

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



*This report provides information about SEK's liquidity position as of September 30, 2017. 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 2016 and Capital Adequacy and risk management report, Pillar 3 2016 (available on [www.sek.se](http://www.sek.se)).*

## 1 Management and measurement of liquidity risks

Liquidity and funding risk in SEK 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. SEK has a low tolerance for long term structural liquidity risk and funding must be available for all, disbursed as well as undisbursed, credit commitments for the full maturity period. Consequently, no additional funding is required to manage commitments with regard to existing credits. For CIRR credits, which SEK manages on behalf of the Swedish state, the company includes its loan facility with the Swedish National Debt Office as available funding. The loan facility amounts to Skr 125 billion and is valid through December 31, 2017 and entitles SEK to receive financing over the maturities that the underlying CIRR credits have. The credit facility is renewed annually and serves as a cushion in extreme stress scenario. SEK has no intention to otherwise utilize the credit facility.

The primary tools to avoid a deficit in the short term are to control the maturity profile of the liquidity portfolio and to have access to a diversified funding base. A sound maturity profile is maintained by adapting the volume of

overnight deposits in accordance with current needs and market conditions. A diversified funding base is ensured by actively raising funds in different markets, currencies and maturities. SEK also has a swing line that functions as a back-up facility for the commercial paper programs used for short-term funding.

From a long term perspective, no additional funding is required to manage commitments with regard to existing credits besides collateral flows since SEK's balance sheet is match funded. This policy is monitored through the reporting of maturity profiles for lending and borrowing. See chart 1 "Development over time of SEK's available funds". 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 due at the first possible redemption opportunity. This assumption is an expression of the precautionary principle that the company applies concerning liquidity management.

Net stable funding ratio (NSFR) is also used to address long term structural liquidity risk. The NSFR measures the amount of stable funding available to a firm against the required amount of stable funding over a period of one year. Minimum requirements, in accordance with the CRR, will be in place in 2018 at the earliest.

Chart 1: Development over time of SEK's available funds as of September 30, 2017

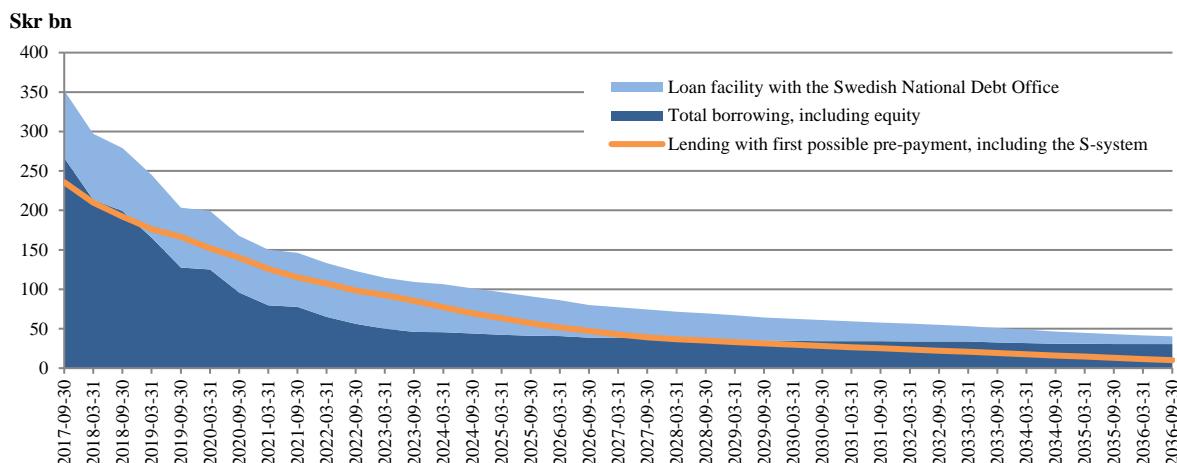


Chart 4: Long-term funding as of September 30, 2017 by market

## 2 Funding

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 geographic markets. As a general rule, SEK converts the issue proceeds from foreign currency bonds to EUR or USD by using derivatives. To manage and ensure market access at all times, SEK seeks to establish and maintain relationships with its investors. Net total long-term funding taking into account swaps amounts to Skr 239.5 billion at September 30, 2017. 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.

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 0.7 billion had been utilized as of September 30, 2017. SEK also has a swing line that functions as back-up facility for the commercial paper programs.

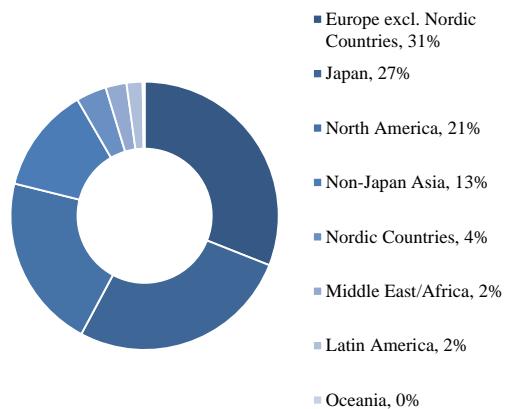


Chart 2: Long-term funding as of September 30, 2017 by issue currency

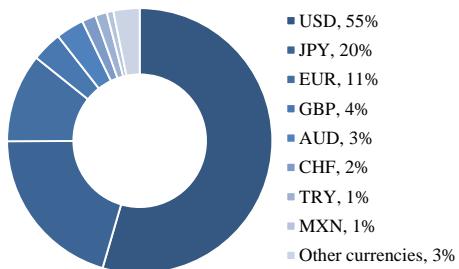
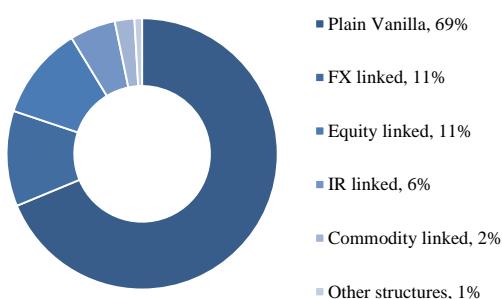


Chart 3: Long-term funding as of September 30, 2017 by structure type



### 3 Liquidity

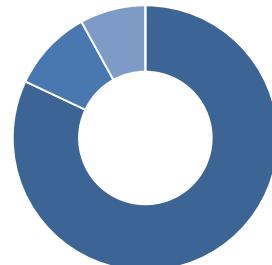
A fundamental concept in SEK's liquidity and funding risk management is that the liquidity investments will be held to maturity. Instead of selling assets as funds are needed, the maturity profile of the liquidity investments is matched against funds expected to be paid out. SEK's liquidity investments 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 and funding risk. To meet the financing requirements for long-term lending, liquid assets surpluses are invested in assets with high credit quality.

The size of the liquidity portfolio is adapted to cover outflows from agreed but undisbursed credits, collateral agreements with derivative counterparties, outflows arising due to short-term funding transactions and new lending capacity. The aim for the new lending capacity is to provide at least four months' normal new lending in line with estimated lending requirements. SEK regularly performs scenario analyses to ensure that the size of the liquidity portfolio fulfills the company's liquidity needs in times of stress.

SEK's liquidity portfolio consists of the liquidity reserve, which comprises highly liquid assets and overnight deposits in banks, and other liquid assets. All assets in the liquidity reserve are LCR eligible according to the Swedish FSA regulations or the EU Commission's regulations. Chart 5 provides a breakdown of SEK's liquidity reserve by exposure type. For further details on SEK's liquidity investments, see Tables 2, 3 and 4 in section 4 Appendix.

At September 30, 2017, the volume of LCR eligible assets was Skr 12.2 billion and SEK fulfilled the Swedish LCR regulatory requirements by having an LCR ratio at an aggregate level of 620 percent, a ratio for EUR of 2,361 percent and a ratio for USD of 458 percent. In addition, SEK also complied with LCR regulations according to the EU Commission's regulation by having an LCR ratio at an aggregate level of 385 percent.

Chart 5: SEK's liquidity reserve as of September 30, 2017 by exposure class/type



- Balances with other banks and National Debt Office, overnight, 82%
- Covered bonds issued by other institutions, 10%
- Securities issued or guaranteed by sovereigns, central banks or multilateral development banks, 8%
- Securities issued or guaranteed by municipalities or other public entities, 0%

## 4 Appendix

**Table 1: Net long-term market funding amount, as of September 30, 2017 by country and structure type**  
Net total long-term funding taking into account swaps amounts to Skr 239.5 billion at September 30, 2017.

Skr bn Market	No structure	Currency "linked"	Equity "linked"	Interest rate "linked"	Commodity "linked"	Inflation "linked"	Fund "linked"	Hybrid	Total
Europe excl. Nordic Countries	63.8	0.1	0.1	9.3	-	0.7	0.2	-	74.3
Japan	11.9	26.8	24.7	0.2	0.3	-	0.3	0.1	64.2
North America	42.6	-	1.9	0.6	5.3	-	-	-	50.4
Non-Japan Asia	27.6	-	-	3.0	-	-	-	-	30.6
Nordic countries	7.9	-	0.0	-	-	0.9	-	-	8.8
Middle East/Africa	6.0	-	-	-	-	-	-	-	6.0
Latin America	4.3	0.3	-	-	-	-	-	-	4.6
Oceania	0.6	-	-	-	-	-	-	-	0.6
<b>Total</b>	<b>164.7</b>	<b>27.3</b>	<b>26.7</b>	<b>13.1</b>	<b>5.6</b>	<b>1.6</b>	<b>0.5</b>	<b>0.1</b>	<b>239.5</b>

For the long-term market funding, 21 percent (20 percent Q2 2017) of the outstanding volume includes early-redemption clauses as of September 30, 2017.

**Table 2: Liquidity reserve<sup>1</sup> as of September 30, 2017**

Market values		Total	SKR	EUR	USD	Other
Skr bn						
Balances with other banks and National Debt Office, overnight		10.0	2.0	2.5	5.5	-
Covered bonds issued by other institutions		1.2	-	0.8	0.4	-
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks		1.0	-	0.3	0.7	-
Securities issued or guaranteed by municipalities or other public entities		-	-	-	-	-
<b>Total Liquidity Reserve</b>		<b>12.2</b>	<b>2.0</b>	<b>3.6</b>	<b>6.6</b>	<b>-</b>

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

**Table 3: Liquidity investments as of September 30, 2017 by country and exposure class/type**

Net Exposures								
Skr bn Country	Financial institutions	Regional/Local Governments	Covered bonds	CDS covered corporates	Corporates	Multilateral development banks	Total <sup>1</sup>	
Sweden	6.1	0.4	11.1	1.7	-	7.0	-	26.4
Canada	10.8	-	-	-	-	-	-	10.8
Japan	1.3	4.0	-	-	-	0.7	-	6.0
Norway	3.5	-	-	-	-	0.6	-	4.1
China	2.8	-	-	-	-	-	-	2.8
Netherlands	2.2	-	-	-	-	-	-	2.2
Korea, Republic Of	-	0.5	-	-	-	1.4	-	1.9
United Arab Emirates	-	-	-	-	-	1.7	-	1.7
Denmark	1.6	-	-	-	-	-	-	1.6
United States	1.5	-	-	-	-	-	-	1.5
France	1.4	-	-	-	-	-	-	1.4
Malaysia	-	-	-	-	-	1.4	-	1.4
Taiwan, Province Of China	-	-	-	-	-	1.3	-	1.3
Qatar	-	-	-	-	-	1.2	-	1.2
Australia	1.2	-	-	-	-	-	-	1.2
United Kingdom	0.5	-	-	-	-	-	-	0.5
Luxembourg	-	0.3	-	-	-	-	-	0.3
Germany	-	0.2	-	-	-	-	-	0.2
Finland	-	-	-	-	-	0.2	-	0.2
Switzerland	0.1	-	-	-	-	-	-	0.1
Singapore	0.1	-	-	-	-	-	-	0.1
Belgium	0.0	-	-	-	-	-	-	0.0
<b>Total</b>	<b>33.2</b>	<b>5.4</b>	<b>11.1</b>	<b>1.7</b>	<b>-</b>	<b>15.6</b>	<b>-</b>	<b>67.0</b>

<sup>1</sup> The table excludes contracts that are not settled. Deposits over all maturities are included.

Table 4: Liquidity investments as of September 30, 2017 by country and rating

**Net Exposures**

Skr bn

Country	AAA	AA+	AA	AA-	A+	A	A-	BBB	BBB+	Total <sup>1</sup>
Sweden	6.5	7.8	-	7.1	0.5	1.5	2.4	0.4	0.3	26.4
Canada	-	-	-	3.0	6.7	1.1	-	-	-	10.8
Japan	-	-	-	0.7	4.0	1.3	-	-	-	6.0
Norway	-	-	-	-	0.7	2.7	-	-	0.6	4.1
China	-	-	-	0.8	-	2.0	-	-	-	2.8
Netherlands	0.3	-	-	0.2	-	1.7	-	-	-	2.2
Korea, Republic Of	-	-	0.5	-	1.4	-	-	-	-	1.9
United Arab Emirates	-	-	-	1.7	-	-	-	-	-	1.7
Denmark	-	-	-	-	-	1.6	-	-	-	1.6
United States	-	-	-	1.4	-	0.1	-	-	-	1.5
France	-	-	-	-	0.6	0.8	-	-	-	1.4
Malaysia	-	-	-	-	-	-	1.4	-	-	1.4
Taiwan, Province Of China	-	-	-	-	-	-	1.3	-	-	1.3
Qatar	-	-	-	-	-	1.2	-	-	-	1.2
Australia	-	-	-	0.3	-	0.9	-	-	-	1.2
United Kingdom	-	-	-	-	0.5	-	-	-	-	0.5
Luxembourg	0.3	-	-	-	-	-	-	-	-	0.3
Germany	0.2	-	-	-	-	-	-	-	-	0.2
Finland	-	-	-	-	-	-	-	-	0.2	0.2
Switzerland	-	-	-	-	-	0.1	-	-	-	0.1
Singapore	-	-	-	0.1	-	-	-	-	-	0.1
Belgium	-	-	0.0	-	-	-	-	-	-	0.0
<b>Total</b>	<b>7.3</b>	<b>7.8</b>	<b>0.5</b>	<b>15.3</b>	<b>14.4</b>	<b>15.2</b>	<b>5.1</b>	<b>0.4</b>	<b>1.1</b>	<b>67.0</b>

<sup>1</sup> The table excludes contracts that are not settled. Deposits over all maturities are included.