

# PERIODIC INFORMATION CONCERNING LIQUIDITY RISK IN ACCORDANCE WITH FFFS 2010:7



*This report provides information about SEK's liquidity position as of June 30, 2015. The contents of this report conform to the Swedish Financial Supervisory Authority's regulation FFFS 2010:7 and must be disclosed four times per year. The figures presented in this report refer to the SEK group. For more information on SEK's liquidity risk management, please see SEK's Annual Report 2014 and Capital Adequacy and risk management report, Pillar 3 2014 (available on [www.sek.se](http://www.sek.se)).*

## 1 Management and measurement of liquidity risks

SEK defines liquidity and funding risk as the risk of not being able to settle payment obligations immediately when due. SEK applies a conservative policy concerning liquidity and funding risks in order to avoid refinancing risk. This policy means that for all credit commitments – outstanding credits as well as agreed, but undisbursed credits – there must be funding available for the full maturity period. For CIRR credits, which SEK manages on behalf of the Swedish state, when evaluating whether it has positive availability the company counts its credit facility with the Swedish National Debt Office<sup>1</sup>, as available funding, even though no funds have been drawn under this facility. This means that SEK does not have to raise new borrowings if market conditions are deemed to be disadvantageous throughout life of the credit portfolio. This policy is monitored through the reporting of maturity profiles for lending and borrowing. See chart 1 "Development over time of SEK's available funds".

When managing liquidity risk, different time perspectives are considered:

- In the short term, a deficit is avoided through overnight investments in larger or smaller amounts depending on needs and the market situation in combination with liquidity placements maturing in the short term.
- For all credit commitments – outstanding credits as well as agreed, but undisbursed credits – there must be funding available for the full maturity period. For CIRR credits, which SEK manages on behalf of the Swedish state, when evaluating whether it has positive availability the company counts its credit facility with the Swedish National Debt Office, as available funding, even though no funds have been drawn under this facility, and this requires large volumes of long-term funding.

The position taken when investing liquid funds is determined with these two time perspectives in mind.

Available funds are defined as equity, borrowing in the financial markets and loan facilities with the Swedish National Debt Office. Excess funds, i.e. the portion of available funds not already used to finance loans, must be invested in assets with good credit quality. The loan

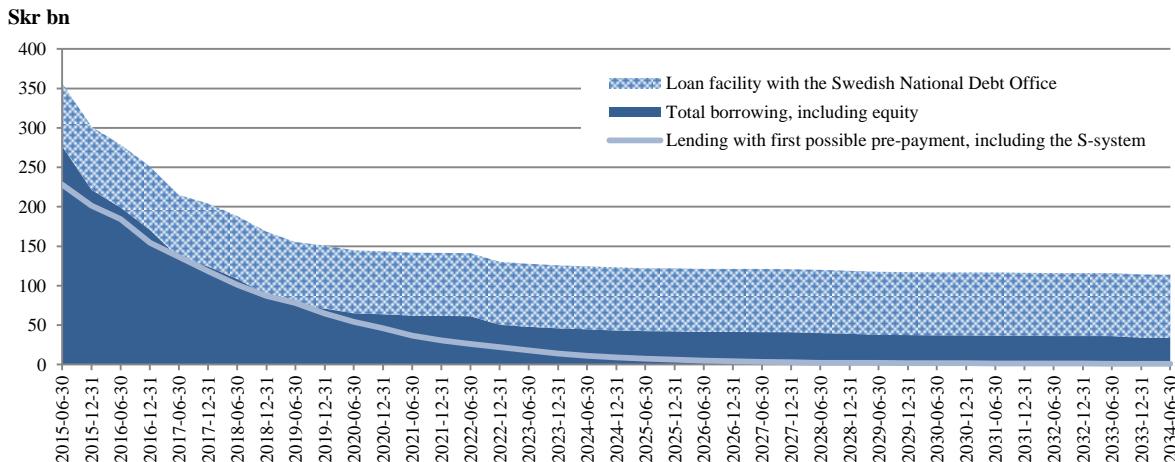
facility with the Swedish National Debt Office is valid through to December 31, 2015, amounts to Skr 80 billion and may only be used to finance the CIRR-system, i.e. export credits granted under the Consensus agreement within the OECD. Some of SEK's structured long-term borrowing includes early-redemption clauses that will be triggered if certain market conditions are met. Thus, the actual maturity for such contracts is uncertain. Chart 1 "Development over time of SEK's available funds", assumes that such borrowing is due at the first possible redemption opportunity. This assumption is an expression of the precautionary principle that the company applies concerning liquidity management. In addition, SEK also carries out various sensitivity analyses with regard to such instruments, in which different market conditions are simulated.

<sup>1</sup> The loan facility with the Swedish National Debt Office allows SEK to receive funding with maturities fully matching the underlying credits.



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Chart 1: Development over time of SEK's available funds as of June 30, 2015



## 2 Funding

For the purpose of ensuring access to funding, SEK has several funding programs for maturities up to one year. Short-term funding programs include a US Commercial Paper program (UCP) with maturities of up to 9 months, and a European Commercial Paper program (ECP) with maturities of up to one year. The latter of these programs allows borrowing in multiple currencies. The total volume of short-term funding programs was USD 7.0 billion, of which USD 0.0 billion plus EUR 0.0 billion had been utilized as of June 30, 2015. SEK also has a swing line that functions as back-up facility for the commercial paper programs.

SEK's funding policy is aimed at achieving an adequate diversification of funding sources spread across products, markets and currencies. 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, by using derivatives, SEK converts the issue proceeds from foreign currency bonds to EUR or USD. This policy will ensure access to several markets around the world as well as access to various categories of investors. Charts 2, 3 and 4 illustrate some of the aspects of the diversification of SEK's funding. For further details on SEK's funding, see Table 1 in section 4 Appendix.

Chart 2: Long-term funding as of June 30, 2015 by issue currency

Net total long-term funding amount when swaps are taken into account: Skr 256.6 billion as of June 30, 2015

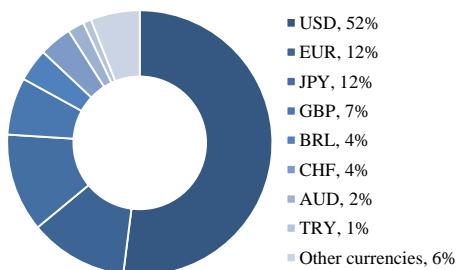


Chart 3: Long-term funding as of June 30, 2015 by structure type  
Net total long-term funding amount, when swaps are taken into account: Skr 256.6 billion as of June 30, 2015

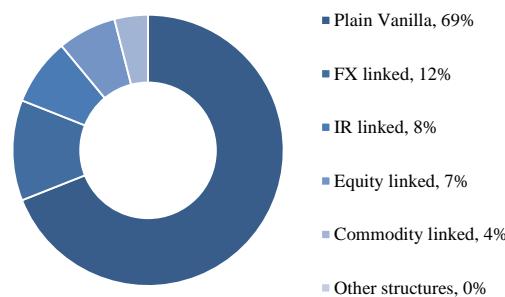
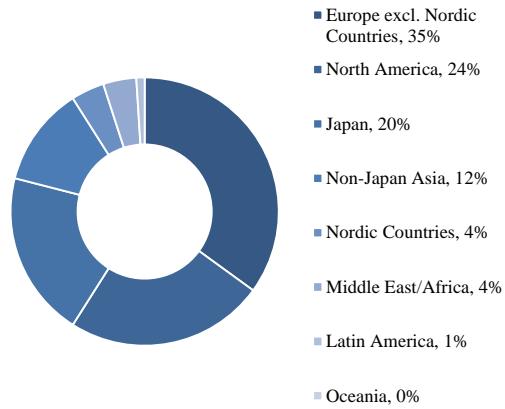


Chart 4: Long-term funding as of June 30, 2015 by market  
Net total long-term funding amount, when swaps are taken into account: Skr 256.6 billion as of June 30, 2015



### 3 Liquidity

The total volume of SEK's liquidity placements is determined by SEK's liquidity needs. SEK's liquidity needs can be divided into four subcomponents in terms of their size. One of these subcomponents consists of agreed but undisbursed credits. In addition, SEK's liquidity placements include a liquidity buffer, which is intended to cover any outflows under the company's collateral agreements with its derivative counterparties in order to reciprocally regulate counterparty risks. Liquidity placements should also include a pre-financing buffer. This pre-financing buffer takes account of funding transactions amounting at least to an equivalent of USD 500 million and maturing within six months. Finally, liquidity placements include capacity for SEK's estimated new lending requirements. The aim is for this capacity to provide at least four months' normal new lending. As of June 30, 2015 this capacity amounted to 5 months' new lending capacity. It is the company's assessment that the liquidity placements will be held to maturity. Instead of selling assets as funds are needed, the maturity profile of the liquidity placements is matched against funds expected to be paid out. Liquidity placements shall be made in assets of good credit quality. Furthermore, the duration of the assets shall be in accordance with defined guidelines.

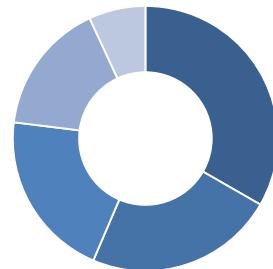
The liquidity reserve is a part of SEK's liquidity placements. SEK's liquidity reserve comprises highly-liquid assets including overnight deposits in banks. All assets are either confirmed or assumed to be eligible as collateral at the Riksbank (the Central Bank of Sweden) and/or confirmed to be eligible as collateral at the ECB. Assets that are assumed to be eligible in the Riksbank are not explicitly listed by the Riksbank but meet its criteria for central bank eligible assets. Chart 5 provides a breakdown of SEK's liquidity reserve by exposure type.

For further details on SEK's liquidity placements, see Tables 2, 3 and 4 in section 4 Appendix.

As of January 1 2013, the quantitative liquidity risk standard Liquidity Coverage Ratio (LCR) is binding in Sweden. Not just on an aggregate currency level but also for euro and US dollars separately. As of June 30, 2015, SEK complied with these new rules by having a LCR ratio at an aggregate level of 359 percent, a ratio for euro of 1278 percent and a ratio for US dollar of 322 percent.

**Chart 5: SEK's liquidity reserve as of June 30, 2015 by exposure class/type**

Total amount of SEK's liquidity reserve: Skr 19.9 billion, as of June 30, 2015



- Securities issued or guaranteed by municipalities or other public entities, 33%
- Covered bonds issued by other institutions, 23%
- Balances with other banks and National Debt Office, overnight, 21%
- Securities issued or guaranteed by sovereigns, central banks or multilateral development banks, 16%
- Securities issued by non-financial corporates, 7%

## 4 Appendix

**Table 1: Net long-term market funding amount, as of June 30, 2015 by country and structure type**  
Net total long-term funding amount when swaps are taken into account: Skr 256,6 billion as of June 30, 2015

Skr bn Market	No structure	Currency "linked"	Interest rate "linked"	Equity "linked"	Commodity "linked"	Fund "linked"	Credit "linked"	Total
Europe	74,7	1,4	12,6	0,2	0,0	-	-	88,9
North America	46,8	-	0,6	5,1	10,1	-	-	62,6
Japan	9,9	29,5	0,6	11,2	0,3	0,1	-	51,6
Non-Japan Asia	26,1	0,4	4,3	-	-	-	-	30,8
Nordic countries	8,3	-	0,8	1,2	0,0	0,0	0,0	10,4
Middle East/Africa	9,5	-	0,4	-	-	-	-	9,9
Latin America	1,5	0,3	0,0	-	-	-	-	1,9
Oceania	0,5	-	-	-	-	-	-	0,5
<b>Total</b>	<b>177,4</b>	<b>31,6</b>	<b>19,4</b>	<b>17,7</b>	<b>10,5</b>	<b>0,1</b>	<b>0,0</b>	<b>256,6</b>

For the long-term market funding, 14 percent (14 percent Q1 2015) of the outstanding volume includes early-redemption clauses as of June 30, 2015.

**Table 2: Liquidity reserve<sup>1</sup> as of June 30, 2015**

Market values Skr mn	Total	SKR	EUR	USD	Other
Securities issued or guaranteed by municipalities or other public entities	6 617	4 383	535	1 344	354
Covered bonds issued by other institutions	4 597	1 242	1 933	792	631
Balances with other banks and National Debt Office, overnight	4 079	300	3 779	-	-
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	3 204	-	1 390	1 814	-
Securities issued by non-financial corporates	1 374	497	877	-	-
<b>Total Liquidity Reserve</b>	<b>19 871</b>	<b>6 422</b>	<b>8 515</b>	<b>3 949</b>	<b>985</b>

<sup>1</sup> The liquidity reserve is a part of SEK's liquidity placements

**Table 3: Liquidity placements as of June 30, 2015 by country and exposure class/type**

### Net Exposures

Skr bn Country	Financial institutions	Regional/Local Governments	Covered bonds	States	Corporates	Securitization positions	CDS covered corporates	Multilateral development banks	Total <sup>1</sup>
Sweden	2,8	9,3	4,3	-	0,9	-	0,1	-	17,3
Canada	10,1	-	-	-	-	-	-	-	10,1
Germany	1,9	1,9	-	-	0,2	-	-	-	4,0
Netherlands	3,6	-	-	-	-	-	-	-	3,6
Australia	3,0	-	-	-	-	-	-	-	3,0
Korea, Republic Of	1,1	-	-	1,4	-	-	-	-	2,5
Finland	1,2	-	-	-	0,5	-	-	-	1,7
Luxembourg	-	-	-	1,4	-	-	-	0,3	1,7
Denmark	1,0	-	0,6	-	-	-	-	-	1,6
Japan	1,3	-	-	-	-	-	-	-	1,3
Ireland	-	-	-	-	-	1,2	-	-	1,2
Singapore	1,2	-	-	-	-	-	-	-	1,2
United States	1,2	-	-	-	-	-	-	-	1,2
United Kingdom	0,9	-	-	-	-	-	0,4	-	1,2
France	0,5	-	-	-	-	-	0,7	-	1,1
Norway	1,1	-	-	-	-	-	-	-	1,1
Qatar	1,0	-	-	-	-	-	-	-	1,0
Switzerland	0,3	-	0,7	-	-	-	-	-	1,0
Malaysia	0,7	-	-	-	-	-	-	-	0,7
China	0,6	-	-	-	-	-	-	-	0,6
United Arab Emirates	0,6	-	-	-	-	-	-	-	0,6
Austria	0,2	-	-	-	-	-	-	-	0,2
Belgium	0,0	-	-	-	-	-	-	-	0,0
Spain	0,0	-	-	-	-	-	-	-	0,0
<b>Total</b>	<b>34,3</b>	<b>11,2</b>	<b>5,6</b>	<b>2,8</b>	<b>1,6</b>	<b>1,2</b>	<b>1,1</b>	<b>0,3</b>	<b>58,1</b>

<sup>1</sup> Total amounts in this table exclude collateral deposited.



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Table 4: Liquidity placements as of June 30, 2015 by country and rating

**Net Exposures**

Skr bn

Country	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	Total <sup>1</sup>
Sweden	5,1	7,4	-	3,8	0,1	0,2	0,7	-	-	-	17,3
Canada	-	-	-	-	5,5	4,7	-	-	-	-	10,1
Germany	1,8	-	-	0,1	-	2,1	-	-	-	-	4,0
Netherlands	-	0,0	-	1,7	-	1,9	-	-	-	-	3,6
Australia	-	-	-	3,0	-	-	-	-	-	-	3,0
Korea, Republic Of	-	-	-	-	1,4	-	0,7	0,4	-	-	2,5
Finland	-	-	-	1,2	-	-	0,5	-	-	-	1,7
Luxembourg	0,3	1,4	-	-	-	-	-	-	-	-	1,7
Denmark	0,6	-	-	-	-	1,0	-	-	-	-	1,6
Japan	-	-	-	-	-	-	1,3	-	-	-	1,3
Ireland	1,2	-	-	-	-	-	-	-	-	-	1,2
Singapore	-	-	-	1,2	-	-	-	-	-	-	1,2
United States	-	-	0,3	-	-	-	1,0	-	-	-	1,2
United Kingdom	-	-	-	-	-	-	0,4	0,0	0,8	0,0	1,2
France	-	-	-	-	0,4	0,8	-	-	-	-	1,1
Norway	-	-	-	-	0,3	0,8	-	-	-	-	1,1
Qatar	-	-	-	-	1,0	-	-	-	-	-	1,0
Switzerland	0,7	-	-	-	-	-	-	0,3	-	-	1,0
Malaysia	-	-	-	-	-	-	0,7	-	-	-	0,7
China	-	-	-	-	-	0,6	-	-	-	-	0,6
United Arab Emirates	-	-	-	0,6	-	-	-	-	-	-	0,6
Austria	-	-	-	-	-	-	0,2	-	-	-	0,2
Belgium	-	-	0,0	-	0,0	-	-	-	-	-	0,0
Spain	-	-	-	-	-	-	-	0,0	-	-	0,0
<b>Grand Total</b>	<b>9,8</b>	<b>8,8</b>	<b>0,3</b>	<b>11,6</b>	<b>8,7</b>	<b>12,0</b>	<b>5,4</b>	<b>0,7</b>	<b>0,8</b>	<b>0,0</b>	<b>58,1</b>

<sup>1</sup> Total amounts in this table exclude collateral deposited.



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