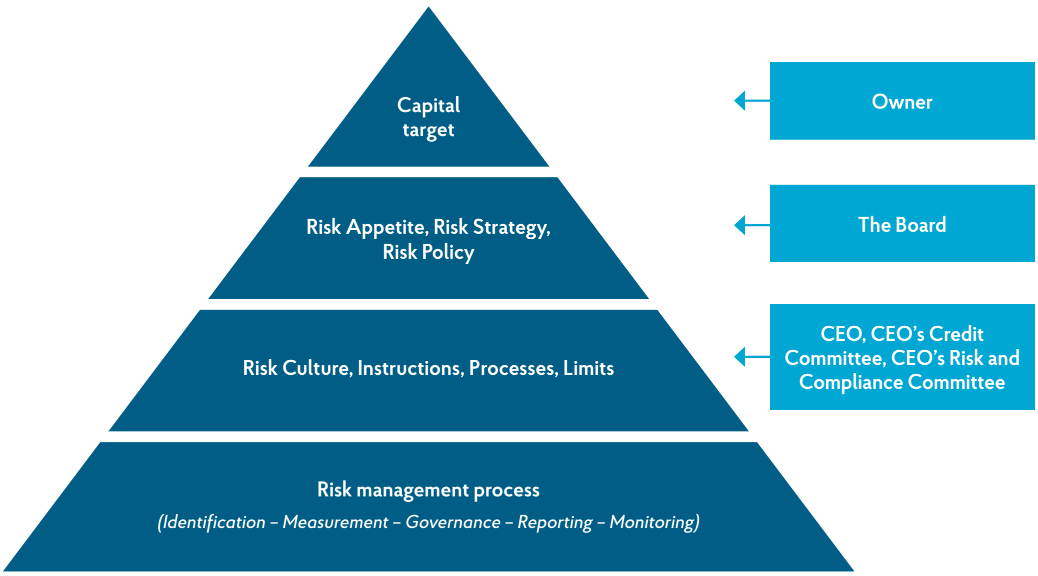
SEK's risk framework is ultimately governed by SEK's mission from its owner, the Swedish state, and SEK's business model. The Board of Directors sets additional constraints for SEK's operations in the form of policies, risk appetite, capital target (approved by the general shareholders meeting). SEK's 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 SEK. The Board approves the business plan and determines the overall risk strategy that SEK 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 SEK 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, including 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.

SEK 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 below) 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 SEK's organizational structure and administration of SEK's affairs, including overseeing and monitoring risk exposure, risk management and compliance, and for ensuring satisfactory internal control of SEK's compliance with legislation and other regulations governing SEK'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 SEK's risk policy and decides on issues relating to credits of great significance to SEK. In addition, the Board approves SEK's recovery plan that is completed and updated annually in accordance with the guidelines and technical standards issued by the European Banking Authority.

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, estimates as well as material changes made to existing models. In addition, the Finance and Risk Committee approves methods for internal risk classification for different types of exposure classes. 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 regarding credits. Furthermore, the Board's Credit committee establishes limits and makes credit decisions that exceed the mandates of the SEK's Credit Committee. 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, 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, 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.

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 analyzes.
- 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.

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 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

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

- firstly to ensure that SEK's capital strength is sufficient to support the strategy set out in the 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. During 2020 SEK's capital target was kept unchanged. SEK's capital target is expressed as follows:

- SEK's total capital ratio is to exceed the capital requirement communicated by the Swedish FSA by 2 to 4 percentage points.
- SEK's Common Equity Tier 1 capital ratio (CET1) is to exceed the capital requirement communicated by the Swedish FSA by at least 4 percentage points.

The margin above the capital requirement is to cover volatility that can be expected under normal circumstances. In accordance with the Swedish FSA's latest communicated capital evaluation as of November 20, 2020, SEK was required to have a total capital ratio and a CET1 ratio of 14.7 percent and 9.8 percent, respectively, at September 30, 2020 (September 30, 2019: 16.4 percent and 11,5 percent respectively).

In March 2020, the Swedish FSA lowered the countercyclical buffer rate applied to exposures in Sweden from 2.5 percent to 0 percent. The decrease was made for preventive purposes, in order to counteract credit tightening during the pandemic and lowered SEK's capital requirements approximately 1.8 percent. The requirements should be compared with total capital ratio and CET1 ratio on December 31, 2020 of 21.8 percent (December 31, 2019: 20.6 percent). Since SEK's total capital ratio exceeds the Swedish FSA's latest communicated total capital requirement with 5.6 percentage points at September 30, 2020 (September 30, 2019: 2.5 percentage points) and the CET1 ratio exceeds the Swedish FSA's requirement with 10.5 percentage points (December 31, 2019: 7.4 percentage points), this means that SEK meets the minimum requirements in the capital target. However, SEK's need to have extra capital resources in place for new lending during the pandemic together with the lowering of the countercyclical buffer rate entailed that the outcome exceeded the upper limit of the capital target for total capital.

Table 2.1 Detailed risk statement

Risk class	Risk management	Risk profile	Risk appetite	Proportion of Economic capital
Credit risk				
Credit risk is the risk of losses due to the failure of a credit (or an arrangement similar to that of a credit) to be fulfilled. Credit risk is divided into issuer risk, counterparty risk, concentration risk, settlement risk and country risk (including transfer risk).	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.	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 (ECA's), major Swedish exporters, banks and insurers. SEK invests its liquidity in high credit quality securities, primarily with short maturities.	Moderate (SEK's risk appetite for credit risk is higher than other risks.)	58.4%
Liquidity risk				
Liquidity and refinancing risk is the risk, within a defined period of time, of the company not being able to refinance its existing assets or being unable to meet the need for increased liquidity. Liquidity risk also includes the risk of having to borrow funds at unfavorable interest rates or needing to sell assets at unfavorable prices in order to meet payment commitments. Liquidity risk encompasses refinancing risk and market liquidity risk.	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.	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.	Low	-
Market risk				
Market risk is the risk of loss or change in future net income resulting from, for example, changes in interest rates, exchange rates, commodity prices or share prices. Market risk includes price risk in connection with sales of assets or the closing of exposures.	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.	SEK's business model leads to exposure mainly to spreads, interest-rate risk and currency risk. SEK's largest net exposures are to changes in spreads, mainly to credit spreads associated with assets and liabilities and to cross-currency basis spreads.	Low	10.9%
Operational risk				
Operational risk is the risk of losses resulting from inappropriate, inadequate or faulty internal processes or procedures, systems, human error, or from external events. Operational risk includes legal, IT and information security risk.	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.	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.	Low	1.9%

Risk class	Risk management	Risk profile	Risk appetite	Proportion of Economic capital
Compliance risk				
Compliance risk is the risk of failure to meet obligations pursuant on the one hand to legislation, ordinances and other regulations, and on the other hand to internal rules. Compliance risk includes the risk of money laundering and financing of terrorism.	SEK works continuously to develop tools and knowledge to help identify the company's compliance risks. The company analyzes and monitors compliance risks with the intention of continuously reducing the risk of non-compliance with regulations pertaining to operations requiring permits.	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.	Low	-
Business and strategic risk				
Business risk is the risk of an unexpected decline in revenue resulting from, for example, changes to competitive conditions with a decrease in business volumes and/or falling margins. 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 effects from outsourcing, or the lack of adequate response to changes in the regulatory and business environment. Strategic risk focuses on large-scale and structural risk factors.	SEK's executive management is responsible for identifying and managing 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.	SEK's business and 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.	Low to moderate	-
Sustainability risk				
Sustainability risk is the risk that SEK's operations directly or indirectly impact their surroundings negatively with respect to business ethics, corruption, climate and the environment, human rights and labor conditions. Human rights includes the child rights perspective; labor conditions encompasses gender equality and diversity; and ethics includes tax transparency.	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.	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.	Low to moderate	-

2.4 The Board's 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. SEK is therefore mainly exposed to credit risk. At December 31, 2020, the total internally assessed economic capital excluding any buffer amounted to Skr 7,646 million, or 8.6 percent of risk weighted assets, of which credit risk accounted for 6.9 percent, market risk 1.3 percent, operational risk 0.2 percent and other risks 0.2 percent.

To ensure that SEK is well capitalized in relation to SEK's risks and that SEK has a favorable liquidity situation, the owner (The Swedish state) stipulates SEK's risk appetite for capitalization and the Board SEK's risk appetite for liquidity risk. The owner has established that SEK's total capital ratio shall be between 2 and 4 percentage points above the capital requirement communicated by the Swedish FSA and SEK's Common Equity Tier 1 capital ratio shall total at least 4 percentage points above the 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 SEK has approved and has procedures for, whose risks can be measured and evaluated and where SEK complies with international sustainability risk guidelines.
- SEK's business strategy entails secure financing which has, at least, the same maturities as the funds lended.

The risk profile of SEK in relation to the risk appetite is monitored and regularly followed up by the independent risk control function and is presented to the Management, 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 this Pillar 3 Report.

The Annual Report has been adopted by the Board.

2.5 Risk appetite

The Board decides SEK's risk appetite that stipulates the outer constraints for all of SEK'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 SEK's risks. Risk appetite is strongly linked to SEK's capacity to withstand losses and thus to SEK's equity. The Board comprehensively monitors the risk exposures related to the risk appetite at least on a quarterly basis.

2.6 Risk management process

SEK's risk management process comprises the following key elements:

- ***Identify.*** 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 analyzes, conducted at least once a year, encompassing all aspects of the Company. Both forward-looking and historical analyzes, 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 SEK'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, SEK 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.*** SEK reports on the current risk and capital situation and other related areas to the CEO, the Management, the Finance and Risk Committee and the Board, at least every quarter.
- ***Monitor.*** SEK 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 SEK and that risk management is effective and appropriate.

2.7 Internal capital adequacy and internal liquidity adequacy assessment process

2.7.1 Purpose and governance

The internal capital adequacy process (ICAAP) and internal liquidity assessment process (ILAAP) are an integral part of SEK's strategic planning, whereby SEK's Board establishes the SEK'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, are part of this assessment. The assessment is performed as a minimum for the forthcoming period of three years in the business plan.

The ILAAP process ensures that SEK adequately identifies and measures its liquidity risk, holds adequate liquidity at all times in relation to its risk profile and uses sound risk management systems and processes to support it. This process takes place in connection with the ICAAP process. 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 strategic and liquidity risk for which SEK applies active risk mitigation. Chart 2.1 describes how SEK groups and analyzes its risks in the ICAAP 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 SEK's earnings and financial stability. To arrive at an appropriate assessment of SEK´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, stress scenarios are developed taking into account relevant global and local factors affecting SEK's business model and also SEK's net risk exposure. The scenarios forms the basis of the assessment of SEK's capital planning buffer[1].

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 SEK'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.

During the year, SEK did an overhaul of the correlation coefficients for credit risk exposures in Pillar II that effectively decreased economic capital by 27%. The overhaul increased model stability and are more in line with the correlations set by the Basel Committee. The modeling techniques that SEK uses for the capital calculations 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.

[1] The capital planning buffer will be replaced with pillar 2 guidance. For information on the pillar 2 guidance, see section 3.6 New regulation – impact on SEK.

3. Capital and liquidity position

SEK's own funds remained well in excess of the capital requirements. SEK's liquidity situation also remained strong during the year.

3.1 Summary of capital and liquidity position

Own funds fully exceed both regulatory capital requirements and internally assessed capital levels. At December 31, 2020, SEK's own funds amounted to Skr 19,450 million (year-end 2019: Skr 18,307 million), while the legally binding minimum capital requirement including buffers amounted to Skr 9,393 million (year-end 2019: Skr 10,993 million), the capital requirement according to the Swedish FSA, including buffers amounted to Skr 13,773 million (year-end 2019: Skr 15,606 million) and internally assessed economic capital amounted to Skr 10,478 million (year-end 2019: Skr 9,824 million).

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

3.1.1 Capital position

Due to the substantial disruption of the financial system and the negative effects for Sweden's export industry that the COVID-19 pandemic has had, SEK and its owner implemented measures, with the aim of strengthening SEK's lending capacity and thus provide the company with better prerequisites to support Swedish exporters. One of these measures consisted of a resolution passed at the annual general meeting on March 26, 2020, whereby it was resolved that no dividend would be paid for 2019.

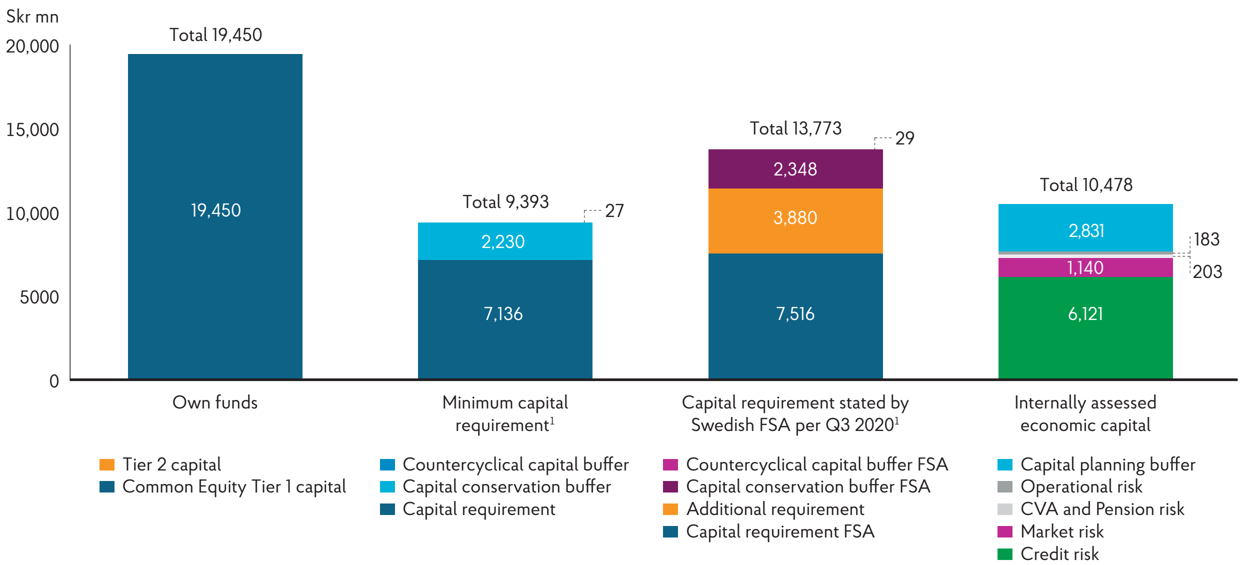
As shown in Chart 3.2, SEK's capital ratios increased in 2020. The increase in capital ratios compared with year-end 2019 is primarily due to increased retained earnings and a lower average risk weight in the liquidity portfolio. The increase in the capital ratios is partly mitigated by higher volumes in the credit portfolio.

SEK does not apply IFRS9 transitional rules for expected losses. The capital adequacy ratios already reflect the full impact of IFRS 9 with regard to expected loss.

SEK's capital situation remains stable even in the longer perspective as illustrated in Chart 3.3 on the next page. 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 decrease in 2018 is predominantly an effect of that SEK during this year exercised its right to call the Tier 2 eligible subordinated debt instrument in accordance with its terms. In 2019 the increase is explained primarily due to a lower average risk weight in the liquidity portfolio due to a higher proportion in government exposures and increasing own funds. The increase in 2020 is explained on the previous page.

Chart 3.1: Capital situation at December 31, 2020



[1] The countercyclical capital buffer as for Sweden has been dissolved due to the reduction of the countercyclical buffer value to 0 percent in 2020. The contribution to SEK's countercyclical capital buffer derives from buffer rates in other countries.

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	2020	2019
Own funds		
Common Equity Tier 1 capital	19,450	18,307
Tier 1 capital	19,450	18,307
Total own funds	19,450	18,307
Capital requirements		
Risk exposure amount (REA)	89,202	88,657
Capital requirements (8% of REA)	7,136	7,093
Capital ratios		
Common Equity Tier 1 capital ratio	21.8%	20.6%
Tier 1 capital ratio	21.8%	20.6%
Total capital ratio	21.8%	20.6%
Common Equity Tier 1 capital available to meet buffers	13.8%	12.6%
Leverage		
Exposure measure for the leverage ratio	334,767	324,002
Leverage ratio	5.8%	5.7%
Liquidity		
Liquidity coverage ratio (LCR) according to EU rules	447%	620%
Net stable funding ratio (NSFR)	135.0	120.5%

3.1.2 Liquidity position

SEK's liquidity situation remained fairly stable 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, Swedish FSA requires institutions to keep a LCR ratio of at least 100 percent separate in EUR and USD but also a LCR ratio of at least 75 percent for Skr and other significant currencies.

The external demands for the LCR were fulfilled at all times. For further details regarding the liquidity ratios, see Chapter 5 Liquidity.

Chart 3.2: Changes in total capital ratio

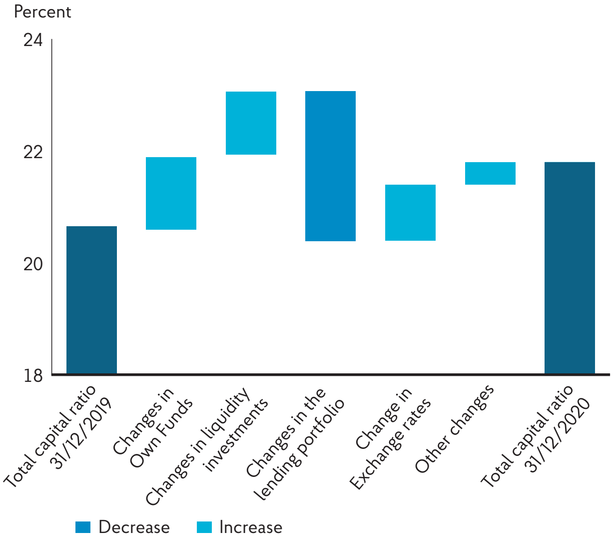


Chart 3.3: Capital ratios, 2010-2020

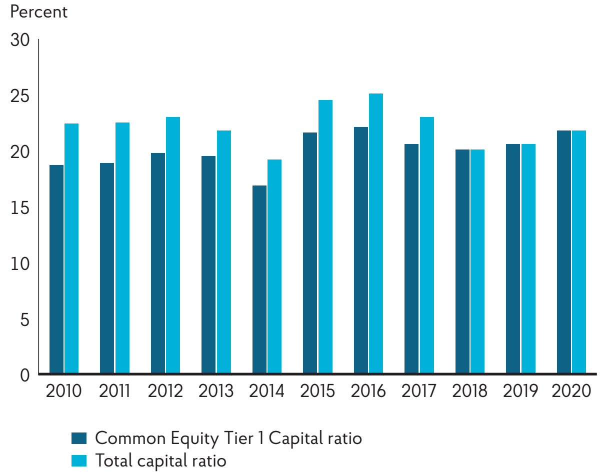


Table 3.2: Regulatory Capital requirements[1]

	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)	0.0%	-	-	0.0%
Total minimum capital requirement including buffer requirements	**7.0%**	**1.5%**	**2.0%**	**10.5%**
Additional capital requirement according to the Swedish FSA[2, 3]				
Interest-rate risk in the banking book	0.5%	0.2%	0.2%	0.9%
Credit-risk-related concentration risk	1.2%	0.4%	0.6%	2.2%
Pension risk	0.0%	0.0%	0.0%	0.0%
Other	0.6%	0.2%	0.2%	1.0%
Total additional capital requirement according to the Swedish FSA	**2.3%**	**0.8%**	**1.0%**	**4.1%**
Total capital requirement	**9.3%**	**2.3%**	**3.0%**	**14.7%**

1 Minimum requirement for own funds and eligible liabilities are not included in this table, see instead section 3.5.
2 Based on SEK's balance sheet at September 30,2020.
3 As per December 29, 2020, the amendments have been made to the Special Supervision Act regarding the type of capital that needs to cover the additional risk-based own funds requirement for credit-risk-related concentration risk, interest-rate in the banking book and pension risk.

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.

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 (year-end 2019: 2.5 percent). The countercyclical buffer rate that is applied to exposures located in Sweden was lowered from 2.5 percent to 0 percent as of March 16, 2020. The reduction was made for preventive purposes, in order to counteract credit tightening due to the development and spread of COVID-19 and its effects on the economy.

As of December 31, 2020, the capital requirement related to relevant exposures in Sweden was 70 percent (year-end 2019: 70 percent), of the total relevant capital requirement regardless of location; this fraction is also the weight applied on the Swedish buffer rate when calculating SEK's countercyclical capital buffer. The countercyclical capital buffer as of December 31, 2020 for Sweden has been dissolved due to the reduction of the countercyclical buffer value to 0 percent (year-end 2019: 1.9 percent). 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, 2020, the contribution to SEK's countercyclical capital buffer from buffer rates in other countries was 0.03 percentage points (year-end 2019: 0.1 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[1]		Risk exposure amount		Minimum capital requirement	
	2020	2019	2020	2019	2020	2019
Credit risk standardized method						
Corporates	2,245	2,367	2,245	2,367	180	189
Total credit risk standardized method	**2,245**	**2,367**	**2,245**	**2,367**	**180**	**189**
Credit risk IRB method						
Central governments	192,077	172,148	9,684	8,816	775	705
Financial institutions[2]	30,661	45,437	6,764	10,802	541	864
Corporates[3]	117,415	110,592	63,766	60,068	5,101	4,806
Non-credit-obligation assets	163	152	163	152	13	12
Total credit risk IRB method	**340,316**	**328,329**	**80,377**	**79,838**	**6,430**	**6,387**
Credit valuation adjustment risk	n.a.	n.a	2,284	2,534	183	203
Foreign-exchange risks	n.a.	n.a	664	695	52	56
Commodities risk	n.a.	n.a	7	9	1	1
Operational risk	n.a.	n.a	3,625	3,214	290	257
Total	**342,561**	**330,696**	**89,202**	**88,657**	**7,136**	**7,093**

1 Exposure at default (EAD) shows the size of the outstanding exposure at default.
2 Of which counterparty risk in derivative contracts: EAD Skr 5,535 million (year-end 2019: Skr 5,613 million), Risk exposure amount of Skr 1,908 million (year-end 2019: Skr 1,980 million) and Capital requirement of Skr 153 million (year-end 2019: Skr 158 million).
3 Of which related to Specialized lending: EAD Skr 3,847 million (year-end 2019: Skr 3,646 million), Risk exposure amount of Skr 2,739 million (year-end 2019: Skr 2,352 million) and Capital requirement of Skr 219 million (year-end 2019: Skr 188 million).

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, 2020, SEK's additional requirement was Skr 3,880 million (year-end 2019: 3,880). Finally, the Swedish FSA adds the capital buffers according to Pillar 1. As of December 2020, SEK's buffer requirement was Skr 2,378 million (year-end 2019: 4,107). See Table 3.2 for a description of the regulatory capital requirements in percentage points.

3.2.3 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 3.4: Internally assessed economic capital

Skr mn	2020	Percentage of REA	2019	Percentage of REA
Credit risk	6,121	6.8	7,337	8.3
Market risk	1,140	1.3	1,109	1.3
Operational risk	203	0.2	183	0.2
Other[1]	183	0.2	203	0.2
Internal capital requirement excl. buffer	**7,647**	**8.5**	**8,832**	**10.0**
Capital planning buffer	2,831	3.2	992	1.1
Total capital	**10,478**	**11.7**	**9,824**	**11.1**

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 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 should 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. The EU Commission has decided that, beginning in June 2021, only Tier 1 capital is eligible when calculating the minimum requirements of capital for large exposures (see section 3.6.1). This will not have any impact since SEK do not hold any Tier 2 capital at the moment. 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 3.5: SEK's large exposures as a percentage of own funds

	2020	2019
The aggregate amount of SEK's large exposures	275.3%	277.1%
Exposures between 10% and 20%	22 exposures, totaling Skr 55,537 mn	21 exposures, totaling Skr 50,720 mn
Exposures > 20%	none	none

3.4 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. SEK does not apply IFRS9 transitional rules for expected losses. The leverage ratio already reflects the full impact of IFRS 9 with regard to expected loss. At present, there is no minimum requirement on the leverage ratio. It is decided that from June 2021 a minimum requirement will be set to 3 percent (see section 3.6.1). SEK has a leverage ratio that well exceeds this future requirement.

At December 31, 2020, SEK has a leverage ratio of 5.8 percent (year-end 2019: 5.7).

3.5 Minimum requirement for own funds and eligible liabilities

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 for 2021 is 7.0 percent (for 2020: 7.2), as calculated in accordance with the resolution regime. At December 31, 2020, SEK's outcome was 55.2 (54.4) percent that well exceeds the minimum requirement.

3.6 New regulation – impact on SEK

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.

3.6.1 EU Banking Reform

The Capital Requirement Directive IV (CRD IV) and the Capital Requirement Regulation (CRR) entered into force in January 2014 within the EU. Additionally, in May 2014 the Bank Recovery and Resolution Directive (BRRD) and the Single Resolution Mechanism Regulation (SRMR) were adopted in the EU.

In May 2019, the European Parliament and the Council of the European Union approved the EU Commissions proposal for amending the Capital Requirement Directive V (CRD V), Capital Requirement Regulation II (CRR II) and the Bank Recovery and Resolution Directive II (BRRD II) as part of the EU Banking Reform Package (effective from June 2019). The amendments serve to implement binding minimum requirements for Leverage Ratio and Net Stable Funding Ratio while also introducing a revised market risk framework (FRTB), a new standardized approach for counterparty credit risk (SA-CCR), minimum requirement for own funds and eligible liabilities (MREL), changes to the large exposure framework as well as changes to the Pillar 2 and Pillar 3-frameworks. CRR II, which is directly applicable in law in all EU member states, will enter into force on June 28, 2021. CRD V have been adopted into Swedish national law on December 9, 2020 and entered into force on December 29, 2020, whereas BRRD II implementation in Swedish national law is ongoing.

Leverage ratio (LR)

The Leverage ratio is a non-risk-based solvency requirement complementing the risk-based own funds requirements. The leverage ratio is defined as the ratio between Tier 1 capital and the non-weighted exposure amount. As part of CRR II, a binding minimum leverage ratio requirement of 3% has been introduced which will enter into force on June 28, 2021. SEK already complies with the upcoming requirement where SEK's leverage ratio exceeds 3% as per December 31, 2020.

Net Stable Funding Ratio (NSFR)

The net stable funding ratio serves to ensure that an institution maintains a stable funding profile in relation to its composition of assets and off-balance sheet exposures. The net stable funding ratio is defined as the amount of available stable funding relative to the amount of required stable funding. As part of the introduction of a minimum binding net stable funding ratio requirement in CRR II, SEK is required to maintain a net stable funding ratio of at least 100%. The new requirement will enter into force on June 28, 2021. SEK already complies with the upcoming requirement with a net stable funding ratio exceeding 100% as per December 31, 2020.

Market risk (FRTB)
As part of the revised market risk framework (FRTB), CRR II introduces a new standardized approach for foreign exchange risk and commodities risk. The new approach will be applied for regulatory reporting purposes as of Q3, 2021 and will require development of both data and system capabilities. The new alternative standardized approach is deemed to a have a limited impact on SEK's total own funds requirement compared to the current requirements. A formal binding own funds requirement under the revised market risk framework is still pending, with an expected effective introduction in 2023 at the earliest.

Counterparty Credit Risk (SA-CCR)
CRR II introduces a new standardized approach for calculation of own funds requirement for counterparty credit risk which will replace the existing standardized approach and mark-to-market method. SEK currently applies the mark-to-market method, but will transition to the new standardized approach during 2021. Development and implementation of the new model is currently ongoing which have required changes to both data and system capabilities. The new approach serves to ensure a more risk-sensitive measurement of counterparty credit risk exposure that better reflects the composition of the portfolio and the off-setting of different derivative positions, primarily in the calculation of potential future exposure. The risk exposure amount is expected to increase significantly under the new standardized approach for counterparty credit risk, but will have a limited impact on SEK's overall own funds requirement.

Minimum requirement on own funds and eligible liabilities (MREL)
SEK has been deemed systemically important for the Swedish financial system by the Swedish National Debt Office and is therefore subject to MREL-requirement (minimum requirement for own funds and eligible liabilities). The MREL-requirement consists of two main components; the loss absorption amount for which institution may include senior preferred debt (SP) and the recapitalization amount for which institution may only include senior non-preferred debt (SNP).

SEK already complies with the loss absorption requirement which is in effect, while the recapitalization requirement will be gradually implemented until January 1, 2024. The minimum requirement for own funds and eligible liabilities (MREL) for 2021 is 7.0 percent (the corresponding requirement for 2020: 7.2) of total liabilities and own funds. Under the applicable Swedish legislation, SEK needs to issue at least Skr 12 billion in SNP debt before January 1, 2024. Issuance will be made according to a plan starting in 2021. However, current legislation does not take into account the updated Bank Recovery and Resolution Directive (BRRD II) of 2019. SEK expects SNP issuance of at least USD 1.4 billion, starting with USD 0.7 billion in 2021. The government's review committee has presented proposed legislation to include the changes in the Bank Recovery and Resolution Directive. Following the proposed changes to the Swedish legislation as part of the ongoing implementation of BRRD II, a lower required volume of new SNP debt issuance is expected until January 1, 2024.

Large Exposures (LE)
The large exposure framework seeks to limit the concentration of exposures to an individual client or a group of connected clients in order to prevent large and disproportionate losses due to unforeseen events. Under CRR II, eligible capital is replaced with Tier 1 capital as part of the threshold calculation for identification of, and restriction to, large exposures. Since SEK's own funds only consists of CET1 capital, the change will not have an impact on the current threshold calculation. Additionally, CRR II introduces smaller changes to the calculation of the exposure value, as well as exemptions thereof, which will have limited impact on SEK's monitoring and compliance with applicable thresholds.

Minimum loss coverage
On April 26, 2019, an amendment to CRR with regards to minimum loss coverage for non-performing and forborne exposures entered into force. The amendment requires institution to deduct any shortfall between accounting provisioning and write-offs and prescribed minimum coverage levels from CET1. Different prescribed minimum coverage rates are applied between secured and non-secured exposures. The minimum loss coverage requirements shall only be applied for exposures that have been originated after April 26, 2019. For non-secured exposures, SEK shall apply a prescribed minimum coverage ratio above zero at first following 24 months after classification as non-performing. For secured exposures, a minimum prescribed coverage ratio above zero shall be applied at first following 36 months since classification as non-performing. In combination with SEK generally retaining a low non-performing ratio, the initial impact of the minimum loss coverage requirement and subsequent deduction from CET1 is assessed to be limited.

Pillar 2 Guidance
CRD V introduces mandate for competent authorities to define appropriate levels of own funds for institutions. Any difference between the assessed appropriate level of own funds and the minimum own funds requirement, pillar 2 requirements and the combined buffer requirement will be communicated by the competent authorities to the institution in a non-binding recommendation. The pillar 2 guidance, which replaces the current capital planning buffer, will be based on stress test scenarios and aims to capture additional risks not already covered in the minimum capital requirements, pillar 2 requirement or under the combined buffer requirement. In Sweden, the Swedish Financial Supervisory Authority has indicated that the pillar 2 guidance will amount to 1%–1.5% for the risk based requirement and 0.2%–0.5% for the leverage ratio requirement for the majority of institutions. SEK has historically not been subject to capital planning buffer, and therefore SEK´s capital requirement is expected to increase as a result of the new requirements. While the pillar 2 guidance does not constitute a formal binding requirement, the Swedish Financial Supervisory Authority (SFSA) expects institutions to follow the recommendation, and retain the option of enforcing the pillar 2 guidance as a pillar 2 capital requirement following failure to adhere to the authority's recommendation.

The final pillar 2 guidance will be institute specific and will be formerly communicated during the next SREP following December 28, 2020 when the national adoption of CRD V entered into force.

Pillar 3 regulatory disclosures

CRR II introduces formal revision to the disclosure framework with extended scope, application and frequency of pillar 3 disclosures for large and listed institutions. The EBA has also published implementing technical standards outlining detailed disclosure requirements and standardized disclosure templates and tables aimed at increasing transparency and comparability between institutions. The revision to the pillar 3 disclosure requirement, which will enter into force June 28, 2021, will require SEK to observe new quarterly, semi-annual and annual disclosure requirements going forward. The new requirements will not affect SEK's minimum capital or liquidity requirements.

The implementation of the new pillar III framework is currently ongoing, with the aim of implementing the new requirements as per reference date June 30, 2021.

Amendment of CRR II due to COVID-19 responses

In June 2020, the EU adopted revisions to CRR II in relation to the ongoing COVID-19 crisis (CRR II quick fix). The changes, which entered into force on June 27, 2020, serve to mitigate the impact of COVID-19 and ensure institutions' continued capacity to provide lending. The amendments primarily consists of resetting of IFRS 9 transitional provisions to counteract increases in expected credit losses due to COVID-19, accelerated implementation of SME and Infrastructure supporting factors as well as exemption of prudently valued software assets from deductions of intangible assets. SEK has not yet opted to utilize any of the transitional provisions.

3.6.2 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 relates to the definition of default, where EBA 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. SEK has applied for a new definition of default which was approved by the Swedish FSA in September, 2020 and will be implemented from January 1, 2021.

As part of the IRB revision, the EBA has published Guidelines on PD estimation, LGD estimation and the treatment of defaulted assets (EBA/GL/2017/16). The objective of these guidelines is to harmonize the concepts and methods used in the estimation of credit risk parameters for the IRB approach. Institutions should also identify deficiencies in the implementation of the PD and LGD and apply a margin of conservatism. The revision to the IRB framework requires SEK to apply for authorization of the new PD-models, which is currently ongoing. Since SEK applies foundation IRB where prescribed levels for LGD is applied instead of internal models, SEK is not affected by the revised requirements for LGD-estimation. The new IRB-model requirements will enter into force on January 1, 2022.

3.6.3 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 have already begun by international regulators where LIBOR GBP and USD will cease to exist following 2021 (and June 2023 for certain USD Libor maturities) and are instead replaced by SONIA and SOFR. This has also spread to other IBOR, where working groups in different countries have appointed alternative overnight interest rates instead of relevant IBOR. EONIA will, for example, also cease to exist following 2021 and will be replaced by €STR. The Swedish Riksbank has published a new preliminary reference rate for the shortest maturity of Swedish kronor, but no formal decision to replace STIBOR has yet been made. The new reference rate will be subject to testing during the first and second quarter of 2021.

IBOR transition will have a wide effect across SEK's operations, ranging from business operations, valuation and market risk management to IT systems and infrastructure. SEK is following the development of new market developments for floating interest rates and continue its work to prepare for the implementation of the new reference rates. As an example on this work SEK has issued floating rate notes linked to both SONIA and SOFR.

3.6.4 Non-centrally cleared transactions

In July 2012, Regulation (EU) No 648/2012 European Markets Infrastructure Regulation (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. Institutions are therefore required to protect themselves against credit exposures to derivative counterparties by obtaining collateral (Variation Margin and Initial Margin). SEK is included in the implementation group that was required to be able to post and receive initial margin for OTC derivatives as of September 1, 2021. Following the Basel Committee's announcement of a one year deferral of the final implementation of the bilateral margin requirements, the EBA, ESMA and EIPOA published a final draft technical standards on amendments to EMIR to postpone the EU implementation until September 1, 2022. The proposed changes are still awaiting endorsement by the European Commission. For SEK, the new requirements on bilateral margin requirements will have an impact on both the cost and structure of the Group's hedging strategies. Additionally, SEK is also developing its IT infrastructure and system support in order to ensure compliance with the new margin requirements and requisites.

3.6.5 Basel IV (finalization of post-crisis reforms)

In December 2017, the Basel Committee published standards with regards to the finalization of Basel III (Basel IV). The standards seek to reduce variability of risk-weighted assets within the banking system, primarily through the introduction of an output floor, revised standardized approach for credit risk and operational risk, constraints in the use of internally modelled approaches and changes in leverage ratio. The standards, which were initially proposed to enter into force on January 1, 2022 have been postponed until January 1, 2023. 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, 2023 at 50 percent and will be fully implemented by January 1, 2028 at 72.5 percent.

SEK only uses internal models for credit risk, and would therefore only be subject to an output floor in relation to credit risk capital requirements. A large portion of SEK's exposures are guaranteed by the Swedish Export Credit Agency (or other ECA's), which under the standardized approach would receive a risk weight of 0% given that the exposure is denominated in the national currency of the national government or the national governments maintains a rating corresponding to credit quality step 1 according to article 114 and 136 of Regulation 575/2013 (CRR). As such, the new output floor restrictions proposed by the Basel Committee is deemed to have limited impact on SEK's REA and capital requirements for credit risk. The EU has not yet proposed how the output floor requirements will be implemented in the Union.

Revised standardized approach and constraints on IRB-approach

Only a limited part of SEK's exposure will be subject to the revised standardized approaches and will therefore not have a major impact on SEK's capital adequacy ratios.

Internally-modelled approach (IRB)

Basel IV introduces constrains to the use of internally-modelled approaches primarily affecting banks using the advanced approach (A-IRB). The A-IRB approach cannot be used for exposures towards large corporates with an annual revenue greater than EUR 500 million and for financial institutions. Since SEK applies the Foundation IRB approach (F-IRB), these two constrains will not affect SEK.

Leverage ratio

The Basel Committee has finalized the exposure measure for the leverage ratio where the main changes primarily relates to the introduction of a leverage ratio buffer to global systemically important banks (G-SIB's), and is therefore not applicable for SEK.

Minimum capital requirements for operational risk

A new standardized approach is proposed for minimum capital requirements for operational risks. The main change relates to the classification of business indicators and its weighting. An initial analysis of the requirements demonstrates a low impact on SEK's capital requirement for operational risk.

4. Credit risk

A credit risk is defined as the risk of loss that may arise from a credit or credit-like commitment not being fulfilled. SEK mitigates credit risk through the methodical and risk-based evaluation of counterparties, and to a large extent, by using guarantees and in certain cases collateral. Credit granting is performed in accordance with SEK's mission based on the owner's instructions and is primarily based on the borrower/counterparty's repayment ability.

4.1 Management

4.1.1 Internal governance and responsibility

SEK's credit risk is governed by the Risk Policy, the Credit Policy, the Credit Instruction, and other governing documents issued by the Board, the Chief Executive Officer (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. The Board also decides on the Company's policy for sustainable business. All instructions are reviewed annually. The risk control function is responsible for credit risk reporting, following up exposures versus limits and for escalating deviations. If a limit breach occurs it is promptly escalated by the CRO to the CEO and the Board's Finance and Risk Committee and the Board of Directors as appropriate. For a 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 relationship managers. They are responsible for assessing customers' product needs, credit risk (with the support of credit analysts) and sustainability risk, 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 (rating models excluded). Furthermore, the Risk function 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 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 SEK's credit risk management.

To limit credit risks and concentrations, SEK has established limits that reflect the company's risk appetite for credit risks. The overall limits for credit risks are decided by the Board and the limits must be reviewed at least annually.

Limit and credit decision structure
The Board Decisions concerning limits, credit and sustainability matters that are of fundamental significance or in some other way of major importance to SEK.
The Board's Credit Committee Decisions concerning limits, credit and sustainability matters that exceed the Credit Committee's decision-making mandate.
The Credit Committee Decisions concerning limits, credit or sustainability matters within the Credit Committee's decision-making mandate. Establishment, approval and annual review of counterparty limits, changes in contractual terms of a credit risk-related nature with a negative impact on SEK's credit risk for counterparties. Moreover, the Committee's mandate encompasses decisions on amendments of sustainability-related conditions with a negative impact on SEK's sustainability risk and decisions concerning project or project-related financing as defined in the Equator Principles or Common Approaches. It also encompasses decisions regarding lending or liquidity investment in countries with a particularly high risk of corruption or human rights violations.
The Rating Committee Decisions on internal rating, except for the decisions under Authorization according to the description below.
Authorization Two or more employees together are empowered to make: credit decisions within the limit and within the credit norm subject to authorization as described in the credit instruction; and decisions on Internal ratings for non-IRB counterparties and counterparties that are fully guaranteed (by an export credit agency (ECA)/bank/insurance company/exporter).

Normative credit instruction
1. Risk level
2. Lending terms

4.1.2 Credit risk mitigation methods

SEK's credit risk is mitigated through the risk-based evaluation of counterparties. To a large extent SEK relies on guarantees in its lending, primarily for export credits, buyer's credits etc.

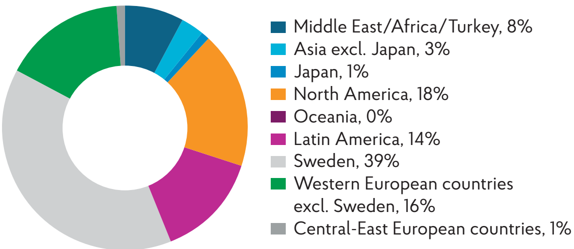
The guarantors are generally government export credit agencies as well as financial institutions and, to a lesser extent, non-financial corporations and insurance companies. Credit risk is re-allocated to a guarantor's limit and thus when disclosing credit risk net exposures, the majority of SEK's guaranteed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

SEK also relies on collateral in order to reduce credit risks, primarily to hedge counterparty credit risk exposures from derivatives (see section 4.6). 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 if 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. According to internal rules, 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 includes reallocation of exposures based on guarantees but does not include other types of collateral (e.g. floating charges, 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, 2020



Net exposure after risk mitigation by region,as of December 31, 2020

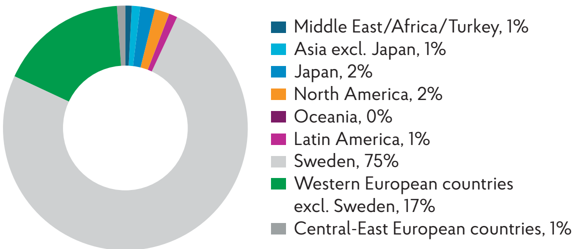
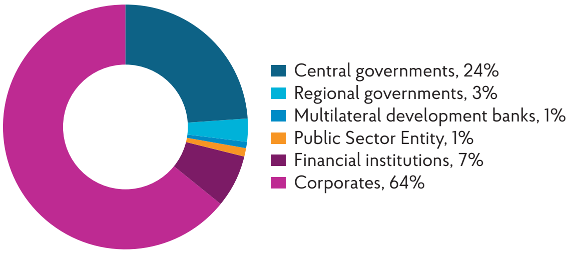
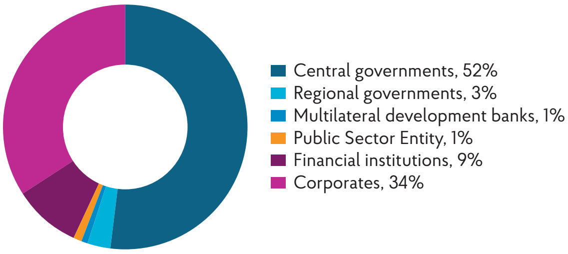


Chart 4.2: Credit risk mitigation, effect by exposure classes

Gross exposure by exposure class, as of December 31, 2020

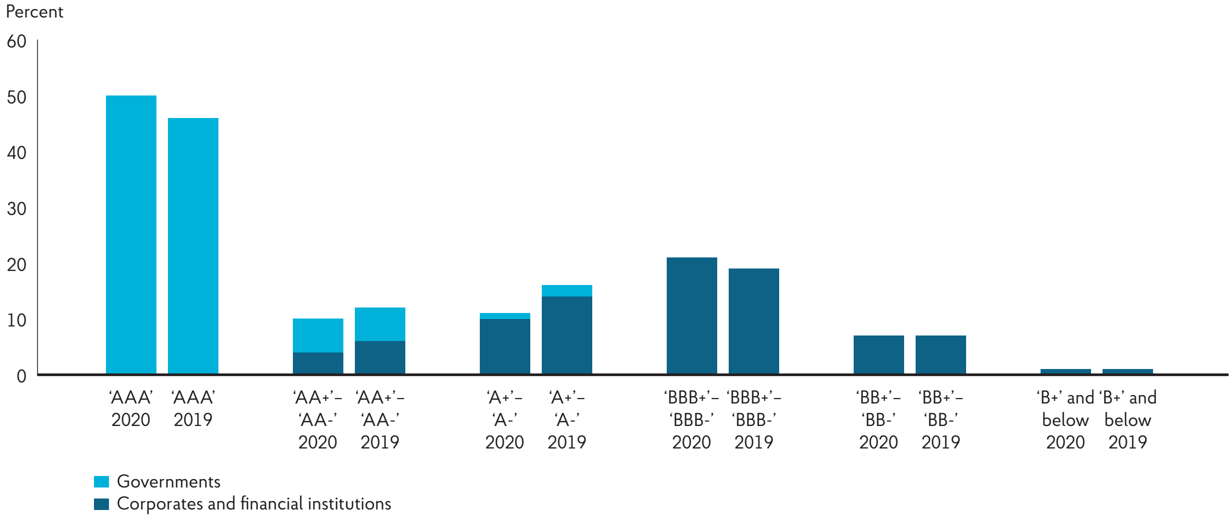


Net exposure after risk mitigation by exposure class, as of December 31, 2020



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 applies the Foundation IRB approach (FIRB approach) for the purpose of calculating capital requirements for credit risk. FIRB is applied to all credit risk exposures, except to exposure to counterparties that have been exempted from IRB by the approval of Finansinspektionen (the Swedish FSA). The exempted counterparties are treated under the Standardized approach. Under the IRB approach, institutes apply own estimates of risk parameters to calculate capital requirements according to the Basel risk weight formula. Under the FIRB approach, institutes apply own estimates of the probability of default (PD), 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 was implemented into national law, The Swedish FSA granted SEK permission to apply the Foundation IRB approach for exposures to institutions and corporate counterparties. In 2017, the Swedish FSA granted SEK further permission to apply the F IRB approach for exposures to sovereigns.

The above mentioned exemption from the IRB approach has been granted for the following exposures (the exemption is valid as long as these exposures are of lesser significance in terms of size and risk profile):

- Exposures to small and medium-sized companies (with an annual turnover not exceeding 50 million euro)
- Exposures in the Customer Finance business area
- Guarantees issued in favor of small and medium-sized companies

Probability of default

Probability of default (PD), in the context of the IRB approach, is the likelihood that a counterparty will default within a period of twelve months. SEK's internal rating methodology does not in itself imply specific PD estimates for rated counterparties, but constitutes a relative assessment, classifying counterparties into homogeneous groups (rating grades) with respect to credit risk. Financial institutions applying the IRB approach commonly calibrate rating grades of low default portfolios to long run PD estimates by mapping the internal rating scale to the rating scale of an external rating agency. The institution can then apply the external rating agency's default statistics to calculate PD estimates to meet prudential regulatory requirements. Applying this practice, SEK calibrates its internal rating grades to Standard & Poor's rating scale and default data, as SEK's rating scale and definition of default are broadly aligned with those of Standard & Poor's. More specifically, SEK considers a counterparty to be in default if any of the following triggers apply:

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

In 2020, SEK has developed a new definition of default in order to meet new EBA guidelines and regulatory technical standards stepping into entering force on the January 1, 2021. In comparison to the above current definition of default, includes the adoption of multiple new default triggers based on unlikely payment. The new definition of default has been reviewed and approved by the Swedish FSA.

For SEK's definition of default in financial reporting, see also 4.5.

Due to numerous other new guidelines and regulatory technical standards stepping into entering force at the end of 2021, SEK is currently reviewing and adapting its PD models to ensure full future compliance with all applicable regulatory requirements regarding the IRB approach (see section 3.6.1).

SEK reviews its PD estimates annually or when new default statistics or other relevant information becomes available.

The definition of default and estimation of credit risk parameters within the IRB Approach will undergo changes due to forthcoming regulation (see section 3.6.1).

Internal rating methodologies

SEK's internal rating methodology is of central importance when calculating capital requirements under the IRB approach. The rating methodology aims to assign internal ratings (i.e. rating grades) to counterparties, using different methods for corporates, insurance companies, financial institutions, sovereigns, regional governments and specialized lending. In order to align the internal credit ratings with SEK's business model of mainly long-term lending with matched funding, SEK has chosen a through-the-cycle rating approach. Rating grades thus reflect the willingness and ability of an obligor to meet its financial obligations through an entire economic cycle.

SEK uses an expert-based internal rating methodology based on both qualitative and quantitative risk 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, structural risks and (in the case of specialized lending or project finance) transaction-specific risks.

Rating Committee

When the IRB approach is used, 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 evaluate internal rating proposals in order to: (i) establish internal ratings for new counterparties (ii) when considered relevant, review ratings for existing counterparties; and (iii) review internal ratings for existing counterparties at least on an annual basis. Committee members are appointed from the Credit function by the CEO. A rating that has been established by the Rating Committee or that has been established pursuant to a 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 accounting standard IFRS 9, all counterparties must receive an internal rating. Therefore, even non-IRB counterparties have been assigned an internal rating since IFRS 9 came into entered force.

Integration of the IRB approach

The IRB approach is used as an integrated part of SEK's credit management processes, for internal profitability analysis and for calculation of internal capital requirements. IRB risk grades are also used to allocate decision mandates in the credit approval process and to report credit risk trends to management and the Board.

Credit risk quantification and Pillar 1 capital requirements

As an institution adopting the FIRB approach, SEK uses internal PD estimates only. All other parameters of the Basel formula, i.e. loss given default (LGD) and credit conversion factors (CCF's), are prescribed by the CRR and thus not estimated. The risk exposure amount (REA) is calculated using exposure at default (EAD), which 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 credit. The two risk parameters that primarily quantify the credit risk of an exposure are PD and LGD. Using the two parameters and the EAD, it is possible to calculate the expected loss (EL) for a given counterparty exposure (PD×LGD×EAD=EL). The risk exposure amount is calculated using the Basel risk weight formula. The Basel Formula calculates capital requirements for credit risk at the 99.9 percent confidence level. Under the IRB approach, the regulatory capital requirement depends only on the unexpected loss (UL). Minimum capital requirements must be sufficient to cover UL, while loan provisions should, in principle, cover EL, thus rendering the capital requirement for expected credit losses redundant.

The standardized approach

Under the standardized approach, 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 designated risk weights that have been assigned for each respective exposure class. External credit assessments may be used to determine the credit quality of an exposure, in which case risk weights are assigned based on the external rating. To determine risk weights, financial institutions utilize correspondence tables between the credit rating agency's rating scale and the credit quality scale established by regulators. See Table 11 in the Appendix on how these rules apply for SEK.

When available, SEK uses the external ratings from Standard & Poor's and Moody's for each counterparty under the standardized approach.

Governance and validation of rating systems

Rating methods are developed by SEK's Credit function and validated before implementation by SEK's Credit Risk Control unit. New or revised rating methods, together with validation reports, are reported to the Risk and Compliance Committee and approved by the Board's Finance and Risk committee.

Credit risk models (rating models excluded) and estimates of risk parameters are developed, implemented and validated by the Risk function. However, staff who validate risk parameters are not the same as those involved in model design and development. New or revised models and estimates are also reviewed by the Model and Valuation Committee, taking into account any findings made by the validation function. In addition, models and estimates alongside a validation report, are reported to the Risk and Compliance Committee. Finally, the

Board's Finance and Risk Committee approves all new models and estimates and material changes made to existing models.

The Risk function also performs a 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 the validation is to ensure that risk parameters are accurate and contain sufficient margins of conservatism. The results of the validation are reported to the Risk and Compliance Committee and overall validation conclusions are reported to the Board's Finance and Risk Committee.

The Internal Audit function performs a review of SEK's rating system at least on an annual basis. In addition, the Internal Audit function also reviews all new or revised credit risk models that require approval from the Swedish FSA.

The CEO and CRO inform the Board about all significant changes regarding the design and use of the 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.

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.

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 the Basel risk weight formula

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. 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 rating reflects the real risk pertaining to the counterparty. The Board and other relevant committees and decision bodies receive information about counterparties with higher risk, and that are under more regular monitoring. For more information regarding impairment and past due exposures see section 4.5.

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. In addition, SEK's stress test programme includes annual stress tests for climate-related transitions risk. Stress tests are conducted to assess the impact that climate-related changes may have on SEK's risk profile and financial position. Stress tests form an integral part of the risk reporting to the Board and the Management.

Climate-related risk

Definitions

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 2020, SEK focused on transition risks, since physical risks were estimated to have limited impact on SEK's credit portfolio.

Scenarios

The stress tests are based on two scenarios developed by the International Energy Agency's (IEA's) future forecast, World Energy Outlook.

Stated Policies Scenario: The scenario 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.

Sustainable Development Scenario: Outlines an integrated and stronger approach to achieving internationally agreed objectives on climate change, air quality and universal access to modern energy. An energy path is determined with the objective of an average global temperature increase of approximately maximum of 1.8 degrees Celsius.

Stress parameters

The stress test is conducted by applying estimated 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 risks on SEK's total capital ratio in the short term (less than 3 years), medium term (between 3 and 10 years) and long term (more than 10 years)

The regular risk reporting, to the Board and other relevant committees and decision bodies, 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

4.4.1 Credit risk during 2020

SEK's exposure at default to corporates and central governments has increased in 2020 compared to 2019. This effect can be seen in table 4.2.

The COVID-19 pandemic has led to sharply increased borrowing needs and a record high lending for SEK in 2020.

SEK's model for calculating expected credit losses is based on the assumption of a high correlation between future GDP development and the probability of default. Since the model is not developed and calibrated on historical patterns like the enormous volatility in GDP we have experienced during the COVID-19 pandemic, it is less reliable under such conditions. In 2020, due to this fact, total expected credit losses calculated by the model has been qualitative adjusted by a total of Skr 154 mn. More specifically, stage 1 ECL has been adjusted from Skr 32 mn to Skr 147 mn and stage 2 ECL has been adjusted from Skr 17 mn to Skr 56 mn.

Table 4.2: Exposure at default, minimum capital requirement and internally assessed economic capital for credit risk at December 31, 2020 (and 2019)

	Exposure at default		Minimum capital requirement		Internally assessed economic capital	
Skr mn	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Credit risk standardized method						
Corporates	2,245	2,367	180	189	163	261
Total credit risk standardized method	**2,245**	**2,367**	**180**	**189**	**163**	**261**
Credit risk IRB method						
Central governments	192,077	172,148	775	705	289	704
Financial institutions	30,661	45,437	541	864	240	479
Corporates	117,415	110,592	5,101	4,806	5,429	5,893
Assets without counterparty	163	152	13	12	-	-
Total credit risk IRB method	**340,316**	**328,329**	**6,430**	**6,387**	**5,958**	**7,076**
Total credit risk	**342,561**	**330,696**	**6,610**	**6,576**	**6,121**	**7,337**

Table 4.3: Exposure guaranteed by government export credit agencies at December 31, 2020 (and 2019)

	Guaranteed exposure		Percentage	
Skr bn	**2020**	**2019**	**2020**	**2019**
Swedish Export Credit Agency (EKN)	146.6	135.0	95%	93%
Bpifrance Assurance Export	4.7	6.3	3%	4%
Export-Import Bank of the United States	0.7	1.5	1%	1%
Euler Hermes Kreditversicherungs AG	0.7	0.9	0%	1%
Other	1.3	1.7	1%	1%
Total	**154.0**	**145.4**	**100%**	**100%**

Table 4.4: Effect of credit exposure mitigation at December 31, 2020

Skr bn — Gross exposures by exposure class

Amounts related to credit risk mitigation issued by:	Central govern-ments	Regional govern-ments	Multilateral development banks	Public Sector Entity	Financial institutions	Corpo-rates	Total	whereof subject to IFRS9[1]
Central governments	56.8	1.4	-	-	-	98.9	157.1	157.1
of which guarantees by the Swedish Export Credit Agency	56.1	1.4	-	-	-	89.1	146.6	146.6
of which guarantees by other export credit agencies	0.7	-	-	-	-	6.8	7.5	7.5
of which other guarantees			-	-	-	3.0	3.0	3.0
Regional governments	-	-	-	-	4.0	0.3	4.3	4.3
Multilateral development banks	-	-	-	-	-	0.4	0.4	0.4
Financial institutions	0.0	-	-	-		7.9	7.9	7.9
of which credit default swaps	-	-	-	-	-	-	-	0.0
of which other guarantees	0.0	-	-	-		7.9	7.9	7.9
Corporates	-	-	-	-	-	3.5	3.5	3.5
of which credit insurance from insurance companies	-	-	-	-	-	0.6	0.6	0.6
of which other guarantees	-	-	-	-	-	2.9	2.9	2.9
Total mitigated exposures	**56.8**	**1.4**	**-**	**-**	**4.0**	**111.0**	**173.2**	**173.2**
Non-mitigated exposures[2]	28.1	7.9	3.1	4.3	23.0	119.9	186.3	130.5
Total	**84.9**	**9.3**	**3.1**	**4.3**	**27.0**	**230.9**	**359.5**	**303.7**

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 "Unhedged exposures." The amounts for these were Skr 26.1 bn for corporates, Skr 0.6 bn for financial institutions and Skr 0.1 bn for central governments.

4.5 Impairments, past due exposures and provision process

From 1 January 2018, SEK applies the 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 which have therefore 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 confused 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 2020.

There are some differences between the definitions of default applied in the financial reporting under IFRS 9 and under the capital adequacy framework. Under the capital adequacy framework, SEK considers that a default has occurred 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 coun-

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

	Corporates		Financial institutions		Central governments and central banks		Total	
Skr mn	Expected loss amount	Actual loss	Expected loss amount	Actual loss	Expected loss amount	Actual loss	Expected loss amount	Actual loss
2008	37	–	25	389	–	–	62	389
2009	64	31	46	–	–	–	110	31
2010	89	–	51	–	–	–	140	–
2011	97	–	46	–	–	–	143	–
2012	111	–	36	–	–	–	147	–
2013	133	–	27	–	–	–	160	–
2014	167	–	24	–	–	–	191	–
2015	182	33	18	–	–	–	200	33
2016	170	-	15	–	–	–	185	–
2017	154	21	15	–	7	–	176	21
2018	171	–	10	–	10	–	191	–
2019	174	25	9	–	4	–	187	25
2020	188	20	6	–	5	–	199	20

terparty; 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 impaired. Beginning January 1, 2021, the two default definitions will be aligned.

Under IFRS 9, SEK determines only individual, specific provisions for Stage 3 exposures. 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 the 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.

The model for calculating the ECL takes forecasts of GDP growth rates as input. Under the current unique conditions with the raging pandemic, the historic relationship between GDP growth rates and default rates, on which the model is calibrated, is no longer applicable. 2020 saw a sharp fall in GDP and 2021 is forecasted to recover some of that and therefore, growth rates are expected to be historically high. However, given the extreme situation there is reason to believe that this will not push down the ECL to the same extent high GDP growth rates have historically. The model overestimated the ECL in the first half of 2020 and underestimated the ECL in the second half of 2020. SEK has therefore adjusted the ECL by applying a management overlay, as the model is not working well in highly volatile periods.

SEK has reviewed its credit processes in order to be compliant by January 1, 2021, with the EBA Guidelines on harmonizing the definition of default and the accompanying Regulatory Technical Standard, adopted in EU law by the regulation (EU) 2018/171. Amendments to the processes also aimed at further customizing the processes required by the EBA Guidelines on management of non-performing and forborne exposures and the regulation (EU) 2019/630 regarding minimum loss coverage for non-performing exposures.

Expected credit losses and actual losses

The table 4.5 provides a comparison for 2008–2020, between the expected loss 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.

13 defaults occurred in the classes exposures to corporates and exposures to financial institutions under the IRB Approach between 2008 and 2020. Since the number of defaults for the period is small, it is hard to draw any significant conclusions based on this in regard to the accuracy of the probability of default used by SEK. However, it can be noted that expected loss amount has exceeded actual losses for a number of years.

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 (CSA's), providing for the regular transfer and re-transfer of collateral. There are no such thresholds in SEK's CSA's 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.

It is decided that from June 2021, a transition will be made to the SA-CCR method from the mark-to-market method. The calculations of counterparty risk will be based on a more risk-sensitive approach compared with the mark-to-market method used today (see section 3.6.1).

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 includes 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 mark-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 at December 31, 2020 (and 2019)

	Exposure	
Skr mn	**2020**	**2019**
Positive market value of derivative contracts	7,563	6,968
Exposure reduction from netting agreements	-4,248	-3,571
Exposure after netting	**3,315**	**3,397**
Exposure reduction from collateral received	-3,176	-3,339
Exposure from collaterals pledged	1,417	1,018
Exposure after netting and collateral	**1,556**	**1,076**
Regulatory add-on for potential future credit exposure	3,979	4,537
Total exposure amount from counterparty risk	**5,535**	**5,613**
Minimum capital requirement	**153**	**158**

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 at December 31, 2020 (and 2019)

	Risk exposure amount		Minimum capital requirement	
Skr mn	**2020**	**2019**	**2020**	**2019**
Credit valuation adjustment risk	2,284	2,534	183	203

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

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 and, risk appetite. All instructions are re-established annually. The risk control function is responsible for liquidity risk reporting, following up exposures versus limits and for escalating deviations 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 risk is monitored and managed on a daily basis, while long-term liquidity risk is monitored on a regular basis and reported to the Executive Committee and the Board as appropriate. 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 as well as agreed but undisbursed credits. SEK includes its loan facility with the Swedish National Debt Office as available funding. The loan facility, granted by the government via the Debt Office, may be used to finance CIRR credits and also commercial export financing up to Skr 15 billion. The loan facility is renewed annually and the Swedish parliament has increased the facility from Skr 125 billion to Skr 200 billion. The loan facility functions as a reserve to be used at times when SEK's funding markets are not available. During the first quarter of 2020, the loan facility was drawn for an amount of Skr 10 billion.

The primary tool to avoid a deficit in the short term is 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. SEK has a swing line that functions as a back-up facility for the commercial paper programs used for short-term funding.

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.

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 a 30-day stress scenario period. SEK calculates the LCR according to the requirement of the EU Commission's regulation. LCR reporting in accordance with the EU Commission's delegated act started on October 30, 2016. The requirement has been phased in gradually, ending up at 100 percent in 2018 for all currencies combined. In addition, the Swedish FSA requires the institutions to keep an LCR ratio of at least 100 percent separately in EUR and USD and also a LCR ratio of at least 75 percent for Skr and other significant currencies.

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

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 analyzes 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 to fulfil a NSFR ratio of 100%, will be in place in June 2021.

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 loan facility with the Swedish National Debt Office as one of the possible measures to avoid deficits.

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, 2020 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 2020, which was the same outcome as at year-end 2019.

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 regular basis and include follow-up of LCR, NSFR, internal measurements, portfolio composition and liquidity stress tests.

An internal liquidity assessment process (ILAAP) that complements the ICAAP process is also performed once a year. The process relies on results of designated liquidity risk stress tests and is designed to identify liquidity gaps against the desired level of liquidity adequacy.

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, 2020, the amount of SEK's liquidity investments was Skr 59.3 billion (year-end 2019: Skr 63.8 billion). The size of the liquidity portfolio is adapted to cover outflows from agreed but undisbursed credits, outflows arising due to short-term funding transactions and new lending capacity. At year-end 2020, the volume of agreed but undisbursed credits, including CIRR credits, amounted to Skr 58,5 billion (2019: Skr 54.9 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 2020, new lending capacity corresponded to 3 months (year-end 2019: 5).

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, 2020. See tables 38 and 39 in the Appendix 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 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 40 in the Appendix.

Chart 5.1: SEK's liquidity investments at December 31, 2020 (and 2019), by exposure class/type

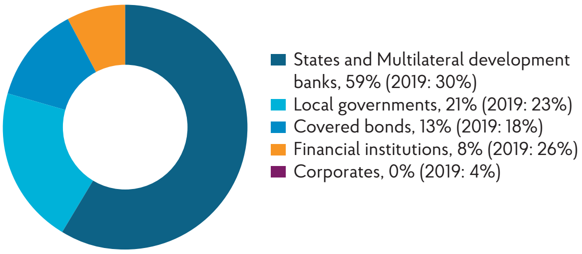


Chart 5.2: Remaining maturity (M) in SEK's Liquidity investments at December 31, 2020 (and 2019)

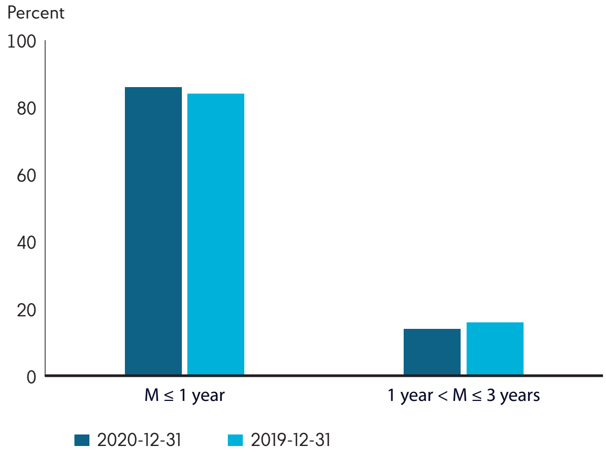
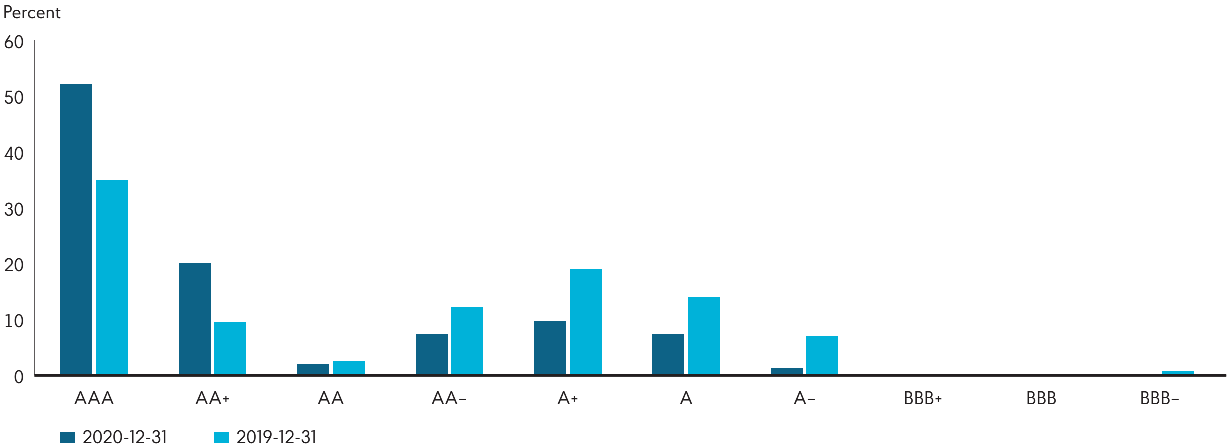


Chart 5.3: SEK's liquidity investments at December 31, 2020 (and 2019), by rating



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 256.4 billion at December 31, 2020 (year-end 2019: 258.6).

Chart 5.4: Long-term funding at December 31, 2020 (and 2019), by issue currency

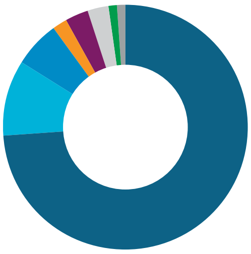


Chart 5.5: Long-term funding as of December 31, 2020 (and 2019), by structure type

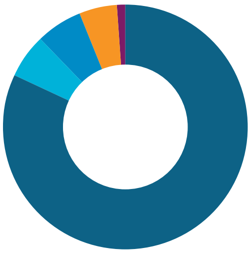
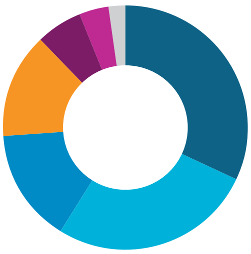


Chart 5.6: Long-term funding as of December 2020 (and 2019), by region



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 13 percent at December 31, 2020 (year-end 2019: 15 percent).

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, 2020	USD 1.225 mn	
Maturity	Maximum 270 days	Maximum 364 days

5.4.4 Liquidity risks during 2020

SEK's liquidity situation has been fairly stable over the year, but with a volatile market during the beginning of the COVID-19 pandemic in the latter part of the first quarter and in the second quarter. However, SEK was able to issue its largest ever funding transaction of an amount of USD 1.75 billion in the end of first quarter.

The Table 41 in the Appendix illustrates the development of the liquidity measure LCR according to the EU Commission's Delegated Act. At December 31, 2020, the volume of LCR eligible assets was Skr 52.0 billion (year-end 2019: 42.4) and SEK fulfilled the LCR regulatory requirements by having an LCR ratio at an aggregate level of 447 percent (year end 2019: 620), a ratio for EUR of 287 percent, a ratio for USD of 499 percent, a ratio in JPY of 157 percent and a ratio in Skr of 193 percent. At December 31, 2020, the NSFR was 135 percent (year-end 2019: 120). The shift in the ratio is due to a change in the method for the calculation of NSFR during 2020.

The record high lending volumes during the spring were partly financed by utilizing Skr 10 billion of the loan facility from the Swedish National Debt Office. The loan facility is renewed annually and the Swedish parliament increased the facility amount from Skr 125 billion to Skr 200 billion.

During 2020, SEK has issued green bonds of a volume of Skr 5.1 billion (2019: Skr 1.0 billion).

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

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. These documents, which are re-established at least annually, set out the framework for market risk assumed by SEK. This includes the limit structure that defines the permitted market risk exposures and SEK's management of market risks.

The Board decides on the market risk strategy and risk appetite setting overall limits for the Company to operate within. For a description of SEK's market risk appetite, which sets boundaries for exposures that affect both SEK's own funds and earnings, see Table 2.1, Detailed risk statement.

The risk control function is responsible for monitoring and reporting market risks and for the timely escalation of limit breaches to executive management, the Board's Risk and Finance Committee, and the Board as appropriate.

6.1.2 Risk mitigation methods

SEK conducts no active trading and SEK's core business model entails that all transactions are held to maturity. 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, both having short interest-rate lock-in periods. Lending is either granted at or swapped to floating interest rates. Duration of funding typically matches the duration of lending and the liquidity investments' maturity profile is adjusted to match the agreed lending transactions. The earnings related interest-rate risks and currency risks that results from residual mismatches between the interest-rate fixing dates in different currencies are hedged against the changes in currency exchange rates and interest-rate changes by the use of derivatives.

The resulting structure of the balance sheet leads to market risk in terms of unrealized changes in the value of SEK's assets and liabilities. These movements are primarily due to changes in credit spreads, cross-currency basis spreads and interest rates. SEK sets limits and monitors exposures to these risks.

6.2 Measurement

SEK limits and measures risks to earnings as well as unrealized gains or losses. For the latter, different perspectives are used.

Risk affecting net interest income (NII)

- Focus is on how market risk affects earnings over short- to medium term periods.
- Measures the risk to earnings, excluding unrealized gains or losses, resulting from residual mismatches between interest-rate fixing dates in and between different currencies.

Risk affecting economic value of equity (EVE)

- Focus is on how market risk affects long-term value.
- Measures risk with all transactions on the balance sheet fair valued. The EVE is for example used for the EBA Supervisory Outlier Test and interest-rate risk specific measures.

Risk affecting own funds and equity (OF and EQ)

- Focus is on how market risk affects capital.
- Measures risk with transactions valued according to accounting classifications.

SEK uses stressed Value-at-Risk (sVaR) and Value-at-Risk (VaR) in OF perspective as the main method for measuring market risk (see section 6.2.1). These measures are reported for the Company as a whole as well as separately for the liquidity portfolio. sVaR and VaR are complemented by risk specific measures as well as various stress tests (see sections 6.2.2 to 6.2.3).

6.2.1 Value-at-Risk and stressed 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 and equity indices
- Commodity indices
- Volatilities

The VaR simulations are based on two years of daily market movements. In addition to VaR, stressed VaR is calculated on a daily basis. The market data time series used for stressed VaR starts in 2007 and thus includes periods with extreme market movements, such as the bankruptcy of Lehman Brothers in the autumn of 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 during a one-year stressed period. The stressed period is calibrated quarterly in order to select the most unfavorable one-year period for SEK. Throughout 2020 the stressed period selected was the year July 2008 – June 2009. VaR is calculated for the potential impact on own funds and hence 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 spreads and cross-currency basis spreads. See section 6.2.2 Risk specific measures for a more detailed description of the risk drivers.

6.2.2 Risk specific measures

VaR and stressed VaR are supplemented by risk specific measures including interest-rate risk, spread risk and foreign exchange risk.

Interest-rate risk

The NII interest-rate risk depends on SEK's overall business profile, particularly mismatches between interest bearing assets and liabilities in terms of volumes and repricing periods. The risk is calculated as the effect on the NII during the next year under the condition that interest-rate fixings, new financing and investments take place after an interest-rate change of 100 basis points. SEK's interest-rate risk affecting NII amounted to Skr 211 million at year-end 2020 (year-end 2019: Skr 200 million).

SEK hedges interest-rate risk for all positions, regardless of accounting classification, in order to reduce volatility to the NII, which implies cash flow based hedging. This also keeps the interest-rate risk affecting EVE low, but as a consequence, the risk affecting OF is not fully hedged. The reason is that instruments recognized at fair value through profit or loss are used for hedging amortized cost positions, which creates an accounting mismatch.

The interest-rate risk affecting EVE is calculated as the change in present value from a 100 basis point upward parallel shift of all yield curves and as a 50 basis point rotation of all yield curves, respectively. The exposure is aggregated per currency and the highest of the absolute sum for all negative respectively positive outcomes defines the risk.

Chart 6.2 shows SEK's interest rate risk excluding CIRR-fees affecting EVE and own funds, respectively (see section 6.4). Total interest-rate risk affecting own funds, netted over currencies, amounted to Skr 302 million at year-end 2020 (year-end 2019: Skr 294 million), while total interest-rate risk affecting EVE, netted over currencies, amounted to Skr 263 million at year-end 2020 (year-end 2019: Skr 90 million).

Spread risks

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

Credit spread risk in assets measures 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 100 basis point increase of all credit spreads.

Credit spread risk in own debt measures the impact on SEK's equity in the form of unrealized gains or losses from changes in SEK's own credit spread. Credit spread risk in own debt is calculated as the change in present value after a 20 basis point shift in SEK's own credit spread and is attributable to SEK's structured debt portfolio.

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. 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 of 20 basis points for transfer between currencies using cross-currency basis swaps.

The cross-currency basis price risk measures a potential impact on SEK's own funds as a result of an increase in cross-currency basis spreads by 20 basis points. The risk for each cross-currency basis spread curve is aggregated by absolute summation. The risk is attributable to cross-currency swaps used by SEK to mitigate foreign-exchange and interest-rate risk exposures.

Tenor basis spread risk measures unrealized gains or losses due to tenor basis spread changes. The risk is calculated as the change in present value after an increase by 10 basis points of the one-month tenor curve and six-month tenor curve, respectively. The exposure for each tenor is aggregated per

Chart 6.1: VaR and stressed VaR

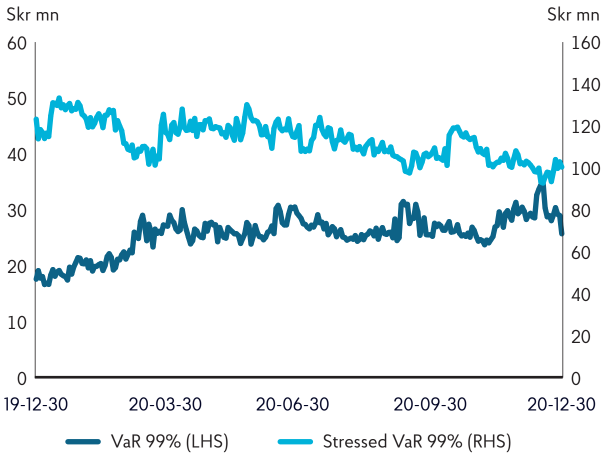


Chart 6.2: Interest-rate risk excluding CIRR-fees, +100 BP, at December 31, 2020

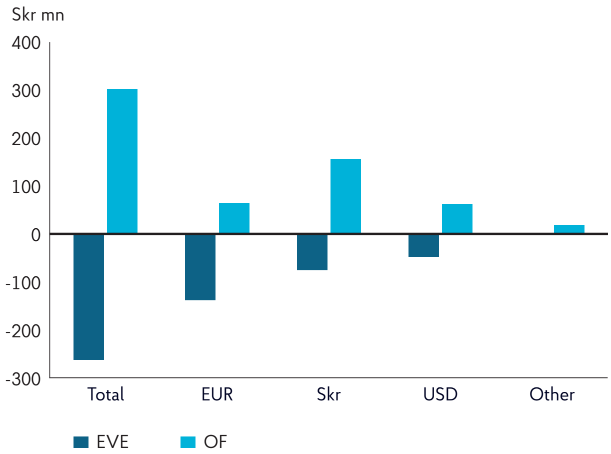
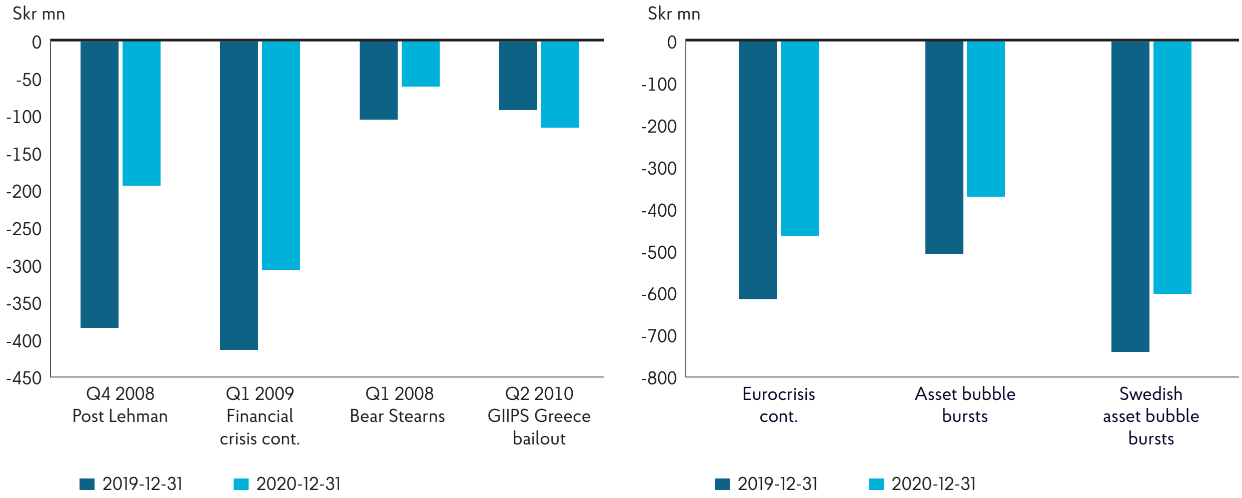


Table 6.1: EBA Supervisory Outlier test

Skr mn	Parallel up 200	Parallel down 200	Parallel up	Parallel down	Short up	Short down	Steepener	Flattener
EUR	-162	71	-162	71	-96	72	4	-10
Skr	-192	248	-192	248	-113	201	49	4
USD	-89	259	-89	259	-55	172	7	22
Other	2	39	11	49	-19	30	33	14
Total*	**-458**	**300**	**-457**	**303**	**-290**	**232**	**43**	**0**

* The aggregation to Total weighs positive amounts by 50% and negative amounts by 100%

Chart 6.3: Effect of SEK's stress test scenarios on equity and own funds, at December 31, 2020



currency and the highest of the absolute sum for all negative outcomes (currencies) and the sum of all positive outcomes (currencies) defines the risk.

Foreign exchange risk

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. In accordance with SEK's risk strategy, foreign exchange exposures related to unrealized fair value changes are not hedged. This is because unrealized fair value changes mainly comprise effects that even out over time. The foreign exchange risk excluding unrealized fair value changes is limited and 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

SEK issues structured bonds together with matching swaps. Although the structured cash flows are perfectly hedged, this leads to valuation risks. The reason is that the valuation of the issued bonds takes SEK's own credit spread into account, whereas valuation of the matching swaps are not affected by this credit spread. This generates some minor residual risks in equity, commodity and volatility, which are measured using a variety of stress tests.

6.2.3 Stress testing

SEK regularly stress tests the market risk by applying historical extreme market movements (historical stress tests) and extreme movements that could potentially occur in the future (hypothetical scenarios). The latter includes the EBA Supervisory Outlier Test and reversed stress tests. Stress testing provides management with a view of the potential impact that large market movements in individual risk factors as well as broader market scenarios could have on SEK's portfolio and also ensures that risk measurement remains effective.

Table 6.1 shows SEK's interest rate risk affecting EVE for the EBA's Supervisory Outlier Test. The worst loss is the Parallel up 200 bp scenario (Skr -458 million), where exposure in Skr is the main driver.

Chart 6.3 shows SEK's historical and forward looking stress scenarios affecting EQ and OF.

6.2.4 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 analyzes of historical scenarios and stress tests. In the calculation of economic capital, SEK includes three main components: (i) Expected Shortfall for OF, (ii) stress testing for EVE and (iii) NII risk. The capital requirement is set to the largest of these components. (i) 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, scaled to a one-year horizon. (ii) The stress test component is based on a 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

6.4.1 Market risk during 2020

Market movements during the spring's COVID-19 turbulence had an impact on the result and on the risk measurement. The most important contributing factors were (i) a sharp increase in credit spreads, (ii) falling short-term USD interest rates, and (iii) increased volatility in cross currency basis spreads. The market movements gave rise to unrealized negative value changes in the liquidity portfolio, as well as rising VaR 99% for the liquidity portfolio and VaR 99% for the total portfolio.

6.4.2 Capital requirements

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 according to Pillar 1, SEK is thus required to hold capital only for foreign-exchange risk and commodity risk. The latter is inherent to the structured funding with the payoffs based on commodity indices.

The total internally assessed capital requirement is defined as maximum of ES, stress test EVE and NII risk. For year-end 2020 that amounted to Skr 1,140 million (2019: Skr 1,109 million).

Table 6.2 details risk weighted assets and corresponding capital requirements in accordance with EBA GL 2016/11.

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 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.

Table 6.2: Market risk under the standardized approach

	2020		2019	
	a	**b**	**a**	**b**
Skr mn	**REA**	**Capital requirements**	**REA**	**Capital requirements**
Outright products				
Interest-rate risk (general and specific)	-	-	-	-
Equity risk (general and specific)	-	-	-	-
Foreign-exchange risk	664	52	695	56
Commodity risk	7	1	9	1
Options				
Simplified approach	-	-	-	-
Delta-plus method	-	-	-	-
Scenario approach*	71	6	171	14
Securitization (specific risk)	-	-	-	-
Total	**672**	**53**	**704**	**57**

* Included in Foreign-exchange risk

7. Non-financial risk

Non-financial risk consists of operational risk, business and strategic risk and sustainability risk. Operational risk includes compliance risk, IT and information security risk.

7.1 Operational risk

Operational risk is the risk of losses resulting from inadequate or faulty internal processes, systems, human error or from external events.

7.1.1 Management

7.1.1.1 Internal governance and responsibility

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

7.1.2 Risk identification

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

7.1.2.1 Risk workshops

SEK conducts yearly risk workshops with all functions in order to identify operational risks. The workshops are based on self-assessments for which the risk control function performs an independent reasonability control. The aggregated outcome of the workshops are then reported to management, which performs a company-wide assessment of the total risk.

Action plans are developed for the management or reduction of identified risks, based on the identified operational risks. Any identified risk that is not within the risk appetite of the Company is reduced to an acceptable level. The independent risk control function conducts an aggregated analysis and monitoring of all identified risks and action plans. The material risks are then analyzed and monitored individually. The annual risk analyzes are conducted in coordination with business planning and the internal capital adequacy assessment process as part of the strategic planning.

7.1.2.2 Incident management

SEK views incident reports as an important component 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 potential damage. After having resolved the incident, the root cause is analyzed to understand why it occurred, and remedial actions are determined and followed up in order to prevent recurrence. Business incidents are reported to the independent risk function and affected parties. The Company encourages staff to report incidents and applies no materiality criteria for reporting incidents.

7.1.2.3 Key risk indicators

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

7.1.2.4 Internal control

The purpose of the internal control framework is to ensure that identified risks relating to financial reporting, operational risk and compliance risk are reduced to an acceptable level.

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, COSO 2013. The controls are carried out at a company-wide level, and include general IT controls and transaction-based controls in significant processes. The process owners together with the independent risk control function is analyzing the completeness of implemented internal controls at least annually and the process owners are making amendments if necessary. 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. This testing is performed by staff who are independent in relation to the individuals who carry out the controls.

7.1.2.5 New product approval process

In order to maintain the risk level within the risk appetite and to not expose the Company to unwanted risk when making changes to or developing new products, processes and systems, the Company has a new product approval process which includes approval of the New Product Approval Committee. The committee members are drawn from the independent risk control function, compliance function and from relevant functions within the Company familiar with the matters. When changes are made, the affected functions analyze what consequences might arise in terms of their processes, system support and any applicable regulations. When identifying significant consequences that need to be addressed, the adjustments must be implemented before the new product, process or system can be approved.

7.1.2.6 IT and Information security risk

The identification of risks related to information security, including cyber security risk, is integrated in the operational risk workshops conducted with all functions. 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 regularly conducts reviews and tests of its business continuity and crisis plans in order to ensure continuous availability of business critical processes. The requirements for the regular reviews are part of the information security framework. The Company has access to separate backup office facilities with sufficient capacity for staff to run critical business processes, including IT operations and maintenance.

7.1.2.7 Compliance risk and money laundering, etc.

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 pursuant to 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, consultants and others who on a similar basis participate in the business 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. Furthermore, SEK has a process for providing information regarding suspicion of money laundering to the Swedish Financial Intelligence Unit.

7.1.3 Measurement

SEK measures the level of operational risk on an ongoing basis. The Company's conclusion regarding the risk level is, among other things, based on an assessment of five major components:

- Risks identified in risk workshops and in the ongoing business;
- Monitoring and follow-up on incidents;
- The amount of losses from reported incidents;
- Key risk indicators;
- Effectiveness of internal controls relating to financial reporting, operational risk and compliance.

7.1.4 Monitoring

7.1.4.1 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 evaluation, i.e. actual realized losses, is followed up continuously as a key risk indicator.

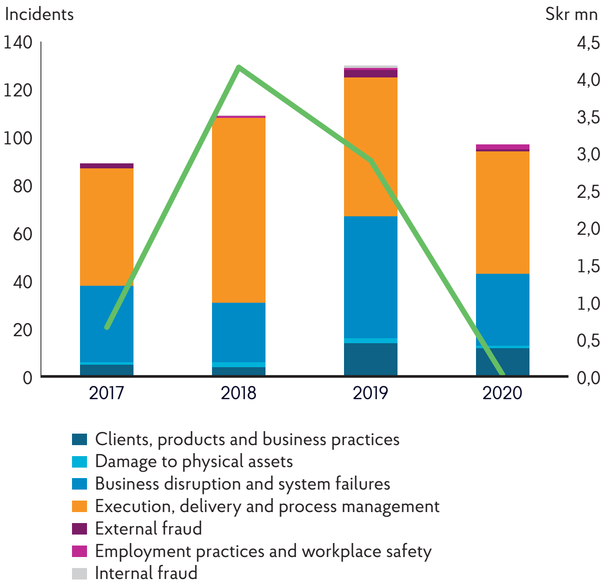
7.1.4.2 Risk appetite for compliance risk

The compliance function monitors compliance with the risk appetite on a continuous basis. SEK does not accept material or systematic non-compliance with legislation, other external regulations, or internal regulations.

7.1.4.3 Incidents

Chart 7.1 shows reported business incidents per incident type. The loss resulting from reported incidents was Skr 0,0 million (2019: Skr 2.9 million). Only a small portion of the incidents results in a loss.

Chart 7.1 Business incidents per incident type



7.1.4.4 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.

7.1.4.5 Operational risks during 2020

SEK's operational risks have been relatively stable over the year and COVID-19-related circumstances such as remote work arrangements have not materially affected SEK's ability to maintain operations, including financial reporting systems, internal control over financial reporting as well as disclosure controls and procedures.

Reported business incidents, see Chart 7.1, have decreased during the year as well as the loss resulting from reported incidents. Further, no incidents classified as high risk have been reported in 2020.

During the year some operational risks have been re-classified with a higher risk classification due to a higher level of regulatory and other initiatives.

New products, processes and systems, approved by the New Product Approval Committee have increased to 21 (2019:19) during the year.

7.1.5 Exposure and capital requirements

Over the years, the Company's ability to manage operational risk have improved through a long-term initiative focusing on continuous improvement, well-documented procedures and higher awareness of the importance of managing operational risk. In 2020, 97 incidents were reported (2019: 130 incidents). The majority of these incidents were minor events that were rectified promptly within the 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: SEK's minimum capital requirement and internally assessed economic capital for operational risk

	2020		2019	
Skr mn	Minimum capital requirement	Internally assessed economic capital	Minimum capital requirement	Internally assessed economic capital
Operational risk	290	203	257	183
Total	**290**	**203**	**257**	**183**

7.2 Business and strategic risk

SEK defines business risk as the risk of an unexpected decline in revenues as a result of a reduction in volumes (for example due to competitive conditions) and/or pressure on margins. Strategic risk is defined as the risk of lower revenues resulting from strategic initiatives that fail to achieve the pursued results, inefficient organizational changes, improper implementation of decisions, unwanted effects from outsourcing, or the lack of adequate response to changes in the regulatory and business environment. Strategic risk focuses on large-scale and structural risk factors.

7.2.1 Management

SEK's management is responsible for identifying and managing business and strategic risks and for monitoring the external business environment and developments in the markets in which SEK conducts operations. The management is also responsible for proposing the strategic direction to the Board. An annual risk assessment is performed for both business and strategic risks in the form of a self-assessment.

7.2.2 Risk identification and handling

Business risk is the risk of an unexpected decline in revenue resulting from, for example, changes to competitive conditions with a decrease in business volumes and/or falling margins. A consequence of SEK's conservative business model is that net interest earnings tend to increase in stressed conditions, when the financial sector's lending capacity generally falls. However, it is also in these situations that it is considered most likely that SEK might suffer substantial loan losses. The negative earnings effect of increased loan losses thus tends to be somewhat compensated by increased net interest earnings over time, which has been demonstrated by both past years' and 2020's performance as well as simulated stress scenarios.

SEK's strategic risk mainly arises from 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.

7.3 Sustainability risk

Sustainability risk is the risk that SEK's operations directly or indirectly impact its surroundings negatively in respect of ethics, corruption, climate and the environment, human rights and labor conditions. Ethics includes tax transparency, human rights includes the child rights perspective and labor conditions includes gender equality as well as diversity. Sustainability risk means that SEK's risk concept is broadened to also include how the environment, including the climate is affected by SEK's operations. Sustainability risk can also affect other types of risk, such as credit risk and is therefore both a non-financial and financial risk for the Company.

7.3.1 Management

Sustainability risks are managed according to a risk-based approach. SEK only engages in transactions for which SEK has conducted know your customer activities. SEK's measures to manage sustainability risks are subject to national and international regulations and guidelines, along with the state's ownership policy and guidelines for state-owned companies and SEK's owner instruction, pertaining to anti-corruption, climate and environmental consideration, human rights and labor conditions. Based on international sustainability guidelines, SEK sets requirements on the operations and projects the Company finances in order to mitigate negative environmental and societal impacts.

The international guidelines pursued by SEK are described in the Sustainability Notes of the 2020 Annual Report.

7.3.2 Measurement

SEK measures and reports the risk level for sustainability risk at least quarterly. Potential sustainability risks are identified and assessed in conjunction with a new business opportunity. Potential sustainability risks are identified and assessed at country, counterparty, and or business transaction level.

- Country – Countries are classified according to the risk of corruption, negative impact on human rights, including labor conditions and the risk of money laundering, financing of terrorism and non-transparent tax jurisdiction.
- Counterparty – Checks are conducted as part of know your customer, including checks of ownership and checks against international sanction lists, as well as whether the counterparty has been involved in significant sustainability-related incidents.
- Business transaction level-
  i) Projects and project-related financing are classified based on their potential societal and environmental impact according to the OECD's framework for export credits or the Equator Principles. Category A projects have a potentially material impact, category B projects potentially have some impact, and category C projects have little or no potential impact.
  ii) Other business transactions are analyzed to assess the risk of corruption, negative environmental or climate impact, negative effects on human rights and labor conditions and the risk of money laundering, financing of terrorism and non-transparent tax jurisdiction.

7.3.3 Monitoring

Sustainability risk is monitored through regular analysis and reporting to the Board of Directors. Project or project-related funding with an identified elevated sustainability risk is monitored via continuous checks of compliance with the agreements, sustainability clauses.

SEK performs stress tests for climate-related transitions risk annually. The results of the scenario analyzes and stress tests are reported to the or the Finance and Risk Committee and to the Board.

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 Dec 31, 2020	Balance sheet at parent level Dec 31, 2019	Cross reference to row number in Table 2
Assets			
Cash and cash equivalents	3,362	1,362	
Treasuries/government bonds	22,266	8,344	
Other interest-bearing securities except loans	33,551	53,906	
of which: the exposure amount of securitization 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	50,780	43,627	
Loans to credit institutions	31,315	27,010	
Loans to the public	171,562	163,848	
Derivatives	7,563	6,968	
Property. plant. equipment and intangible assets	145	134	
of which: intangible assets	*98*	*56*	*8*
Other assets	12,853	9,334	
Prepaid expenses and accrued revenues	1,987	2,747	
Total assets	**335,384**	**317,280**	
Liabilities and equity			
Borrowing from credit institutions	3,486	3,678	
Borrowing from the public	10,000	-	
Senior securities issued	273,976	269,339	
of which: gains or losses on liabilities valued at fair value resulting from changes in own credit standing	*77*	*93*	*14*
Derivatives	25,395	20,056	
Other liabilities	455	2,467	
Accrued expenses and prepaid revenues	1,924	2,582	
Deferred tax liabilities	-	-	
Provisions	26	20	
Subordinated securities issued	-	-	
of which: T2 capital instruments and the related share premium accounts	-	-	*46*
Total liabilities	**315,262**	**298,142**	
Share capital	3,990	3,990	1
Reserves	292	245	
of which: accumulated other comprehensive income	-	-	*3*
of which: fair value reserves related to gains or losses on cash flow hedges	-	-	*11*
of which: regulatory adjustments relating to unrealized gains pursuant to Article 468	-	-	
Retained earnings	15,840	14,903	
of which: independently reviewed interim profits net of any foreseeable charge or dividend	694	1,766	5a
of which: retained earnings	14,856	12,829	2
Total equity	**20,122**	**19,138**	
Total liabilities and equity	**335,384**	**317,280**	

Table 2: Transitional own funds

Disclosure according to Article 4 of the Commission Implementing Regulation (EU) No 1423/2013
In 2019, the subsidiary Venantius AB has been liquidated, which means that the capital situation is shown on a parent company level.

Skr mn		Amount at Dec 31, 2020	Amount at Dec 31, 2019	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	14,856	12,829	26 (1) (c)
3	Accumulated other comprehensive income (and other reserves)	292	245	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. 2019	-	-	483 (2)
5	Minority interests (amount allowed in consolidated CET1)	-	-	84
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	694	1,766	26 (2)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**19,832**	**18,830**	**Sum of rows 1 to 5a**
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)	-306	-445	34. 105
8	Intangible assets (net of related tax liability) (negative amount)	-98	-56	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	-	-	33(1) (a)
12	Negative amounts resulting from the calculation of expected loss amounts	-55	-115	36 (1) (d). 40. 159
13	Any increase in equity that results from securitized assets (negative amount)		-	32 (1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	77	93	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
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)

Skr mn		Amount at Dec 31, 2020	Amount at Dec 31, 2019	Regulation (EU) no 575/2013 article reference
20b	of which: qualifying holdings outside the financial sector (negative amount)	-	-	36 (1) (k) (i). 89 to 91
20c	of which: securitization 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)**	**-382**	**-523**	**Sum of rows 7 to 20a, 21, 22 and 25a to 27**
29	**Common Equity Tier 1 (CET1) capital**	**19,450**	**18,307**	**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)
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	-	-	

Skr mn		Amount at Dec 31, 2020	Amount at Dec 31, 2019	Regulation (EU) no 575/2013 article reference
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)	19,450	18,307	Sum of row 29 and row 44
Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts	-	-	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	-	-	
Tier 2 (T2) capital: regulatory adjustments				
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	-	-	Row 51 minus row 57
59	Total capital (TC = T1 + T2)	19,450	18,307	Sum of row 45 and row 58
60	Total risk-weighted assets	89,202	88,657	
Capital ratios and buffers				
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	21.8%	20.6%	92 (2) (a)
62	Tier 1 (as a percentage of risk exposure amount)	21.8%	20.6%	92 (2) (b)
63	Total capital (as a percentage of risk exposure amount)	21.8%	20.6%	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)	7.0%	8.9%	CRD 128. 129. 130. 131. 133
65	of which: capital conservation buffer requirement	2.5%	2.5%	
66	of which: countercyclical buffer requirement	0.03%	1.9%	

Skr mn		Amount at Dec 31, 2020	Amount at Dec 31, 2019	Regulation (EU) no 575/2013 article reference
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)	13.8%	12.6%	CRD 128
69	[non relevant in EU regulation]			
70	[non relevant in EU regulation]			
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 standardized 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	-	-	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, 2020

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 (e.g. 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
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 recognized 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 at December 31, 2020

Consolidated Group	December 31, 2020							
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	3.4	0.1	2.5	-	-	-	0.8	-
Treasuries/ government bonds	22.3	0.0	22.3	-	-	-	-	-
Other interest-bearing securities except loans	33.6	-0.2	3.2	7.9	3.2	4.2	12.3	2.1
Loans in the form of interest-bearing securities	50.8	0.0	2.9	-	-	-	0.5	47.4
Loans to credit institutions including cash and cash equivalents[1]	31.3	21.9	1.1	4.1	-	-	3.4	0.8
Loans to the public	171.6	-1.6	99.7	0.3	0.3		6.6	66.3
Derivatives	7.6	2.1	-	-	-	-	5.5	-
Other assets	333.5	12.9	-	-	-	-	-	-
Total financial assets	**333.5**	**35.2**	**131.7**	**12.3.**	**3.5**	**4.2**	**30.0**	**116.6**
Contingent assets and commitments[2]	62.5	1.3	53.8	-	-	-	0.9	6.5
Total	**396.0**	**36.5**	**185.5**	**12.3**	**3.5**	**4.2**	**30.9**	**123.1**

1 Skr 22.0 billion (2019: Skr 16.9 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.

Derivative exposure after netting under current ISDA Master Agreements in accordance with the CRR´s management of the counterparty risk in derivative contracts amounts to Skr 5.5 billion (2019: 5.6 billion). For more information on the counterparty risk in derivative contracts under the CRR, refer to the Risk and management section.

Table 5: Geographical distribution of credit exposures and capital requirements relevant for the calculation of the countercyclical capital buffer at December 31, 2020[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	33	91,435	3,686	0,699	-
Finland	-	5,780	269	0,051	-
Norway	37	4,359	169	0,032	1%
United States	642	3,663	211	0,040	-
Chile	-	2,215	93	0,018	-
Denmark	-	2,180	59	0,011	-
United Kingdom	60	2,172	120	0,023	-
Japan	-	1,700	121	0,023	-
Mexico	325	1,174	61	0,011	-
Brazil	85	1,134	44	0,008	-
Colombia	5	910	42	0,008	-
Portugal	-	686	45	0,009	-
Turkey	-	590	27	0,005	-
France	120	504	21	0,004	-
Netherlands	26	480	31	0,006	-
Saudi Arabia	-	471	34	0,006	-
South Africa	-	427	20	0,004	-
Korea	47	342	15	0,003	-
India	-	319	15	0,003	-
Ireland	-	304	4	0,001	-
Spain	395	274	42	0,008	-
Serbia	-	271	19	0,004	-
United Arab Emirates	-	248	13	0,003	-
Switzerland	-	236	9	0,002	-
Belgium	-	202	14	0,003	-
Canada	152	164	37	0,007	-
Peru	-	150	5	0,001	-
Iceland	-	114	7	0,001	-
Italy	3	99	6	0,001	-
Thailand	147	85	13	0,003	-
Estonia	-	63	2	0,000	-
Congo	-	29	1	0,000	-
Mauritius	-	22	1	0,000	-
Qatar	-	14	1	0,000	-
Uzbekistan	-	3	1	0,000	-
Argentina	-	0.0	0.0	0,000	-
Indonesia	95	-	8	0,001	-
Poland	17	-	1	0,000	-
Sri Lanka	9	-	1	0,000	-
Vietnam	47	-	4	0,001	-
Total	**2,245**	**122,819**	**5,272**	**1**	**-**

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, 2020.

Table 6. Amount of institution-specific countercyclical capital buffer at December 31, 2020 (and 2019)

Skr mn	2020	2019
Total risk exposure amount	89,202	88,657
Institution specific countercyclical buffer rate (percent)	0.0%	1.9%
Institution specific countercyclical buffer requirement	**27**	**1,684**

Table 7: Summary reconciliation of accounting assets and leverage ratio exposures at December 31, 2020

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

Skr mn	Item	2020
1	Total assets as per published financial statements	335,384
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
3	Adjustment for fiduciary assets recognized 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	-16,445
5	Adjustments for securities financing transactions “SFTs”	-
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures	37,162
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	-12,216
8	**Total leverage ratio exposure**	**334,767**

Table 8: Leverage ratio common disclosure at December 31, 2020

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

		CRR leverage ratio exposures
Skr mn		2020
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives. SFTs and fiduciary assets. but including collateral)	314,203
2	Asset amounts deducted in determining Tier 1 capital	-153
3	Total on-balance sheet exposures (excluding derivatives. SFTs and fiduciary assets) (sum of lines 1 and 2)	314,050
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	1,555
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	3,979
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	-21,979
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)	-16,445
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	130,653
18	Adjustments for conversion to credit equivalent amounts	-93,491
19	Other off-balance sheet exposures (sum of lines 17 to 18)	37,162
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	19,450
21	Total leverage ratio exposures (sum of lines 3. 11. 16. 19. EU-19a and EU-19b)	334,767
Leverage ratio		
22	Leverage ratio	5.8%
Choice on transitional arrangements and amount of derecognized fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Fully phased in
EU-24	Amount of derecognized 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, 2020 Skr 72,297 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, 2020

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

		CRR leverage ratio exposures
Skr mn		2020
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**292,268**
EU-2	Trading book exposures	-
EU-3	Banking book exposures. of which:	292,268
EU-4	*Covered bonds*	*7,532*
EU-5	*Exposures treated as sovereigns*	*151,481*
EU-6	*Exposures to regional governments, MDB, international organizations and PSE NOT treated as sovereigns*	*178*
EU-7	*Institutions*	*16,937*
EU-8	*Secured by mortgages of immovable properties*	-
EU-9	*Retail exposures*	-
EU-10	*Corporate*	*115,977*
EU-11	*Exposures in default*	-
EU-12	*Other exposures (e.g. equity, securitizations, and other non-credit obligation assets)*	*163*

Table 10: Leverage ratio, disclosure on qualitative items at December 31, 2020

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, 2020 was 5.8 percent (year-end 2019: 5.7 percent), an increase with 0.1 percentage point compared to the previous year. The numerator of the ratio that is the Tier 1 capital amounts to Skr 19,450 million (18,307) and the increase of 6 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 334,767 million (324,002). The increase of 3 percent from the previous year is mainly due to higher volumes in the credit portfolio.

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[1]	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

1 During the second half of 2020 SEK has stopped using external ratings from Fitch.

Table 12: Gross and net exposures under the standardized approach per quality step at December 31, 2020 (and 2019)[1]

	1		2		3–6		Not rated		Total	
Skr bn	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Net exposures										
Corporates	-	-	-	-	-	-	2.3	2.4	2.3	2.4
Gross exposures	-		-		-					
Corporates	-	-	-	-	-	-	2.9	3.3	2.9	3.3

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 ECA's 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, 2020 (and 2019) and average during 2020

	Gross exposure			Net exposure		
Skr bn	2020	Average 2020[1]	2019	2020	Average 2020[1]	2019
Central governments	84.9	85.1	63.9	185.5	190.1	161.3
Regional governments	9.3	8.9	12.3	12.3	12.6	16.5
Multilateral development banks	3.1	2.6	2.8	3.5	2.9	3.1
Public Sector Entities	4.3	3.8	4.0	4.2	3.8	4.0
Institutions	27.0	38.5	43.2	30.9	40.8	45.7
Corporates	230.9	233.5	221.3	123.1	122.1	116.9
Total	**359.5**	**352.6**	**347.5**	**359.5**	**352.6**	**347.5**

1 Average amounts are based on monthly exposures

Table 14: Average CCF for off-balance exposures by exposure class at December 31, 2020 (and 2019)

	Exposure after risk mitigation		Exposure at default		Average CCF	
Skr bn	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Standardized approach						
Corporate	0.0	0.0	0.0	0.0	50%	50%
IRB approach						
Central governments	53.9	50.9	40.4	38.2	75%	75%
Institutions	0.9	1.2	0.7	0.9	75%	75%
Corporate	7.1	7.3	3.7	3.3	52%	46%

Table 15: Specialized lending at December 31, 2020 (and 2019)

Within the exposure class corporate, 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).

Category	Exposure at default		Risk exposure amount	
Skr bn	**2020**	**2019**	**2020**	**2019**
1	2.9	3.4	2.0	2.2
2	0.9	0.2	0.7	0.2
3	-	-	-	-
4	-	-	-	-
5	-	-	-	-
Total	**3.8**	**3.6**	**2.7**	**2.4**

Table 16: Gross exposure by exposure class and region at December 31, 2020 (and 2019)

	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	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Central governments	11.3	4.2	3.6	4.8	2.4	2.8	0.8	1.3	-	-	42.0	42.2	12.1	3.0	12.7	5.6	-	-	84.9	63.9
Regional governments	1.4	1.7	-	-	-	-	-	-	-	-	-	-	7.9	10.5	0.0	0.1	-	-	9.3	12.3
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3.1	2.8	-	-	3.1	2.8
Public Sector Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4.3	4.0	-	-	4.3	4.0
Institutions	-	-	1.2	2.7	0.1	0.6	1.0	5.7	0.8	0.9	-	-	13.3	19.7	10.4	13.4	0.2	0.2	27.0	43.2
Corporates	14.1	21.1	5.0	8.6	1.7	1.4	64.0	65.1	-	-	8.0	7.6	105.1	82.6	28.3	31.3	4.7	3.6	230.9	221.3
Total	**26.8**	**27.0**	**9.8**	**16.1**	**4.2**	**4.8**	**65.8**	**72.1**	**0.8**	**0.9**	**50.0**	**49.8**	**138.4**	**115.8**	**58.8**	**57.2**	**4.9**	**3.8**	**359.5**	**347.5**

Table 17: Net exposure by exposure class and region at December 31, 2020 (and 2019)

	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	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
IRB approach																				
Central governments	0.1	-	0.4	0.6	2.4	2.8	1.6	2.8	-	-	-	-	159.2	138.1	19.0	13.9	2.8	3.1	185.5	161.3
Regional governments	-	-	-	-	-	-	-	-	-	-	-	-	12.2	16.3	0.1	0.2	-	-	12.3	16.5
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3.5	3.1	-	-	3.5	3.1
Public Sector Entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4.2	4.0	-	-	4.2	4.0
Financial institutions	0.0	-	1.2	2.7	0.6	0.9	1.7	6.6	0.8	0.9	-	-	11.4	16.7	15.0	17.7	0.2	0.2	30.9	45.7
Corporates	2.6	4.5	0.9	1.5	3.9	3.8	4.9	3.0	-	-	2.9	2.3	85.0	79.9	20.3	19.4	0.3	0.1	120.8	114.5
Standardized approach																				
Central governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Regional governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporates	-	-	0.2	0.2	-	-	0.8	1.0	-	-	0.4	0.5	0.2	0.2	0.6	0.5	0.1	0.0	2.3	2.4
Total	**2.7**	**4.5**	**2.7**	**5.0**	**6.9**	**7.5**	**9.0**	**13.4**	**0.8**	**0.9**	**3.3**	**2.8**	**268.0**	**251.2**	**62.7**	**58.8**	**3.4**	**3.4**	**359.5**	**347.5**

Table 18: Corporate exposure by industry (GICS) at December 31, 2020 (and 2019)

	Gross exposure		Net exposure	
Skr bn	2020	2019	2020	2019
IT and telecom	81.4	84.5	15.1	13.6
Industrials	43.2	46.6	42.1	40.7
Consumer goods	37.9	25.2	27.3	23.8
Financials	25.6	23.3	10.7	12.8
Materials	24.3	21.2	19.0	16.6
Utilities	12.0	13.7	4.8	4.4
Health care	4.8	4.8	3.8	4.6
Energy	1.2	1.8	0.1	0.2
Other	0.5	0.2	0.2	0.2
Total	**230.9**	**221.3**	**123.1**	**116.9**
of which: small and medium-sized enterprises	*0.5*	*0.5*	*0.2*	*0.2*

Table 19: Gross exposure by European countries, excluding Sweden, and exposure class at December 31, 2020 (and 2019)

	Central governments		Regional governments		Multilateral development banks		Public Sector Entities		Financial institutions		Corporates		Total	
Skr bn	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Finland	2.4	0.6	0.0	0.1	0.3	-	-	-	0.1	0.1	6.2	6.2	9.0	7.0
Germany	2.2	2.8	-	-	-	-	4.3	4.0	0.3	0.5	-	-	6.8	7.3
Spain	-	-	-	-	-	-	-	-	0.4	0.5	5.7	8.1	6.1	8.6
Austria	4.1	-	-	-	-	-	-	-	1.6	1.7	-	-	5.7	1.7
United Kingdom	-	-	-	-	-	-	-	-	2.2	2.4	2.7	2.6	4.9	5.0
Norway	-	-	-	-	-	-	-	-	0.1	2.0	4.6	5.1	4.7	7.1
Denmark	0.8	-	-	-	-	-	-	-	2.0	0.9	1.7	1.4	4.5	2.3
Luxembourg	1.0	0.6	-	-	2.8	2.8	-	-	-	-	-	-	3.8	3.4
France	-	-	-	-	-	-	-	-	2.1	2.0	1.4	1.5	3.5	3.5
Netherlands	1.0	-	-	-	-	-	-	-	1.5	3.2	0.5	0.2	3.0	3.4
Italy	-	-	-	-	-	-	-	-	-	-	2.9	3.6	2.9	3.6
Poland	-	-	-	-	-	-	-	-	-	-	2.9	3.1	2.9	3.1
Belgium	1.2	1.6	-	-	-	-	-	-	0.0	0.0	0.2	0.2	1.4	1.8
Belarus	-	-	-	-	-	-	-	-	-	-	1.3	-	1.3	-
Switzerland	-	-	-	-	-	-	-	-	-	-	1.2	1.5	1.2	1.5
Portugal	-	-	-	-	-	-	-	-	-	-	0.7	0.6	0.7	0.6
Ireland									0.1	-	0.3	0.3	0.4	0.3
Serbia	-	-	-	-	-	-	-	-	-		0.3	-	0.3	-
Russian Federation		-		-		-		-	-	-	0.2	0.4	0.2	0.4
Latvia	-	-	-	-	-	-	-	-	0.2	0.2	-	-	0.2	0.2
Iceland	-	-	-	-	-	-	-	-	-		0.1	0.1	0.1	0.1
Estonia	-	-	-	-	-	-	-	-	0.0	0.1	0.1	0.0	0.1	0.1
Ukraine	-	-	-	-	-	-	-	-	-	-	0.0	0.0	-	0.0
Total	**12.7**	**5.6**	**0.0**	**0.1**	**3.1**	**2.8**	**4.3**	**4.0**	**10.6**	**13.6**	**33.0**	**34.9**	**63.7**	**61.0**

Table 20: Net exposure by European countries, excluding Sweden, and exposure class at December 31, 2020 (and 2019)

	Central governments		Regional governments		Multilateral development banks		Public Sector Entities		Financial institutions		Corporates		Total	
Skr bn	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Finland	2.5	0.8	0.1	0.2	0.3	-	-	-	0.2	0.2	5.8	5.6	8.9	6.8
Germany	3.0	3.7	-	-	-	-	4.2	4.0	1.0	1.0	0.4	0.4	8.6	9.1
France	4.8	6.3	-	-	-	-	-	-	2.6	1.6	0.6	0.1	8.0	8.0
United Kingdom	0.0	0.1	-	-	-	-	-	-	3.2	3.4	3.8	4.5	7.0	8.0
Austria	4.1	-	-	-	-	-	-	-	1.6	1.7	-	-	5.7	1.7
Denmark	1.0	0.2	-		-	-	-	-	2.5	1.8	1.7	1.3	5.2	3.3
Norway	0.2	0.4	-	-	-	-	-	-	0.2	2.0	4.4	4.9	4.8	7.3
Luxembourg	1.0	0.5	-	-	3.2	3.1	-	-	-	-	0.4	0.8	4.6	4.4
Netherlands	1.3	0.3	-	-	-	-	-	-	1.6	3.4	0.3	0.2	3.2	3.9
Poland	2.9	3.1	-	-	-	-	-	-	-	-	0.0	0.0	2.9	3.1
Belgium	1.1	1.6	-	-	-	-	-	-	0.7	0.6	0.7	0.2	2.5	2.4
Spain	-	-	-	-	-	-	-	-	1.3	1.7	0.6	0.4	1.9	2.1
Switzerland	-	-	-	-	-	-	-	-	0.1	0.2	0.7	0.5	0.8	0.7
Portugal	-	-	-	-	-	-	-	-	-	-	0.7	0.6	0.7	0.6
Ireland	-	-	-	-	-	-	-	-	-	-	0.6	0.3	0.6	0.3
Serbia	-	-	-	-	-	-	-	-	-	-	0.3	-	0.3	-
Latvia	-	-	-	-	-	-	-	-	0.2	0.2	-	-	0.2	0.2
Iceland	-	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1
Italy	-	-	-	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1
Estonia	-	-	-	-	-	-	-	-	0.0	0.1	0.1	0.0	0.1	0.1
Total	**21.9**	**17.0**	**0.1**	**0.2**	**3.5**	**3.1**	**4.2**	**4.0**	**15.2**	**17.9**	**21.3**	**20.0**	**66.2**	**62.2**

Table 21: Gross exposure by exposure class and maturity (M) at December 31, 2020 (and 2019)

	M<=1 year		1 year < M <= 3		3 year < M <= 5		M>5		Total	
Skr bn	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Central government	28.5	11.9	12.1	6.3	2.6	1.8	41.7	43.9	84.9	63.9
Regional governments	6.0	10.1	2.8	1.9	0.4	0.2	0.1	0.1	9.3	12.3
Multilateral banks	3.1	2.8	-	-	-	-	-	-	3.1	2.8
Public Sector Entities	4.3	4.0	-	-	-	-	-	-	4.3	4.0
Financial institutions	20.6	31.2	4.1	8.5	1.2	2.0	1.1	1.5	27.0	43.2
Corporates	66.2	60.7	76.4	80.1	54.6	44.3	33.7	36.2	230.9	221.3
Total	**128.7**	**120.7**	**95.4**	**96.8**	**58.8**	**48.3**	**76.6**	**81.7**	**359.5**	**347.5**

Table 22: Net exposure by exposure class and maturity (M) at December 31, 2020 (and 2019)

	M<=1 year		1 year < M <= 3		3 year < M <= 5		M>5		Total	
Skr bn	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
IRB method										
Central government	56.7	30.5	44.2	48.1	30.3	21.5	54.3	61.2	185.5	161.3
Regional governments	7.2	9.7	4.1	4.8	0.1	0.7	0.9	1.3	12.3	16.5
Multilateral banks	3.3	2.9	0.2	0.2	0.0	0.0	-	-	3.5	3.1
Public Sector Entities	4.2	4.0	-	-	-	-	-	-	4.2	4.0
Financial institutions	23.9	34.5	4.6	8.2	1.8	2.1	0.6	1.0	30.9	45.7
Corporates	32.3	38.1	41.6	34.6	26.3	23.6	20.6	18.1	120.8	114.5
Standardized method										
Corporates	1.0	1.0	0.9	0.9	0.3	0.4	0.1	0.1	2.3	2.4
Total	**128.6**	**120.7**	**95.6**	**96.8**	**58.8**	**48.3**	**76.5**	**81.7**	**359.5**	**347.5**

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%–0.01%	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%
Skr bn	2020					2019				
Central governments										
Loans and interest bearing securities	41.3	2.4	-	0.1	-	27.7	2.7	-	-	-
Loan commitments and guarantees	158.9	2.9	-	-	-	151.3	3.1	-	-	-
Reduction for loan commitments and guarantees[1]	-13.5	-	-	-	-	-12.7	-	-	-	-
Exposure at default	186.7	5.3	-	0.1	-	166.3	5.8	-	-	-
Risk exposure amount	8.5	1.1	-	0.1	-	7.6	1.2	-	-	-
Average PD in %	0.004	0.05	-	4.1	-	0.004	0.05	-	-	-
Average LGD in %	45.0	45.0	-	45.0	-	45.0	45.0	-	-	-
Average risk weight in %	4.6	20.0	-	149.5	-	4.6	19.8	-	-	-

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

Skr bn	AAA to AA- 0.01%–0.04%	A+ to A- 0.06%–0.11%	BBB+ to BBB- 0.16%–0.32%	BB+ to B- 0.50%–8.27%	CCC to D 28.91%–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- 0.54%–8.40%	CCC to D 28.60%–100%
	2020					2019				
Financial institutions										
Loans and interest bearing securities	8.9	7.8	0.8	0.0	-	12.5	19.1	0.9	-	-
Derivatives	1.8	2.6	0.5	0.0	-	1.9	3.2	0.5	0.0	-
Loan commitments and guarantees	2.0	5.6	0.8	0.0	-	2.1	5.6	-	-	-
Reduction for loan commitments and guarantees[1]	0.0	-0.1	-0.1	0.0	-	-0.1	-0.3	-	-	-
Exposure at default	12.7	15.9	2.0	0.0	-	16.4	27.6	1.4	0.0	-
Risk exposure amount	2.2	3.5	1.0	0.1	-	2.8	7.1	0.9	0.0	-
Average PD in %	0.04	0.07	0.18	0.76	-	0.04	0.08	0.22	0.54	-
Average LGD in %	36.7	35.7	45.0	45.0	-	35.3	37.1	45.0	45.0	-
Average risk weight in %	17.3	22.1	50.3	131.5	-	17.1	25.7	64.6	99.9	-
Corporates[2]										
Loans and interest bearing securities	1.9	16.2	68.1	21.1	0.0	5.9	18.1	59.6	24.4	0.0
Loan commitments and guarantees	0.4	2.2	1.6	5.2	-	0.1	2.1	0.1	0.4	-
Reduction for loan commitments and guarantees[1]	0.0	-0.5	-0.4	-2.2	-	0.0	-0.8	-0.8	-2.2	-
Exposure at default	2.3	17.9	69.3	24.1	0.0	6.0	19.4	58.9	22.6	0.0
Risk exposure amount	0.4	5.5	34.2	20.8	0.0	1.2	6.4	30.5	19.6	0.0
Average PD in %	0.03	0.09	0.23	1.02	28.9	0.04	0.10	0.25	0.83	28.6
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 %	19.4	30.6	49.4	86.6	263.7	19.7	33.1	51.7	86.8	263.7

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: Past due, impaired exposures, specific and general provisions by exposure class, 2020[1]

Skr mn	Past due but not impaired	Impaired	Specific provisions, 2020	General provisions, 2020	Specific provisions, accumulated	General provisions, accumulated
Central governments	-	-	0	1	0	1
Regional governments	-	-	-	0	-	-
Multilateral development banks	-	-	-	0	-	-
Institutions	-	825	-	18	-	24
Corporates	24	676	-18	120	46	178
Securitizations	-	-	-	-	-	-
Total	**24**	**1,501**	**-18**	**139**	**46**	**203**

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 26: Past due, impaired exposures, specific and general provisions by exposure class, 2019[1]

Skr mn	Past due but not impaired	Impaired	Specific provisions, 2019	General provisions, 2019	Specific provisions, accumulated	General provisions, accumulated
Central governments	-	-	-	-3	-	1
Regional governments	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-
Institutions	-	-	-	-3	-	5
Corporates	109	1,344	-19	15	64	58
Securitizations	-	-	-	-	-	-
Total	**109**	**1,344**	**-19**	**9**	**64**	**64**

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 27: Past due, impaired exposures, specific and general provisions by geographical area, 2020[1]

Skr mn	Past due but not impaired	Impaired	Specific provisions, 2020	General provisions, 2020	Specific provisions, accumulated	General provisions, accumulated
North America	0	34	0	12	0	17
Latin America	11	44	-4	46	39	51
Sweden	2	-	-	-	-	-
Central-East European countries	-	-	-	-	-	-
West European countries excl. Sweden	1	-	-20	56	0	105
Africa	-	892	0	2	0	2
Asia	10	531	6	23	7	28
Total	**24**	**1,501**	**-18**	**139**	**46**	**203**

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 28: Reconciliation of changes in the specific and general provisions at December 31, 2020[1]

Skr mn	Opening balance	Increases in provisions during 2020	Decreases in provisions during 2020	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	64	-	-	10	-28	46	-
Securitizations	-	-	-	-	-	-	-
Total specific provisions	**64**	**-**	**-**	**10**	**-28**	**46**	**-**
General provisions							
Central governments	1	0	-	-	-	1	-
Regional governments	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-
Institutions	1	7	0	-	8	16	-
Corporates	62	77	-8	-1	56	186	-
Securitizations	-	-	-	-	-	-	-
Total general provisions	**64**	**84**	**-8**	**-1**	**64**	**203**	**-**
Total provisions	**128**	**84**	**-8**	**9**	**36**	**249**	**-**

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

Table 29: Credit quality of forborne exposures

Disclosure according to EBA Guidelines EBA/GL/2019/10. There are no significant changes in forborne exposures for 2020 compared with 2019.

Skr mn Counterparty	December 31, 2020 Gross carrying amount/nominal amount of exposures with forbearance measure				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne[1]	Of which defaulted	Of which impaired	Performing forborne exposures	Non-performing forborne exposures	On total forborne exposures	Of which on non-performing forborne exposures
Loans and advances	**2,562**	**5**	**5**	**5**	**26**	**6**	**827**	**4**
Central banks	-	-	-	-	-	-	-	-
General governments	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporation	-	-	-	-	-	-	-	-
Non-financial corporations	2,562	5	5	5	26	6	827	4
Households	-	-	-	-	-	-	-	-
Debt securities	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loan commitments given	**3**	**-**	**-**	**-**	**0**	**-**	**3**	**-**
Total	**2,565**	**5**	**5**	**5**	**26**	**6**	**830**	**4**

1 No disclosure of the table related to foreclosed assets has been made. SEK does not hold any foreclosed assets obtained from non-performing exposures.

Table 30: Credit quality of performing and non-performing exposures by past due days

Disclosure according to EBA Guidelines EBA/GL/2019/10. The gross non-performing loan (NPL) ratio for 2020 amounts to less than 1 percent. There are no significant changes in non-performing exposures for 2020 compared with 2019.

Skr mn Counterparty	December 31, 2020 Gross carrying amount/nominal amount of Performing exposures			Gross carrying amount/nominal amount of Non-performing exposures								
	Performing exposures	Not past due or past due <= 30 days	Past due > 30 days < = 90 days	Non-performing exposures[1]	Unlikely to pay that are not past due or are past due <= 90 days	Past due > 90 days <= 180 days	Past due > 180 days <= 1 year	Past due > 1 year <= 2 years	Past due > 2 years <= 5 years	Past due > 5 years >= 7 years	Past due > 7 years	Of which defaulted
Loans and advances	**201,884**	**201,884**	**-**	**1,538**	**1,417**	**121**	**0**	**-**	**-**	**-**	**-**	**1,364**
Central banks												
General governments	23,447	23,447	-	-	-	-	-	-	-	-	-	-
Credit institutions	29,813	29,813	-	-	-	-	-	-	-	-	-	-
Other financial corporation	496	496	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	148,128	148,128	-	1,538	1,417	121	0	-	-	-	-	1,364
of which SMEs	356	356	-	67	0	67	0	-	-	-	-	-
Households	-	-	-	-	-	-	-	-	-	-	-	-
Debt securities	**106,818**	**106,818**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	40,739	40,739	-	-	-	-	-	-	-	-	-	-
Credit institutions	13,128	13,128	-	-	-	-	-	-	-	-	-	-
Other financial corporation	2,051	2,051	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	50,900	50,900	-	-	-	-	-	-	-	-	-	-
Off-balance-sheet exposures	**62,503**	**62,503**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
General governments	35,070	35,070	-	-	-	-	-	-	-	-	-	-
Credit institutions	363	363	-	-	-	-	-	-	-	-	-	-
Other financial corporation	1,327	1,327	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	25,743	25,743	-	-	-	-	-	-	-	-	-	-
Households	-	-	-	-	-	-	-	-	-	-	-	-
Total	**371,205**	**371,205**	**-**	**1,538**	**1,417**	**121**	**0**	**-**	**-**	**-**	**-**	**1,364**

1 No disclosure of the table related to foreclosed assets has been made. SEK does not hold any foreclosed assets obtained from non-performing exposures.

Table 31: Performing and non-performing exposures and related provisions

Disclosure according to EBA Guidelines EBA/GL/2019/10. There are no significant changes in non-performing exposures for 2020 compared with 2019.

Skr mn Counterparty	December 31, 2020 Gross carrying amount/nominal amount of exposures						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							Collateral and financial guarantees received	
	Performing exposures	Of which stage 1	Of which stage 2	Non-performing exposures 1	Of which stage 2	Of which stage 3	Performing exposures	Of which stage 1	Of which stage 2	Non-performing exposures	Of which stage 2	Of which stage 3	Accumulated partial write-off	On performing exposures	On non-performing exposures
Loans and advances	**201,884**	**173,321**	**28,563**	**1,538**	**85**	**1,453**	**-143**	**-119**	**-24**	**-64**	**-18**	**-46**	**-**	**129,797**	**1,443**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	23,447	1,767	21,680	-	-	-	-1	-0	-0	-	-	-	-	23,095	-
Credit institutions	29,813	29,813	-	-	-	-	-3	-3	-	-	-	-	-	4,502	-
Other financial corporation	496	496	-	-	-	-	-2	-2	-	-	-	-	-	243	-
Non-financial corporations	148,128	141,245	6,883	1,538	85	1,453	-137	-114	-24	-64	-18	-46	-	101,957	1,443
of which SMEs	356	149	207	67	-	67	-8	-2	-7	-12	-	-12	-	214	67
Households	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt securities	**106,818**	**106,818**	**-**	**-**	**-**	**-**	**-34**	**-334**	**-**	**-**	**-**	**-**	**-**	**12,005**	**-**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	40,739	40,739	-	-	-	-	-0	-0	-	-	-	-	-	-	-
Credit institutions	13,128	13,128	-	-	-	-	-	-	-	-	-	-	-	-	-
Other financial corporation	2,051	2,051	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	50,900	50,900	-	-	-	-	-34	-34	-	-	-	-	-	12,005	-
Off-balance-sheet exposures	**62,503**	**28,353**	**34,150**	**-**	**-**	**-**	**-0**	**-0**	**-0**	**-**	**-**	**-**	**-**	**55,978**	**-**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
General governments	35,070	3,751	31,319	-	-	-	-	-	-	-	-	-	-	35,070	-
Credit institutions	363	363	-	-	-	-	-	-	-	-	-	-	-	363	-
Other financial corporation	1,327	5	1,322	-	-	-	-	-	-	-	-	-	-	1,322	-
Non-financial corporations	25,743	24,234	1,509	-	-	-	-0	-0	-0	-	-	-	-	19,223	-
Households	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	**371,205**	**308,492**	**62,713**	**1,538**	**85**	**1,453**	**-177**	**-153**	**-24**	**-64**	**-18**	**-46**	**-**	**197,780**	**1,443**

1 No disclosure of the table related to foreclosed assets has been made. SEK does not hold any foreclosed assets obtained from non-performing exposures.

Table 32: Encumbered and unencumbered assets at December 31, 2020

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 ISDA 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 cash and upon event of default, inclusion of collateral values within the close-out netting provided by Section 6 of the ISDA Master Agreement. Only the parent company has encumbered assets. The major part of the unencumbered other assets are loans, and the rest are derivatives, interest expenses accrued and other assets.

Skr mn	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Debt securities	-	-	106,818	108,691
Other assets	21,981	21,981	205,903	214,902
Total assets	**21,981**	**21,981**	**312,721**	**323,593**

Table 33: Collateral received not recognized in statement of financial position at December 31, 2020

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	-	-
	-	-

Table 34: Encumbered assets/collateral received and associated liabilities at December 31, 2020

Skr mn	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and ABS encumbered
Carrying amount of selected financial liabilities	21,981	21,981

Table 35: Net long-term funding amount, at December 31, 2020 (and 2019), by region and structure type

Net total long-term funding amount when swaps are taken into account: Skr 256.4 billion at December 31, 2020.

Region	Plain vanilla		FX linked		Equity linked		IR linked		Commodity linked		Other structures		Total	
Skr bn	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Europe excl. Nordic Countries	71.2	72.3	-	0.1	0.1	0.2	9.5	9.7	-	0.0	0.7	0.8	81.5	83.1
North America	65.0	64.9	-	0.0	0.0	0.3	0.4	0.5	3.5	4.5	0.0	0.0	68.9	70.1
Japan	10.1	9.7	14.5	22.7	14.0	15.8	0.0	0.0	0.2	0.3	0.2	0.4	39.1	48.9
Non-Japan Asia	35.1	28.9	-	0.0	-	0.0	1.7	2.2	-	0.0	-	0.0	36.8	31.1
Latin America	14.1	9.6	0.3	0.4	-	0.0	-	0.0	-	0.0	-	0.0	14.4	10.0
Middle East/Africa	9.3	7.6	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	9.3	7.6
Nordic countries	5.9	6.4	-	0.0	0.0	0.0	-	0.0	-	0.0	0.2	1.0	6.1	7.4
Oceania	0.3	0.3	-	0.0	-	0.0	-	0.0	-	0.0	-	0.0	0.3	0.3
Grand Total	210.9	199.7	14.9	23.2	14.1	16.3	11.7	12.4	3.8	4.8	1.1	2.2	256.4	258.6

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

The capital situation comprises the parent company level. The scope for accounting purposes is on a consolidated level. The entity consists of AB Svensk Exportkredit. The capital adequacy rules apply to each individual entity that has a license to carry out banking, finance or securities operation.

	December 31, 2020					
Book values in Skr mn	As reported in published financial statements	As under scope of regulatory consolidation	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	3,362	3,362	3,319	-	850	-
Treasuries/government bonds	22,266	22,266	22,275	-	13,511	-
Other interest-bearing securities except loans	33,551	33,551	33,803	-	14,855	-
Loans in the form of interest-bearing securities	50,780	50,780	50,847	-	19,326	-
Loans to credit institutions[3]	31,315	31,315	9,351	-	26,268	-
Loans to the public	171,562	171,562	173,166	-	107,362	143
Derivatives	7,563	7,563	5,535	7,563	7,362	-
Property, plant, equipment and intangible assets	145	145	-	-	-	98
Other assets[4]	12,853	12,853	-	-	3,528	-
Prepaid expenses and accrued revenues	1,987	1,987	-	-	1,587	-
Deferred tax assets	15	0	-	-	-	15
Total assets	**335,399**	**335,384**	**298,296**	**7,563**	**194,649**	**256**
Liabilities and equity						
Borrowing from credit institutions	3,486	3,486	-	-	3,486	-
Borrowing from the public	10,000	10,000	-	-		
Senior securities issued	273,976	273,976	-	-	267,429	-
Derivatives	25,395	25,395	-	25,395	17,910	-
Other liabilities	455	455	-	-	96	-
Accrued expenses and prepaid revenues	1,924	1,924	-	-	1,659	-
Provisions	99	26	-	-	-	-
Total liabilities	**315,335**	**315,262**	**-**	**25,395**	**290,579**	**-**
Share capital	3,990	3,990	-	-	-	-
Reserves	-129	292	-	-	-	-
Retained earnings	15,862	15,504	-	-	-	-
Net profit of the year	341	366				
Total equity	**20,064**	**20,122**	**-**	**-**	**-**	**-**
Total liabilities and equity	**335,399**	**335,384**	**-**	**25,395**	**290,579**	**-**

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 22.0 billion of the book value for Loans to credit institutions is Cash collateral under the security agreements for derivative contracts.
4 Whereof claim against the State for CIRR loans and concessionary loans relating to derivatives Skr 12.4 billion.

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

	December 31, 2020			
Book values in Skr mn	Total amount	Subject to credit risk framework[2]	Subject to counterparty credit risk framework[3]	Subject to the market risk framework[4]
Asset under the scope of regulatory consolidation	500,508	298,296	7,563	194,649
Liabilities under the regulatory scope of consolidation	315,974	-	25,395	290,579
Total net amount under regulatory scope of consolidation	-88,367	-	7,563	-95,930
Off-balance sheet amounts	65,179	61,200	3,979	-
Differences due to different netting rules, other than reported on row 2	-6,007	-	-6,007	-
Difference between accounting and regulatory treatment of positions subject to market risk	96,602	-	-	96,602
Exposure amounts considered for regulatory purposes	**365,703**	**359,496**	**5,535**	**672**

1 Column regarding securitization positions has been omitted as SEK does not have securitization positions.
2 Counterparty risk exposure considered for regulatory purposes is also included in the column for credit risk framework.
3 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.
4 The amounts not included under the market risk framework are assets and liabilities denominated in Skr, and interest derivatives with only Skr interest rates as underlying. The Exposure amount reported in the last row of the table is the Exposure amount calculated in accordance with Part 3, Title IV, CRR. The difference between Total net amount under regulatory scope of consolidation and the Exposure amounts considered for regulatory purposes is reported as Difference between accounting and regulatory treatment.

Table 38: Liquidity investments at December 31, 2020 (and 2019), by country and exposure class/type

Net Exposures in Skr bn

Country	Financial institutions		States		Regional/Local governments		Covered bonds		Corporates		Multilateral development banks		Total[1]	
Skr bn	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Sweden	0.0	0.0	12.1	2.2	7.9	10.6	6.1	10.5	-	1.5	-	-	26.1	24.8
Germany	-	-	6.5	6.8	-	-	-	-	-	-	-	-	6.5	6.8
Austria	-	-	5.7	1.7	-	-	-	-	-	-	-	-	5.7	1.7
Luxembourg	-	-	1.0	0.5	-	-	-	-	-	-	2.8	2.8	3.8	3.3
Finland	0.0	0.0	2.4	0.5	-	-	-	-	-	-	0.3	-	2.7	0.5
Netherlands	-	1.2	2.5	2.0	-	-	-	-	-	-	-	-	2.5	3.2
Japan	0.0	0.5	2.4	2.8	-	-	-	-	-	0.1	-	-	2.4	3.4
Denmark	0.0	-	0.8	-	-	-	1.5	0.6	-	0.2	-	-	2.3	0.8
UAE	1.6	2.8	-	-	-	-	-	-	-	-	-	-	1.6	2.8
United States	0.4	0.6	0.8	1.3	-	-	-	-	-	-	-	-	1.3	1.9
Belgium	0.0	0.0	1.2	1.6	-	-	-	-	-	-	-	-	1.2	1.6
Australia	0.8	0.9	-	-	-	-	-	-	-	-	-	-	0.8	0.9
United Kingdom	0.7	1.0	-	-	-	-	-	-	-	-	-	-	0.7	1.0
China	0.6	2.3	-	-	-	-	-	-	-	-	-	-	0.6	2.3
Malaysia	0.4	1.4	-	-	-	-	-	-	-	-	-	-	0.4	1.4
Canada	0.4	4.6	-	-	-	-	-	-	-	-	-	-	0.4	4.6
Spain	0.3	0.4	-	-	-	-	-	-	-	-	-	-	0.3	0.4
France	0.0	0.0	-	-	-	-	-	-	-	-	-	-	0.0	0.0
Norway	-	1.7	-	-	-	-	-	-	-	0.5	-	-	0.0	2.2
Switzerland	-	0.0	-	-	-	-	-	-	-	-	-	-	-	0.0
Total	**5.3**	**17.5**	**35.4**	**19.4**	**7.9**	**10.6**	**7.5**	**11.2**	**0.0**	**2.3**	**3.1**	**2.8**	**59.3**	**63.8**

1 Deposits over all maturities are included.

Table 39: Liquidity investments at December 31, 2020 (and 2019), by country and rating

Net exposures in Skr bn

Country	AAA		AA+ to AA-		A+ to A-		BBB+ to BBB-		Total[1]	
Skr bn	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Sweden	17.0	10.2	6.1	7.4	2.9	6.9	-	0.4	26.1	24.8
Germany	6.5	6.8	-	-	-	-	-	-	6.5	6.8
Austria	-	-	5.7	1.7	-	-	-	-	5.7	1.7
Luxembourg	3.8	3.3	-	-	-	-	-	-	3.8	3.3
Finland	0.3	-	2.4	0.5	-	-	-	-	2.7	0.5
Netherlands	2.5	2.0	-	-	-	1.2	-	-	2.5	3.2
Japan	-	-	-	0.1	2.4	3.3	-	-	2.4	3.4
Denmark	0.8	-	-	-	1.5	0.6	-	-	2.3	0.8
UAE	-	-	0.8	1.9	0.8	0.9	-	-	1.6	2.8
United States	-	-	0.8	1.3	0.4	0.6	-	-	1.3	1.9
Belgium	-	-	1.2	1.6	-	-	-	-	1.2	1.6
Australia	-	-	-	-	0.8	0.9	-	-	0.8	0.9
United Kingdom	-	-	-	-	0.7	1.0	-	-	0.7	1.0
China	-	-	-	-	0.6	2.3	-	-	0.6	2.3
Malaysia	-	-	-	-	0.4	1.4	-	-	0.4	1.4
Canada	-	-	0.4	1.0	-	3.6	-	-	0.4	4.6
Spain	-	-	-	-	0.3	0.4	-	-	0.3	0.4
France	-	-	0.0	0.0	-	-	-	-	0.0	0.0
Norway	-	-	0.0	0.0	0.0	2.2	-	-	0.0	2.2
Switzerland	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**30.9**	**22.3**	**17.5**	**15.5**	**10.9**	**25.4**	**0.0**	**0.5**	**59.3**	**63.8**

1 Deposits over all maturities are included.

Table 40: Liquidity reserve[1] at December 31, 2020

Market values in Skr bn	Total	SKR	EUR	USD	Other
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	35.8	17.7	6.5	11.0	0.6
Securities issued or guaranteed by municipalities or other public entities	8.7	4.8	-	3.9	-
Covered bonds issued by other institutions	7.5	7.5	-	-	-
Balances with other banks and National Debt Office, overnight	-	-	-	-	-
Total Liquidity Reserve	**52.0**	**30.0**	**6.5**	**14.9**	**0.6**

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

Table 41: LCR summary according to Article 435 of Regulation (EU) No 575/2013

		Total unweighted value (average)				Total weighted value (average)			
Skr bn		Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2020	Q2 2020	Q3 2020	Q4 2020
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)	-	-	-	-	34.8	39.1	45.8	49.0
Cash outflows									
2	Retail deposits and deposits from small business customers, of which:	0.2	0.6	1.1	1.6	0.0	0.1	0.2	0.2
3	Stable deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4	Less stable deposits	0.2	0.6	1.1	1.6	0.0	0.1	0.2	0.2
5	Unsecured wholesale funding	7.4	8.0	8.4	8.5	7.4	8.0	8.4	8.5
6	Operational deposits (all counterparties)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7	Non-operational deposits (all counterparties)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8	Unsecured debt	7.4	8.0	8.4	8.5	7.4	8.0	8.4	8.5
9	Secured wholesale funding	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
10	Additional requirements	32.9	33.8	35.8	37.9	7.7	8.4	9.4	10.3
11	Outflows related to derivative exposure and other collateral requirements	4.9	5.6	6.4	7.0	4.9	5.6	6.4	7.0
12	Outflows related to loss of funding on debt products	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
13	Credit and liquidity facilities	28.0	28.2	29.4	30.8	2.8	2.8	3.0	3.2
14	Other contractual funding obligations	2.6	3.7	3.8	3.0	2.6	3.7	3.8	3.0
15	Other contingent funding obligations	4.2	4.6	5.3	6.3	0.1	0.1	0.1	0.1
16	Total cash outflows					17.9	20.3	21.8	22.1
Cash inflows									
17	Secured lending (e.g. reverse repos)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
18	Inflows from fully performing exposures	10.0	10.4	9.7	9.8	7.3	8.2	8.0	8.2
19	Other cash inflows	4.9	5.4	4.9	5.0	4.9	5.4	4.9	4.8
20	Total cash inflows	14.9	15.8	14.6	14.8	12.2	13.6	12.9	13.0
EU-20a	Fully exempt inflows								
EU-20b	Inflows Subject to 90% Cap								
EU-20c	Inflows Subject to 75% Cap	14.9	15.8	14.6	14.8	12.2	13.6	12.9	13.0

		Total adjusted value			
21	Liquidity buffer	34.8	39.1	45.8	49.0
22	Total net cash outflows	7.5	8.3	9.9	10.1
23	Liquidity coverage ratio	575%	572%	544%	604%

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.

Glossary

BCBS	Basel Committee on Banking Supervision
BRRD	Bank Recovery and Resolution Directive
CEO	Chief Executive Officer
CCF	Credit Conversion Factor
CCP	Central counterparty
CDS	Credit Default Swap
CET1	Common equity tier 1
CIRR	Commercial Interest Reference Rate
CRD	Capital Requirements Directive
CRO	Chief Risk Officer
CRR	EU Capital Requirements Regulation (EU Regulation No 575/2013)
CSA	Credit Support Annex
CVA	Credit valuation adjustment
EAD	Exposure at default
EBA	European Banking Authority
EC	Economic capital
ECL	Expected credit losses
EIOPA	European Insurance and Occupational Pensions Authority
EKN	Swedish Exports Credits Guarantee Board
EL	Expected loss
EMIR	European Market Infrastructure Regulation
ES	Expected Shortfall
ESMA	European Securities and Markets Authority
EU	European Union
EVE	Economic Value of Equity
€STR	Euro short-term rate
FFFS	Swedish Financial Supervisory Authority regulations and general guidelines
FRTB	Fundamental Review of the Trading Book
FSA	Financial Supervisory Authority
GICS	Global Industries Classification Standard
GL	Guidelines
HQLA	High-quality liquid assets
IAS	International Accounting Standard
ICAAP	Internal capital adequacy assessment process
ILAAP	Internal liquidity adequacy assessment process
IFRS	International Financial Reporting Standards
IRB	Internal ratings-based approach
IRRBB	Interest Rate Risk in the Banking Book
ISDA	International Swaps and Derivatives Association
KYC	Know your customer
LCR	Liquidity Coverage Ratio
LGD	Loss given default
LIBOR	London interbank offered rate
M	Maturity
MREL	Minimum requirement for own funds and eligible liabilities
NII	Net interest income
NSFR	Net Stable Funding Ratio
O/N	Over-night deposit
OTC	Over-the-counter
OF	Own funds
PD	Probability of default of a counterparty within one year
PnL	Profit and loss
REA	Risk exposure amount
SA-CCR	Standardized Approach for Measuring Counterparty Credit Risk
SEC	Security Exchange Commission
SRMR	Single Resolution Mechanism Regulation
SNP	Senior non-preferred
SME	Small and medium sized entities
SOFR	Secured overnight referencing rate
SONIA	Sterling overnight index average
SOX	Sarbanes-Oxley Act
SREP	The Supervisory Review and Evaluation Process
STIBOR	Stockholm interbank offered rate
UL	Unexpected loss
VaR	Value at Risk