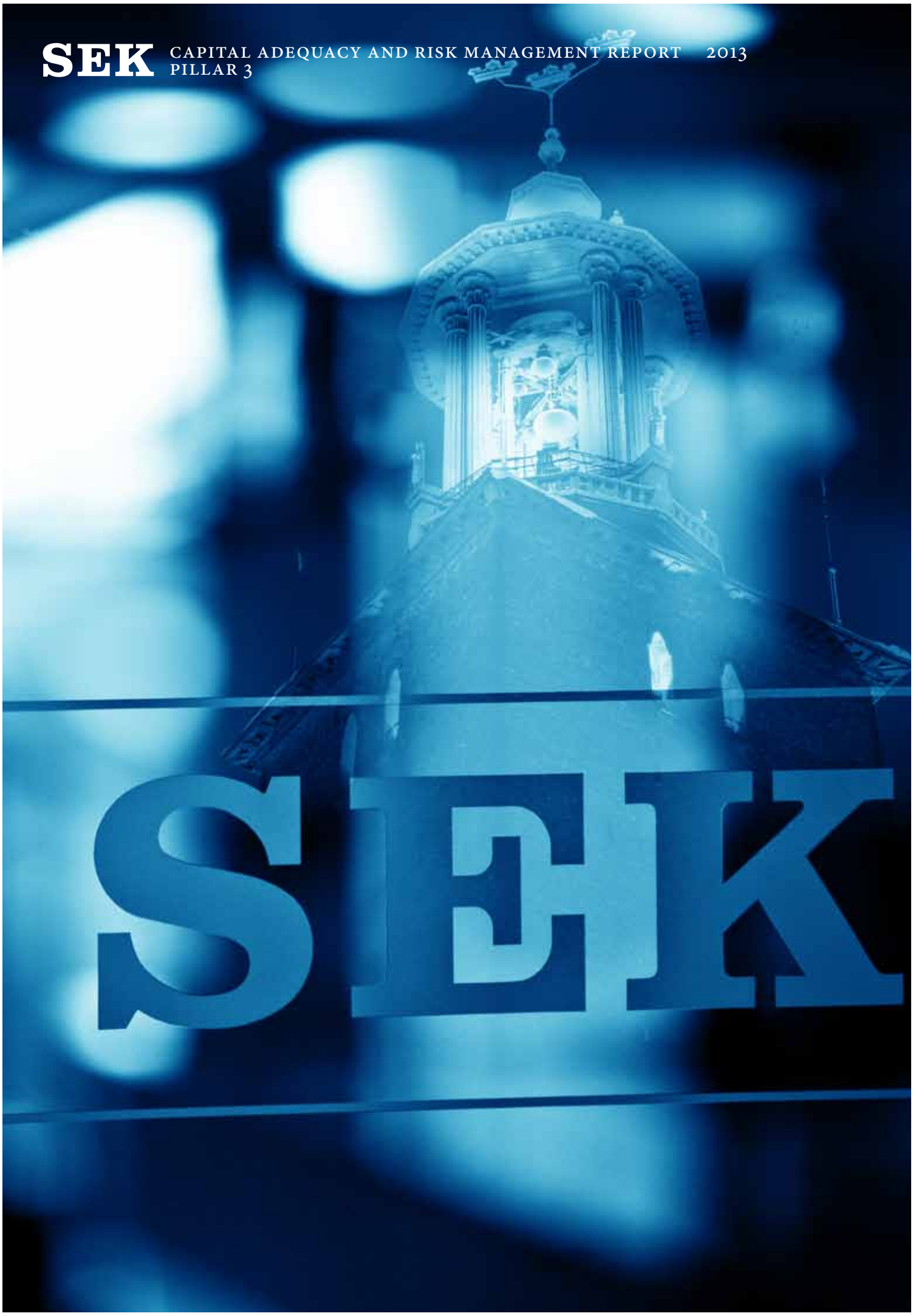
SEK CAPITAL ADEQUACY AND RISK MANAGEMENT REPORT 2013
PILLAR 3



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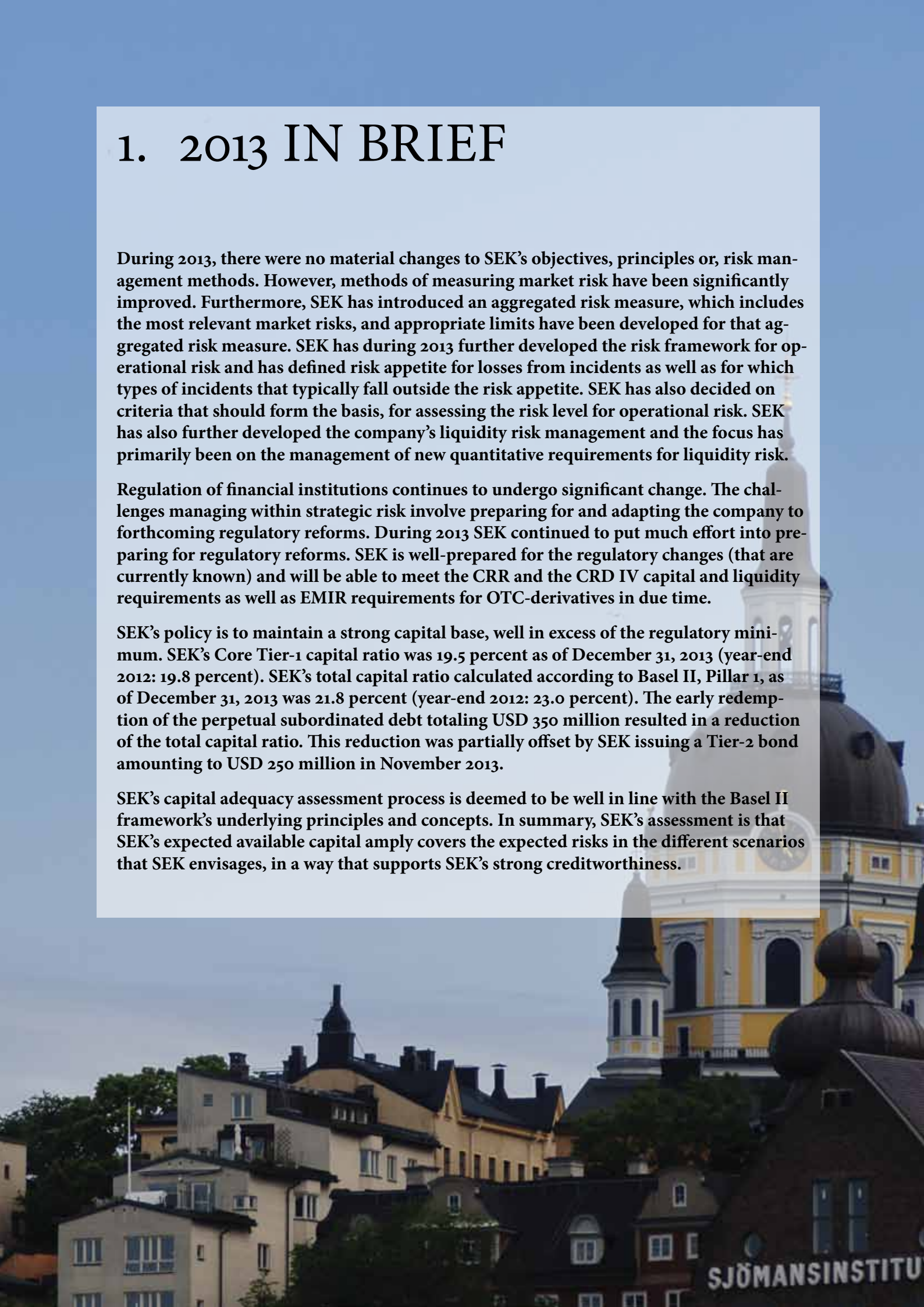
1. 2013 IN BRIEF

During 2013, there were no material changes to SEK's objectives, principles or, risk management methods. However, methods of measuring market risk have been significantly improved. Furthermore, SEK has introduced an aggregated risk measure, which includes the most relevant market risks, and appropriate limits have been developed for that aggregated risk measure. SEK has during 2013 further developed the risk framework for operational risk and has defined risk appetite for losses from incidents as well as for which types of incidents that typically fall outside the risk appetite. SEK has also decided on criteria that should form the basis, for assessing the risk level for operational risk. SEK has also further developed the company's liquidity risk management and the focus has primarily been on the management of new quantitative requirements for liquidity risk.

Regulation of financial institutions continues to undergo significant change. The challenges managing within strategic risk involve preparing for and adapting the company to forthcoming regulatory reforms. During 2013 SEK continued to put much effort into preparing for regulatory reforms. SEK is well-prepared for the regulatory changes (that are currently known) and will be able to meet the CRR and the CRD IV capital and liquidity requirements as well as EMIR requirements for OTC-derivatives in due time.

SEK's policy is to maintain a strong capital base, well in excess of the regulatory minimum. SEK's Core Tier-1 capital ratio was 19.5 percent as of December 31, 2013 (year-end 2012: 19.8 percent). SEK's total capital ratio calculated according to Basel II, Pillar 1, as of December 31, 2013 was 21.8 percent (year-end 2012: 23.0 percent). The early redemption of the perpetual subordinated debt totaling USD 350 million resulted in a reduction of the total capital ratio. This reduction was partially offset by SEK issuing a Tier-2 bond amounting to USD 250 million in November 2013.

SEK's capital adequacy assessment process is deemed to be well in line with the Basel II framework's underlying principles and concepts. In summary, SEK's assessment is that SEK's expected available capital amply covers the expected risks in the different scenarios that SEK envisages, in a way that supports SEK's strong creditworthiness.



2. INTRODUCTION

2.1 BACKGROUND

The Basel rules (Basel II) came into force in Sweden and the rest of the EU as of January 1, 2007. The main structure of Basel II consists of three "Pillars", as follows:

Pillar 1 deals with minimum capital requirements for credit and market risks as well as for operational risks, based on explicit calculation rules. Pillar 1 allows institutions to choose between various alternatives based on their level of development:

- With regard to credit risks, the standardized approach is the simplest approach. It is similar to the approach required by Basel I, but contains more risk weights, all of which are established by national authorities. Institutions can expand upon the supervisory authorities' risk weights by using risk assessments from recognized credit rating agencies such as Moody's, Standard & Poor's and Fitch. The next level of sophistication under Pillar 1, regarding credit risk, is called the Foundation IRB approach (internal ratings-based approach). Under the Foundation IRB approach, the risk weights, and therefore the capital requirements, are partially based on institutions' internal risk classifications. There is also an advanced form of the IRB approach, in which the capital requirement is determined to an even greater extent on the basis of an institution's own calculations. SEK uses the Foundation IRB approach to calculate its capital requirement for credit risk (see section 6.10).
- In regard to market risks, institutions are allowed to choose between a simple method or an advanced method. There has been no substantial change in the handling of market risks in Basel II as compared with the old Basel I accord. Under Pillar 1, SEK's only market risks exists in the form of foreign exchange risk and commodities risk (see section 8).
- For measuring operational risks there are three alternatives: the basic indicator approach, the standardized approach, and the internal measurement approach. For operational risk, SEK has chosen the standardized method (see section 7).

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

Pillar 2 concerns national supervisory authorities' evaluation of risks and describes institutions' risk and capital management. It also establishes the supervisory authorities' functions and powers. Further, under Pillar 2 each financial institution must identify risks and assess risk management from a wider perspective, to supplement the capital requirements calculated within the scope of Pillar 1. This Internal Capital Adequacy Assessment Process (ICAAP) also takes into account qualitative risks. SEK believes that capital does not constitute a risk reducing factor for these types of risks (such as reputation and liquidity risk). SEK applies active risk mitigation for these risks.

Pillar 3 concerns, and places demands on, openness and transparency and how institutions, in a broad sense, should report their operations to the market and the public. The disclosure of capital and risk management must follow the requirements of the Swedish Financial Supervisory Authority's regulations and general guidelines regarding public disclosure of information concerning capital adequacy and risk management (FFFS 2007:5).

2.2 SEK'S OPERATIONS

SEK is a lending institution that arranges financing for exporters and exporters' customers. The aim of all its business operations is to strengthen the Swedish export industry and Swedish competitiveness internationally by providing financial solutions to the Swedish export economy. The various financing techniques used by the company for each transaction are combined to provide the best solution for each customer's financing requirements, an approach referred to as modular customer offering. SEK is a niche operator that offers loans to Swedish exporters, their subcontractors and foreign buyers of Swedish goods and services. The main party in a transaction is the exporter. Lending to export companies usually takes place in EUR, USD or Skr, but there is a gradually increasing trend for companies to borrow in local currencies that commercial banks cannot or will not offer.

SEK has the following two segments: End-customer Finance and Corporate Lending. End-customer finance refers to financing that SEK arranges for buyers of Swedish goods and services. Corporate lending concerns financing that SEK arranges directly to, or for the benefit of, Swedish export companies.

Lending to exporters' customers, known as End-customer Finance, is carried out across four business areas: Export Finance, Customer Finance, Project Finance and Trade Finance. The largest volume of End-customer Finance is provided in the form of Export Finance (Skr 144 billion outstanding of a total volume of Skr 165 billion as of December 31, 2013). Transactions are carried out together with Swedish or foreign commercial banks and an export credit agency (ECA) primarily EKN, the Swedish Export Credits Guarantee Board, which normally guarantees 95 percent of the credit risk in a transaction. The remaining 5 percent of credit risk and documentation risk can be assumed by the commercial bank or banks (with SEK acting as a funding partner) or the risks can be shared with SEK (with SEK acting as a co-arranging partner). The second-largest portfolio is Project Finance (Skr 14 billion outstanding as of December 31, 2013). Project Finance is cash flow-based finance involving the pledging of assets. SEK only participates in this type of financing jointly with one or several commercial banks. Trade Finance mainly involves short-term discounting of receivables, with SEK participating together with commercial banks or working directly with the exporter. The outstanding volume of this portfolio is Skr 6 billion as of December 31, 2013. Customer Finance is asset backed finance (credit sale or cross border leasing) offered to the exporters' customer. Such financing normally range from USD 0.5 million to USD 20 million. This financing is conducted in partnership with the Swedish exporter and is primarily aimed at large companies with the capacity to share the credit risks with SEK and assist in recovering and re-market the equipment from defaulting borrowers. The outstanding volume of this portfolio is currently Skr 0.7 billion as of December 31, 2013.

Lending working capital to Swedish exporters and its subsidiaries is known as Corporate Lending. A credit can be provided by SEK as the sole arranger or together with one of the customer's banks. The outstanding volume of this portfolio is Skr 94 billion as of December 31, 2013. Additionally, Corporate Lending can be provided to buyer of Swedish goods and services with the purpose of increasing the buyer's purchases of Swedish goods and services. Skr 2 billion outstanding of a total volume of Skr 94 billion is working capital lending with the purpose of increasing

of the purchase of Swedish goods. SEK also provides financing in local currencies as part of Corporate Lending. Some exporters have signed a framework agreement with SEK and are then able to order financing in a number of local currencies, while other exporters work on a deal by deal basis. This makes it easier for Swedish exporters to finance their operations in different markets. For example, SEK is active in several markets in, Latin America and Asia and is continually trying to accommodate the increasing needs of our exporters by opening new markets as soon as this is permitted by local regulations.

2.3 SEK GROUP

The information in this risk report refers to the consolidated group of SEK. The parent company, AB Svensk Exportkredit ("SEK" or "the Parent Company"), has its registered office in Stockholm, Sweden, with the address Klarabergsviadukten 61–63, P.O. Box 194, 101 23 Stockholm, Sweden. The Group included, as of December 31, 2013, AB Svensk Exportkredit and its wholly-owned subsidiaries, AB SEK Securities and Venantius AB including the latter's wholly-owned subsidiary VF Finans AB (the "Subsidiaries"). Together, these are referred to as the "Consolidated Group" or "the Group". During the year 2013, the wholly owned subsidiaries SEK Financial Advisors AB, SEK Financial Services AB, SEK Customer Finance AB and SEK Exportlånet AB were sold.

AB SEK Securities is a securities company under the supervision of the Swedish Financial Supervisory Authority. Venantius AB is no longer engaged in any active business. Subsidiaries are entities controlled by the Group. Control exists, when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are accounted for in accordance with the purchase method. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries are consistent with Group policies. Intra-group transactions and balances, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unless otherwise stated or clear from context the information in these notes relates to both the Consolidated Group and the Parent company.

TABLE 2.1: SPECIFICATION OF SUBSIDIARIES INCLUDED IN THE FINANCIAL GROUP AS OF DECEMBER 31, 2013

Subsidiaries	Corporate registration number	Number of shares	Book value (Skr mn)	Voting power of holding (%)	Domicile	Consolidation method
AB SEK Securities	556608-8885	100,000	10.0	100%	Stockholm	Purchase method
Venantius AB (publ)	556449-5116	5,000,500	54.7	100%	Stockholm	Purchase method
Total			**64.7**			

2.4 DISCLOSURE STRUCTURE

This report provides information about risks, risk management and capital adequacy in accordance with Pillar 3 of the capital adequacy regulation (Basel II). The content of this report conforms to Swedish Financial Supervisory Authority's regulation FFFS 2007:5. The figures reported in this report refer to the SEK Group. The figures for the Group and for the Parent Company are essentially the same.

The figures in parentheses in this report refer to comparative data from 2012.

The information is not required to be, and therefore has not been, subject to external audit. However, the information in this disclosure document has been subject to internal quality assurance. The company's Asset and Liability Committee has established instructions that set out (i) how SEK should fulfill requirements regarding the publication of information under the Swedish Capital Adequacy Act and (ii) how SEK should assess whether the published information is satisfactory. This includes how the information is reviewed for accuracy, whether it provides a comprehensive representation of SEK's risk profile and how often the information should be published.

The report is structured as follows: Chapter 3 (Risk and Capital management) provides a description of SEK's overall risk and capital management policies. This chapter also describes how SEK formulates its capital targets and risk appetite, and how risk categories are defined. In addition, the chapter provides a description of how the internal control environment has been organized.

Chapter 4 (Capital adequacy and Capital base) provides information about the terms and conditions that apply to the items included in SEK's capital base. This chapter also provides a capital adequacy analysis and information about SEK's compliance with the Swedish Financial Supervisory Authority's large exposure rules.

Chapter 5 (ICAAP and Economic capital) describes SEK's internal capital adequacy assessment process and the methods that form the basis for the overall assessment of the capital requirement. This chapter contains analyses and conclusions regarding capital requirements.

Chapters 6–11 present information regarding how SEK identifies and analyzes credit risk (including counterparty risk in derivative transactions), market risk, operational risk, liquidity and funding risk, reputational risk, business risk and strategic risk. The various approaches used to calculate capital requirements for these risks are also described in these chapters.

Chapter 12 (New regulations) describes how future regulations will affect SEK.

Chapter 13 (SEK's remuneration system) describes SEK's remuneration system in accordance with FFFS 2011:1.

Chapter 14 (Basel II and SEK's 2013 consolidated statement of financial position) provides a reconciliation between the group's balance sheet in accordance with IFRS and exposures in accordance with Basel II.

Chapter 15 (Determining fair value for financial instruments) describes SEK's hierarchy and processes for determining and disclosing the fair value of financial instruments based on valuation techniques.

3. RISK AND CAPITAL MANAGEMENT

3.1 RISK MANAGEMENT AND RISK CONTROL

Risk management is a key factor in SEK's ability to offer its customers competitive financing solutions, develop SEK's business activities, and thus contribute to the company's long-term development. SEK's customers often require large credits with long maturities, and these credits sometimes entail risks that would be too large to be acceptable to SEK without the use of risk-mitigating techniques. Therefore, in order to be able to carry out such transactions, a well-developed risk management system is required. Risk management requires knowledge and processes that are able to handle recognized risks with well-defined techniques, as well as being able to identify new risks and manage them by developing new techniques. Guidance from SEK's Board of Directors, and a clear line of decision-making authority, combined with awareness of risk among our employees, uniform definitions and principles, and control of risks incurred within an approved framework, as well as transparency in the external accounts make up the cornerstones of SEK's risk and capital management system.

It is not only in transactions with customers that risk management skills are decisive. Based on SEK's business model, which has been used for many years, SEK's funding activities benefit from different types of risk preferences that exist in the market. By being flexible and accepting new types of structures – while at the same time being able to manage the risks that these imply – the company can satisfy investor demands regarding risk exposure, while also obtaining funding on favorable terms.

SEK's business model is, in essence, simple and transparent. The company borrows money in the form of bonds. Regardless of the conditions with regard to debt investors, borrowings are swapped to a floating interest rate. Funds that are not used immediately for lending (at a floating rate of interest) are retained to provide lending capacity in the form of liquidity placements (at a floating rate of interest). Apart from the market risk that originates from unrealized changes in value, the market risks are limited. However, unrealized changes in value as a result of changes in credit spreads, interest rates, currency basis spread and currency exchange rates may result in significant impact on both capital base and earnings. To ensure access to competitive funding in both strong and difficult economic times, the company's funding is diversified. SEK's strategy is to be flexible and available on all markets, and, using derivatives, to "create" borrowing in the currency that the company (and ultimately the exporter) requires. This enables SEK to take advantage of the best funding opportunities irrespective of market, which contributes to diversification and risk reduction.

Risk management in SEK is composed of two important components. One is to manage risks so that net risks are kept within the approved level. The other is to assess the company's internal capital adequacy and ensure a level and composition of risk capital that is in line with the development of its business activities.

CHART 3.1: BASIC PRINCIPLES FOR RISK MANAGEMENT

- SEK shall carry out its business in such a manner SEK is perceived by its customers and suppliers as a first-class counterparty.
- SEK shall be selective in its choice of counterparties in order to ensure strong creditworthiness.
- In order to avoid refinancing risk, it is SEK's policy that for all credit commitments – outstanding credits as well as agreed, but undisbursed credits – there must be funding available through maturity. 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.
- SEK shall at all times have risk capital that is well above regulatory requirements.

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

SEK's risk management is mainly directed towards credit, market, liquidity, and operational risks. The management and control at the corporate level cover the entire group, i.e. all risks, but are directed especially at risk appetite, capital targets and business risks.

TABLE 3.1: SEK'S MOST SIGNIFICANT RISK CATEGORIES

Credit risk	*Credit risk* represents the risk of the loss that would occur if a borrower or other party to any contract involving counterparty risk and guarantors, if any, were unable to fulfill its obligations in accordance with contractual terms and conditions.
Market risk	*Market risks* occur when the terms of a contract are such that the size of the payments linked to the contract or the value of the contract vary in function of a market variable, such as an interest rate or an exchange rate.
Liquidity and funding risk	*Liquidity and funding risk* is defined as the risk of not being able to meet SEK's own payment obligations upon their due dates.
Operational risk	*Operational risk* is defined as the risk of losses as a result of inappropriate or failed processes, human error, erroneous systems or external events. The definition also includes legal risk.
Business risk	*Business risk* is defined as the risk of lower revenues due to failure to reach volume and margin objectives or due to competition in general.
Strategic risk	*Strategic risk* is defined as the risk of lower revenues as a result of adverse business decisions, improper implementation of decisions or lack of adequate responsiveness to changes in the regulatory and business environment.
Reputational risk	*Reputational risk* is defined as the risk of lower revenues due to external rumors about the company or the industry in general.

3.2 CAPITAL POLICY, RISK CAPACITY AND RISK APPETITE

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

SEK's risk capacity forms the outer constraints for SEK's strategy and is expressed in the form of capital targets. Within these constraints the Board of Directors determines the risk appetite, which consists of the level and type of risk that the company is prepared to assume in order to achieve its strategic goals.

Risk is an integral aspect of all operations undertaken by SEK. Given the company's strategy, which principally involves generating revenue through lending and thereby assuming credit risk, it is important to articulate how much risk the company wishes to expose itself to both in terms of an aggregate level and in respect of different segments and individual counterparties.

The company's capital targets are one of the Board's most important control parameters. SEK's capital target serves two purposes. The first is to ensure that the company's capital strength is sufficient to support the strategy set out in company's business plan and to ensure that capital adequacy is always higher than the minimum requirement, even during severe economic downturns. The other purpose is to maintain capital strength that supports strong creditworthiness, which in turn ensures access to long-term financing on beneficial terms.

The capital target is expressed as follows:

i. The target level for the Core Tier 1 ratio is 16 percent, and no less than 12 percent[1].
ii. The company's capital requirement under Pillar 2 should not exceed Core Tier 1 capital.

The capital target takes priority over profitability and dividend targets.

SEK's profitability target stipulates that the long-term return on equity should correspond to the risk-free interest rate plus 5 percentage points. The risk-free interest rate is calculated as the average 10-year government bond rate over the past 10 years.

SEK's annual dividend shall amount to 30 percent of net profit for the year. However, under this policy the proposed dividend shall take account of capital structure targets, the future capital requirement and any investment and acquisition plans.

Additional limiting factors:

1. The leverage ratio consists of the ratio between Tier 1 capital and exposures[2] and may not be less than 3.0 percent, which corresponds to maximum leverage of 33 ⅓.
2. The target for SEK's external rating is 'AA+', or one notch below the owner's sovereign rating.

The company expresses risk appetite as follows:

1. The company's mission means that its appetite for credit risk is significantly greater than its appetite for other risks. The company's credit risks must, however, be of good quality.
   The company shall limit credit risk relating to assets in lower rating segments, where the risk has not been reduced or reallocated.
   SEK can accept an expected loss on the entire portfolio of up to 2 percent of Core Tier 1 capital over a one-year horizon and up to 8 percent of Core Tier 1 capital over the full maturity period of the entire portfolio.
   The capital requirement for credit risks, compared with the capital requirement for other risks, may not exceed available Core Tier 1 capital.
2. The risk appetite for market risk resulting from unmatched cash flows is low. SEK may, however, accept a significant impact on income related to unrealized changes in market value.
   SEK may accept a capital requirement attributable to market risk amounting to a maximum of 20 percent of Core Tier 1 capital.
3. In order to avoid refinancing risk, SEK's policy for all credit commitments – both outstanding credits and credits agreed but not yet disbursed – is for financing to be available to maturity (known as positive availability). The company consequently assumes no refinancing risk. For CIRR credits, which SEK manages on behalf of the Swedish state, when evaluating whether it has positive availability the company includes its credit facility with the Swedish National Debt Office as available funding, even though no funds have been drawn under this facility.
4. SEK shall hold a liquidity buffer, enabled by SEK's borrowing, for potential payments under collateral agreements. The borrowing shall also cover agreed but undisbursed credits. In addition SEK shall maintain readiness for new lending, the size of which shall ensure the company's new lending capacity during periods of stress. The size shall be adapted based on the assessed need for new lending and the time horizon that this capacity is intended to cover.
5. SEK's appetite for operational risk is low.[3] Risks assessed to be medium- or high-risk should be mitigated. Risk appetite for losses[4] resulting from incidents is Skr 10 mn per rolling 12-month period, or Skr 3 mn each quarter.

[1] The Core Tier 1 ratio is the ratio of Core Tier 1 capital to Risk-weighted Assets (RWA) calculated in accordance with applicable regulations, without regard to any Basel I-based additional requirements.
[2] Calculated in accordance with the leverage limit rules, which are expected to be introduced from 2018.
[3] SEK applies a 3-point scale for evaluating operational risk; low, medium and high.
[4] Losses refer to actual and calculated direct external costs.

3.3 GENERAL MEETINGS AND OWNER

SEK is wholly-owned by the Swedish government. The owner exercises its influence at general meetings of the company. The Ministry of Finance is responsible for the state's ownership. At the proposal of the owner, the annual general meeting appoints the members of the Board of Directors and auditor. The annual general meeting further adopts the income statement and balance sheet of the Parent Company, and the statement of comprehensive income and statement of financial position of the Consolidated Group. It also addresses matters that arise at the meeting in accordance with the Swedish Companies Act and the articles of association. See chart 3.2 SEK – corporate governance.

3.4 ORGANIZATION

The ultimate responsibility for the organization and the management of SEK's business, and for ensuring it is carried out with good internal control, lies with the *Board of Directors* (the "Board"). The company's Board consists of eight members. None of SEK's executive management is a member of the Board. The Board establishes objectives and guidelines, as well as policies and high-level instructions for the company. Further, it establishes the company's strategies, business plan, risk appetite and certain risk limits, as well as the company's internal capital adequacy assessment. At every meeting of the Board, the Board receives a summary report on the risk situation. Further, the Board appoints the President, who is responsible for the day-to-day management of the company in accordance with guidelines and instructions issued by the Board. In addition to the Board and the President, there are committees with various powers to make decisions depending on the types of risks encountered. The Board has an annual process of establishing written instructions governing its own work and the work of all of the Board's committees. Minutes from all meetings of Board committees are continuously provided to and reported by the chairman of the respective Board committee to the Board at its meetings.

Table 3.2 describes the tasks and the composition of SEK's various committees as of January 1, 2014:

TABLE 3.2: TASKS AND COMPOSITION OF SEK'S VARIOUS COMMITTEES, AS OF JANUARY 1, 2014

COMMITTEE	FOCUS	MEMBERS OF THE COMMITTEE AND OTHER ATTENDEES
The Board's Credit Committee	The Board's Credit Committee handles matters relating to credits and credit decisions. The Board's Credit Committee is empowered by the Board of Directors to decide on all matters relating to credits, except those that are deemed to be of fundamental significance or otherwise of great importance for the company, which shall be handled by the Board of Directors. The Board of Directors has established a Credit Policy and a Risk Appetite for the company with which the Board's Credit Committee must comply. The Board's Credit Committee has, based on its mandate from the Board of Directors, established a Credit Instruction for the company. Decision-making rights regarding credits follow an order of delegation established by the Board of Directors.	Four Board members are members of the Committee. One of these members is chairperson of the Committee. Other attendees of the Committee's meetings: The President and Chief Executive Officer, the Chief Corporate Governance Officer, the Chief Operating Officer, the Chief Risk Officer, and the Deputy Chief Operating Officer attend the meetings as representatives of management. A representative of Corporate Governance acts as secretary to the Committee.
The Board's Finance Committee	The Board's Finance Committee handles overall questions relating to the company's long-term and short-term borrowing, liquidity management, risk measurement and risk limits, and matters relating to policy or quality assurance. The Finance Committee is empowered by the Board of Directors to decide on interest rate limits, currency risk limits and limits for other kinds of market risks as well as model approvals for valuation of financial instruments. The Board of Directors has established a Finance Policy with which the Board's Finance Committee must comply. The Board's Finance Committee has, based on its mandate from the Board of Directors, established a Finance Strategy and a Finance Instruction. Matters that are deemed to be of fundamental significance or otherwise of great importance for the company shall be handled by the Board of Directors.	Four Board members are members of the Committee. One of these members is chairperson of the Committee. Other attendees of the Committee's meetings: The President and Chief Executive Officer, the Chief Operating Officer, the Head of Risk Control, and the Head of Treasury attend the meetings as representatives of management. A representative of Corporate Governance acts as secretary to the Committee.
The Board's Remuneration Committee	The Board's Remuneration Committee handles matters relating to salaries, terms of employment and other benefits for the President and the executive management and overall issues relating to salaries, pension and other benefits. The Board of Directors has established a Remuneration Policy and a Remuneration Instruction.	Three Board members are members of the Committee. One of these members is chairperson of the Committee. Other attendees of the Committee's meetings: The President and Chief Executive Officer, and the Chief Human Resources Officer attend the meetings of the Committee – however, not in matters that do relate to themselves, including their terms and conditions of employment – as representatives of management. A representative of Corporate Governance acts as secretary to the Committee.
The Board's Audit Committee	The Board's Audit Committee (established in accordance with the Swedish Companies Act) acts as a preparatory working committee in matters relating to the company's financial reporting, internal control, and corporate governance report (including the Board's internal audit report) in accordance with the Swedish Code on Corporate Governance and the Sarbanes Oxley Act Section 04. The Audit Committee establishes overall instructions for the company's auditing work. Matters that are deemed to be of fundamental significance or otherwise of great importance for the company shall be handled by the Board of Directors.	Four Board members are members of the Committee. One of these members is chairperson of the Committee. Other attendees of the Committee's meetings: The President and Chief Executive Officer, and the Chief Administrative Officer attend the meetings of the Committee as representatives of management. Further, the Head of Financial Control, the Head of Internal Control, the Head of Compliance, and the Head of Internal Audit report to the Committee. The company's external auditor also attends the meetings and reports to the Committee. A representative of Corporate Governance acts as secretary to the Committee.
Executive Management	The Executive Management acts as the President's consultative body on company-wide matters, including matters of sustainability and prepares and submits recommendations on company-wide organizational changes. The Executive Management makes decisions in matters based on authorization from the President or otherwise/ the Executive Management prepares and submits recommendations on internal governance instructions that will be established by the Board of Directors and on matters that are deemed to be of fundamental significance or otherwise of great importance for the company.	The President and Chief Executive Officer (chairman), the Chief Administrative Officer, the Chief Operating Officer, the Chief Risk Officer, the Chief Corporate Governance Officer, the Chief Human Resources Officer, and the Deputy Chief Operating Officer.

COMMITTEE	FOCUS	MEMBERS OF THE COMMITTEE AND OTHER ATTENDEES
The Executive Management Credit Committee	The Executive Management Credit Committee is responsible for the management of matters concerning credits and credit risk management within SEK. The Executive Management Credit Committee has the right to make credit decisions within the scope of its mandate, on the basis of authority ultimately delegated by the Board of Directors. Matters that are deemed to be of fundamental significance or otherwise of great importance for the company shall be handled by the Board of Directors.	The Chief Executive Officer (chairman), the Chief Operating Officer, the Chief Corporate Governance Officer, and the Deputy Chief Operating Officer.
Asset and Liability Committee	The Asset and Liability Committee is responsible for the management of matters relating to SEK's financial activities, including SEK's short- and long-term financial stability. The Asset and Liability Committee is also responsible for ensuring that the internal capital adequacy assessment is performed, presented to the Board's Finance Committee and approved by the Board of Directors. In addition, it decides on the structure and governance of SEK's balance sheet, considers matters relating to borrowing, and coordinates matters related to risk capital and liquidity, as well as validating the parameters used in SEK's model for determining economic capital. The Asset and Liability Committee establishes internal rules for methods and models for the calculation of market risk. Matters that are deemed to be of fundamental significance or otherwise of great importance for the company shall be handled by the Board of Directors.	The Chief Operating Officer (chairman), the Head of Financial Control, the Head of Risk Control, and the Head of Treasury.
Internal Control Committee	The Internal Control Committee is responsible for the management and monitoring of operational risks. The Internal Control Committee is also responsible for managing and following-up on incident reports, as well as following-up on reports from internal and external auditors. The committee acts as a preparatory and decision-making body for accounting policies or material changes to the application of accounting policies The committee is responsible for ensuring the assessment of whether new products in SEK can be introduced. The Internal Control Committee is preparatory and decision-making body for SOX 404-related issues within SEK. Matters that are deemed to be of fundamental significance or otherwise of great importance for the company shall be handled by the Board of Directors.	The Chief Administrative Officer (chairman), the Head of Operations, the Internal Control Officer, and a Senior Risk Specialist.
Business Committee	The Business Committee is responsible for the assessment of whether individual transactions meet the criteria of the company's business plan. The Business Committee is also responsible for managing and addressing cases that carry reputation risk. In addition, the Business Committee is responsible for examining and, in the case of special circumstances, determining material deviations from established profitability requirements in an individual case. Matters that are deemed to be of fundamental significance or otherwise of great importance for the company shall be handled by the Board of Directors.	The Chief Operating Officer (chairman), the Deputy Chief Operating Officer, the Head of Regional Coordination, and the Head of Structured Finance.

Within SEK, responsibility for risk management is based on the principle of "three lines of defense", the aim of which is to clarify roles and responsibility for risk management. *The first line of defense* consists of business units (including support functions) that "own" and manage risks. *The second line of defense* consists of the Risk Control and Compliance functions, who are responsible for the monitoring and control of risk and for ensuring compliance. *The third line of defense* consists of Internal Audit, whose task is to undertake independent inspection and supervision of both the first line of defense and the second line of defense.

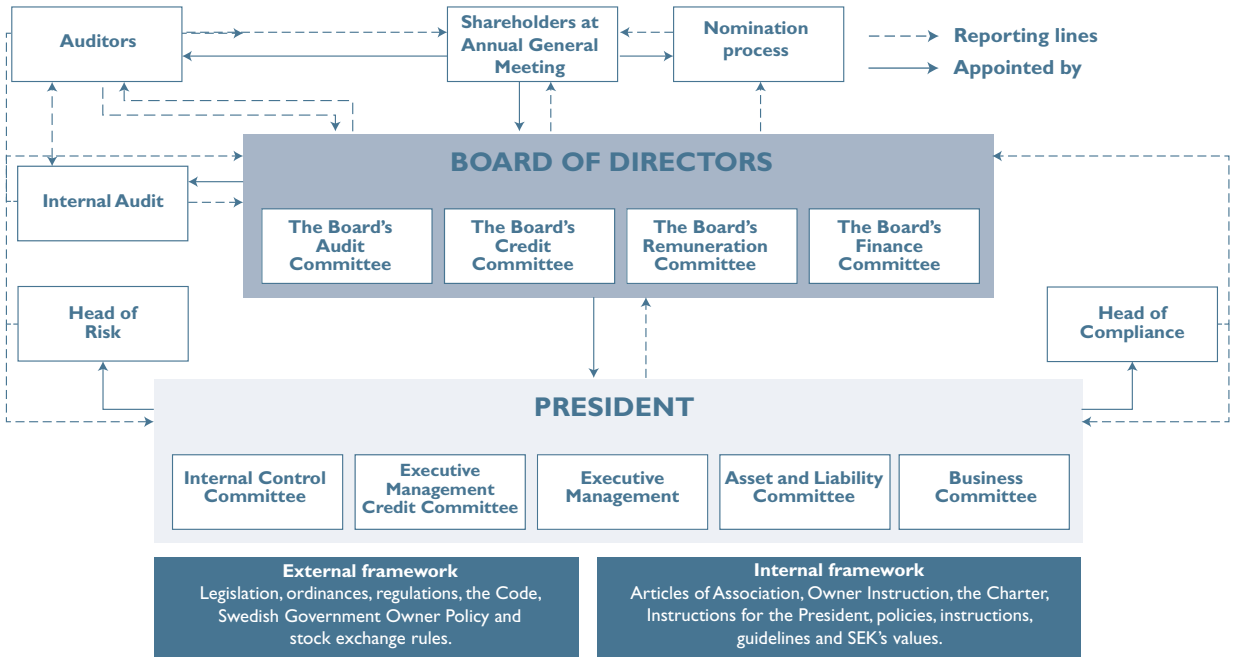
SEK's independent risk control is carried out by the *Risk Control function*, which provides reports to the President and to the Board. Based on a portfolio perspective, Risk Control is responsible for the control, analysis and reporting of financial risks and operational risk. The financial risks primarily consist of credit and counterparty risks, and market risks, as well as liquidity and funding risks. The Risk Control function monitors the company's risk strategy, risk management and rating methods for credit risk classification, as well as assessing, analyzing and forecasting regulatory capital adequacy and economic capital. The function is also responsible for recommending methods and models, and acts as a center of excellence, with the task of contributing to increasing SEK's risk capacity, including by analyzing diversification and risk mitigation effects.

SEK has also a *Compliance function*. The overall purpose of this function is to ensure that the entire SEK group is running its operations in accordance with applicable regulations, including the monitoring of regulatory compliance within the company. The function reports to both the Board and the President.

SEK has an independent *Internal Audit function* which conducts audits and evaluations to ensure that the company's risk management and corporate governance processes are effective and efficient. Internal Audit reports directly to the Board. Internal Audit carries out audit activities in accordance with the prevailing audit plan, which is approved by the Board. Internal Audit regularly reports its findings to the Board, the Audit Committee and the President in addition to periodically informing the Internal Control Committee. In 2011 the Board took the decision to outsource the Internal Audit function to an external party. This is in order to ensure access to specialist expertise and global networks, which are considered to be of particular importance at a time of extensive regulatory change.

It is a fundamental principle for all control functions to be independent in relation to commercial activities. Chart 3.2 shows SEK's organization for corporate governance.

CHART 3.2: SEK – CORPORATE GOVERNANCE STRUCTURE



4. CAPITAL BASE AND CAPITAL ADEQUACY

SEK's total capital adequacy ratio as of December 31, 2013, calculated according to Basel II, Pillar 1, was 21.8 percent (without taking into account the effects of currently applicable transitional rules). When taking the transitional rules into account, the total capital adequacy ratio was still 21.8 percent. Core Tier-1 capital ratio amounted to 19.5 percent as of December 31, 2013.

4.1 CAPITAL BASE

The capital base is intended to act as a buffer against the risks to which SEK is exposed. In short, the capital base consists of equity after various adjustments plus subordinated debt. Subordinated debt means debt for which, in the event of the obligor being declared bankrupt, the holder would be repaid after other creditors, but before shareholders. Subordinated debt can be either perpetual or with final maturity.

In December 2010, the Basel Committee on Banking Supervision (BCBS) issued detailed rules for new global regulatory standards on credit institutions that are generally referred to as Basel III. One of the purposes of the Basel III regulation is to improve the quality of the capital base of financial institutions and to increase transparency regarding the different components that make up the capital base. Basel III introduces a narrower definition of Tier-1 capital and focuses on Core Tier-1 capital.

In August, 2013 SEK exercised its right to redeem outstanding perpetual subordinated debt totaling USD 350 million. The reason for the early redemption of these debentures is that, due to regulatory changes, they will not qualify as Tier-1 capital and will therefore no longer fulfill an effective function in the company's capital structure, when the new regulations come into force. In November, 2013 a Tier-2 bond amounting to USD 250 million with a maturity of 10 years and a redemption option after 5 years was issued.

SEK's policy is to maintain a strong capital base, well in excess of the regulatory minimum. Details of the calculation of SEK's capital base are shown in tables 4.2 and 4.3.

TABLE 4.1: CAPITAL BASE AS OF DECEMBER 31, 2013 (AND 2012)

Skr mn		
Core Tier-1 capital[1]	14,640	(14,139)
Additional Tier-1	–	(2,281)
Total Tier-1 capital	**14,640**	**(16,420)**
Tier-2 capital	1,692	(49)
Total capital base[2]	**16,332**	**(16,469)**

[1] According to SEK's definition, Core Equity Tier-1 capital constitutes of Tier-1 capital excluding Additional Tier-1 capital.

[2] Total capital base, including expected loss adjustment in accordance with the IRB approach.

TABLE 4.2: CAPITAL BASE AS OF DECEMBER 31, 2013 (AND 2012)

Skr mn		
Equity	3,990	(3,990)
Retained earnings	10,864	(9,940)
Other reserves	136	(450)
Total equity in accordance with consolidated statement of position	*14,990*	*(14,380)*
Expected dividend	–327	(–213)
Other deductions	–18	(–21)
Intangible assets	–119	(–113)
100% of deficits in accordance with IRB-calculation	–	(–)
Adjustments Available-for-sale securities	16	(–19)
Adjustment own creadit spread	250	(556)
Adjustments cash flow hedges	–152	(–469)
Total Core Tier-1 capital	**14,640**	**(14,139)**
Tier-1 eligible subordinated debt[1]	–	(2,281)
Total Tier-1 capital	**14,640**	**(16,420)**
Tier-2-eligible subordinated debt[2]	1,627	(n.a.)
Deduction from Tier-2 capital	n.a.	(n.a.)
100 % of surplus in accordance with IRB-calculation	65	(49)
Total Tier-2 capital	**1,692**	**(49)**
Total capital base	**16,332**	**(16,469)**

[1] In August, 2013, SEK exercised its right to redeem outstanding perpetual subordinated debt totaling USD 350 million.

[2] SEK's USD 250,000,000 Fixed Rate Resettable Dated Subordinated Instruments due November 14, 2023 (the Dated Subordinated Instruments) were issued under the regulatory framework in effect on November 14, 2013 (the Issue Date). SEK's Dated Subordinated Instruments will bear interest (i) from (and including) the Issue Date, to (but excluding) November 14, 2018 (the Optional Redemption Date (Call)) at the rate of 2.875 percent per annum payable semi-annually on May 14 and November 14 of each year commencing on (and including) 14 May 14, 2014 and ending on (and including) November 14, 2018 and (ii) from (and including) the Optional Redemption Date (Call) to (but excluding) November 14, 2023 (the Maturity Date) at a rate of 1.45 percent per annum above the applicable swap rate for US dollar swap transactions with a maturity of five years determined in accordance with market convention and payable semi-annually in arrears on May 14 and November 14 of each year commencing on (and including) May 14, 2019 and ending on (and including) the Maturity Date.

Unless previously redeemed or repurchased and cancelled, SEK's Dated Subordinated Instruments shall be redeemed at their principal amount at the Maturity Date. Subject to certain conditions as provided in the applicable terms and conditions, SEK's Dated Subordinated Instruments may be redeemed early, in full, at the option of SEK (i) on the Optional Redemption Date (Call), (ii) at any time for certain withholding tax reasons or (iii) at any time upon the occurrence of a Capital Event (as defined in the applicable terms and conditions), in each case at their principal amount together with interest accrued to (but excluding) the Maturity Date.

According to Swedish Financial Supervisory Authority's regulation FFFS 2007:5, the firm shall disclose all current or foreseen material or legal impediments to the prompt transfer of own funds or repayment of liabilities between the parent firm and its subsidiaries. There are no ongoing or expected material obstacles, or any legal obstacles whatsoever, to a quick transfer of funds or repayment of liabilities between SEK and its subsidiaries.

TABLE 4.3: CAPITAL BASE – CHANGE 2013 (AND 2012)

Skr mn	2013	2012
Core Tier-1 capital, opening amount	14,139	(12,952)
Equity-portions of untaxed reserves	n.a.	(n.a.)
Expected dividend	–327	(–213)
Profit for the year	1,090	(709)
Revaluation of defined benefit plans	47	(–32)
Intangible assets	–6	(–25)
Other, of which	–303	(748)
– Adjustment own credit spread	*–306*	*(710)*
– prudential valuation adjustments	*2*	*(12)*
– IRB-calculation, deficits	*–*	*(–)*
– Other	*1*	*(26)*
Core Tier-1 capital, closing amount	**14,640**	**(14,139)**
Tier-1 eligible subordinated debt, opening amount	2,281	(2,423)
Currency exchange effects	–	(–142)
Repurchased Tier-1 eligible subordinated debt during the year	–2,281	(–)
Tier-1 eligible subordinated debt, closing amount	–	(–)
Tier-1 capital, closing amount	**14,640**	**(16,420)**
Tier 2 capital, opening amount	49	
Subordinated debt	1,627	(0)
IRB-calculation, deficit/surplus	16	(49)
Tier 2 capital, closing amount	**1,692**	**(49)**
Total Capital base	**16,332**	**(16,469)**

4.2 CAPITAL ADEQUACY ANALYSIS

At the end of 2013, SEK's total capital requirement (excluding application of the Basel I-based transitional requirements) amounted to Skr 6,002 million (year-end 2012: Skr 5,720 million). See table 4.4 for a detailed calculation of this amount.

Since 2007, the capital requirement has primarily been calculated based on Basel II rules. The Basel I floor sets the lowest level of the capital base requirement, which was introduced in connection with the transition from Basel I to Basel II. The Basel I floor is calculated as 80 percent of the capital requirement measured in accordance with Basel I regulations. The Swedish legislature has chosen not to immediately allow the full effect of Basel II. During the transition period of 2007–2013, the capital requirement was therefore calculated in parallel on the basis of the Basel I rules. In December, 2013 the Swedish Financial Supervisory Authority announced that the current Basel I floor will also apply after January 1, 2014, when the EU's Capital Requirements Regulation (CRR) takes effect. The floor should be calculated alongside the calculation of the total capital requirement in accordance with Basel II and from January 1, 2014 in accordance with the CRR. Table 4.4 shows that the Basel I floor does not constitute a binding restriction for SEK as of December 31, 2013.

TABLE 4.4: CAPITAL REQUIREMENTS (PILLAR 1), AS OF DECEMBER 31, 2013 (AND 2012)

Skr mn	EAD[1]		Risk-weighted assets		Capital requirement	
Credit risk standardized method						
Central governments	14,842	(9,607)	759	(820)	61	(66)
Government export credit agencies	135,531	(138,987)	257	(315)	21	(25)
Regional governments	19,816	(23,510)	–	(–)	–	(–)
Multilateral development banks	723	(422)	–	(–)	–	(–)
Householdexposures	1	(1)	1	(1)	0	(0)
Corporates	628	(373)	628	(373)	50	(30)
Total credit risk standardized method	*171,541*	*(172,900)*	*1,645*	*(1,509)*	*132*	*(121)*
Credit risk IRB method						
Financial institutions[2]	67,352	(79,789)	17,305	(19,612)	1,384	(1,569)
Corporates	71,227	(61,977)	42,054	(36,202)	3,364	(2,896)
Securitization positions	7,804	(10,021)	8,744	(8,254)	700	(660)
Without counterparty	150	(149)	150	(149)	12	(12)
Total credit risk IRB method	*146,533*	*(148,936)*	*68,253*	*(64,217)*	*5,460*	*(5,137)*
Foreign exchange risks	n.a.	(n.a.)	1,404	(2,221)	112	(178)
Commodities risk	n.a.	(n.a.)	67	(n.a.)	5	(–)
Operational risk	n.a.	(n.a.)	3,660	(3,549)	293	(284)
Total Basel II	**318,074**	**(321,836)**	**75,029**	**(71,496)**	**6,002**	**(5,720)**
Basel I-based additional requirement[3]	n.a.	(n.a.)	–	(–)	–	(–)
Total Basel II incl. additional requirement	**318,074**	**(321,836)**	**75,029**	**(71,496)**	**6,002**	**(5,720)**
Total Basel I	**n.a.**	**(n.a.)**	**90,629**	**(84,754)**	**7,250**	**(6,780)**

[1] EAD shows the size of the outstanding exposure at default.
[2] Of which counterparty risk in derivatives: Exposure at default ("EAD") Skr 5,656 million (year-end 2012: Skr 9,269 million), Risk weighted claims Skr 2,098 million (year-end 2012: Skr 3,442 million) and Required capital Skr 168 million (year-end 2012: 275 million).
[3] The item "Adjustment according to transitional rules" is calculated in accordance with § 5 of the law (2006:1372) on implementation of the capital adequacy requirements (2006:1371).

SEK's Core Tier-1 capital ratio was 19.5 percent as of December 31, 2013 (year-end 2012: 19.8 percent). SEK's Core Tier-1 capital ratio is thus well above the compulsory level in Sweden as of the beginning of 2014. The Core Tier-1 capital ratio is a new metric that becomes a required disclosure as of January 1, 2014 (see section 12 for further details on new regulations). SEK's total capital ratio calculated according to Basel II, Pillar 1, as of December 31, 2013 was 21.8 percent (year-end 2012: 23.0 percent). The early redemption of the perpetual subordinated debt totaling USD 350 million resulted in a reduction of the total capital ratio. This reduction was partially offset by SEK issuing a Tier-2 bond amounting to USD 250 million in November 2013. See table 4.5.

TABLE 4.5: CAPITAL ADEQUACY ANALYSIS (PILLAR 1), AS OF DECEMBER 31, 2013 (AND 2012)

	Excl. Basel I based add. requirement		Incl. Basel I based add. requirement	
Total capital adequacy	21.8%	(23.0%)	21.8%	(23.0%)
of which related to Core Tier-1 capital	*19.5%*	*(19.8%)*	*19.5%*	*(19.8%)*
of which related to Tier-1 capital	*19.5%*	*(23.0%)*	*19.5%*	*(23.0%)*
of which related to Tier-2 capital	*2.3%*	*(0.0%)*	*2.3%*	*(0.0%)*
Capital adequacy quota (total capital base/total required capital)	2.72	(2.88)	2.72	(2.88)

4.3 LARGE EXPOSURES

Large exposure limits prevent an institution from incurring disproportionately large losses as a result of the failure of an individual counterparty (or a group of connected counterparties) due to the occurrence of unforeseen events. According to Swedish Financial Supervisory Authority regulations, exposure to a single counterparty or a group of connected counterparties may not exceed 25 percent of the institution's capital base. A large exposure refers to an exposure that accounts for at least 10 percent of an institution's capital base. SEK complies with these rules and reports its large exposures to the Swedish Financial Supervisory Authority on a quarterly basis.

SEK has defined internal limits to manage large exposures, which are monitored daily. The internal limits are approved by the Credit Committee, the Executive Management Credit Committee or the Board's Credit Committee. In addition, Swedish Financial Supervisory Authority rules require institutions to maintain detailed information about possible connections between their counterparties in order to ensure that they are able to manage losses in the event of unforeseen events. A thorough analysis of these connections is essential to ensure compliance with the large exposures regime. According to Swedish Financial Supervisory Authority requirements, a detailed analysis should be carried out of all exposures exceeding two percent of SEK's capital base, when determining large exposures to a group of counterparties that have connections with one another. Identification of possible connections between a group of counterparties from a risk perspective forms an integral part of SEK's credit process. Client Relationship Management and Credit Management are the internal bodies responsible for identifying these connections and documenting them in the credit/limit application. SEK has developed guidelines that regulate the identification of connected counterparties.

TABLE 4.6: SEK'S LARGE EXPOSURES AS OF DECEMBER 31, 2013 (AND 2012)

The aggregate amount of SEK's large exposures as a percentage of SEK's total regulatory capital base:	351% (year-end 2012: 282 percent)[1]
Exposure between 10% and 20% of capital base:	27 exposures totaling Skr 57,301 million (year-end 2012: 21 exposures totaling Skr 46,574 million)
Exposure >20% of capital base:	None (year-end 2012: none)
Breaches of 25% large exposure limit:	None (year-end 2012: none)

[1] The aggregate amount consisted of risk-weighted exposures to 27 counterparties or counterparty groups (year-end 2012: 21 counterparties or counterparty groups).The majority of these relate to combined exposures, in respect of which more than one counterparty is responsible for the same payments.

5. ICAAP AND ECONOMIC CAPITAL

SEK's assessment is that SEK's expected available capital amply covers the expected risks in the different scenarios that SEK envisages, in a way that supports SEK's strong creditworthiness.

5.1 INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

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

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

1. Align risk appetite and strategy. Management considers SEK's risk appetite when evaluating strategic options, setting objectives, and developing mechanisms to manage related risks.
2. Reduce operational surprises and losses. SEK seeks to gain enhanced capabilities to identify potential events and take remedial action, so as to reduce surprises as well as associated costs or losses.
3. Take advantage of favorable opportunities through integration with business plan processes. By considering potential events, management is positioned to identify and proactively realize business opportunities and other favorable opportunities.
4. Improve the deployment of capital. Robust information on potential risks allows management to effectively assess overall capital needs and enhance capital allocation.

To calculate capital requirements in accordance with Pillar 2, SEK uses other methods than those used to calculate the capital requirements under Pillar 1. Under Pillar 2, a number of other risks are analyzed in addition to those risks covered by capital under Pillar 1. These risks are analyzed based on a perspective of proportionality, with the greatest focus being placed on those risks that are of most significance for SEK. In order to also take into account factors such as concentration risk, the company, based on a quantitative approach, calculates the economic capital for credit risk. In addition, SEK makes assessments of economic capital for operational risk and market risk. SEK believes that capital does not constitute a risk-reducing factor for certain types of risks; e.g. for reputation and liquidity risk for which SEK applies active risk mitigation. Chart 5.1 describes how SEK groups and analyzes its risks in the capital adequacy assessment process.

CHART 5.1: SEK'S GROUPING OF RISKS IN THE ICAAP

5.2 ECONOMIC CAPITAL

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

In order to ensure continued high credit quality for SEK, and an adequate relationship between risks and the risk-bearing capital in various possible scenarios, analyses and stress tests are carried out. An important tool for these analyses and tests are SEK's models for the calculation of economic capital. The scenarios examined are based on SEK's business operations and the composition of SEK's total portfolio. The scenario analyses and stress tests are carried out regularly, at least once a year.

5.2.1 CREDIT RISK MODELING

Economic capital required on account of credit risk is based on a calculation of Value at Risk (VaR), calculated with a 99.9 percent confidence level, and constitutes a central part of the company's internal capital adequacy assessment. Below is a description of the principles that govern the internal model for credit risk that SEK uses. The calculation of VaR forms the basis for SEK's assessment of how much capital should be allocated for credit risk under Pillar 2, in addition to the capital required under Pillar 1. This quantitative approach is complemented with qualitative assessments. The internal model is then compared with the credit risk quantification under Pillar 1. SEK analyzes the differences between the applications of these two different methods in detail

through what is referred to as a decomposition, where every significant difference in approach between the methods is analyzed separately. These differences in approach are made up of both deviations in regard to modeling approaches and differences in parameters. Table 5.1 shows parameters that are essential for the quantification of credit risk and how they are set for the Foundation IRB approach, which SEK uses, as well as for the Advanced IRB approach and economic capital.

TABLE 5.1: THE DIFFERENCE BETWEEN THE IRB APPROACH UNDER PILLAR 1 AND THE CALCULATION OF ECONOMIC CAPITAL UNDER PILLAR 2

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

[1] Risk parameters established by the Swedish Financial Supervisory Authority.
[2] 45% and 2.5 years are normally applicable.

Two central components that characterize a portfolio credit risk model are (i) a model for correlations among counterparties, and (ii) a model for the probability of defaults for individual counterparties. SEK uses a simulation-based system to calculate the risk for credit portfolios, where the correlation model takes into consideration 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, in principle, on the same probability of default (PD) estimate that is used in the calculation of capital requirements under Pillar 1. SEK's model also takes into consideration rating migrations and the unrealized value changes that these result in. Output from the model consists of a probability distribution of the credit portfolio's value for a specific time horizon – normally a period of one year. This probability distribution makes possible a quantification of the credit risk for the portfolio and, thereby, an estimation of the need for economic capital. Quantification is carried out by calculating VaR, based on the probability distribution, at the confidence level of 99.9 percent. In addition, the credit risk model forms the basis for a capital attribution by allocating the economic capital among the individual counterparties.

5.2.2 MARKET RISK MODELING

SEK's assessment of how much capital should be allocated for market risk under Pillar 2 is based on the calculation of market risk economic capital. The economic capital model is based on both scenario analysis and stress tests. For interest rate risk, cross currency basis swap risk, credit spread risk and foreign exchange risk calculations are carried out using scenario analysis, choosing the worst result of 48 historical and hypothetical scenarios. Volatility risks, rotation risks and equity risk are calculated using stress tests. Commodities risk is calculated using the same method as for the calculation of the capital requirement under Pillar 1.

5.2.3 OPERATIONAL RISK MODELING

In 2013 SEK developed an improved model for calculating economic capital for operational risk. When quantifying economic capital, information on both consequence and probability for the identified operational risks in the company is considered. Operational risk economic capital forms a basis for the assessment of the capital requirement for operational risk under Pillar 2.

5.2.4 DECOMPOSITION OF CREDIT RISK – COMPARISON BETWEEN PILLAR 1 AND PILLAR 2

The regulatory capital requirement for credit risk under Pillar 1 for corporate and financial institutions exposures is calculated using the Basel formula. This formula is derived from the same approach to modeling credit risk as SEK's internal model for calculating credit risk-related economic capital, which forms the basis for the capital requirement under Pillar 2. A good approximation of the regulatory capital requirement under Pillar 1 is obtained by changing the approach in the internal model (see 5.2.1) to one that is analogous to that of the Basel formula. Then, by changing the approach step by step and thus returning incrementally to the internal approach, the effect of each step on the total difference between Pillar 1 and Pillar 2 can be analyzed. As is noted above, this analysis is called decomposition, as it breaks down the total difference between the pillars into components. This is performed periodically and is a fundamental part of the SEK's Internal Capital Adequacy Assessment Process (ICAAP).

5.2.4.1 Factors on which the Pillar 1 and Pillar 2 approaches differ

SEK's Pillar 1 approach differs from SEK's internal approach under Pillar 2 with regard to ten different factors. These factors can be divided into two groups, (i) the internal model and its parameterization, and (ii) exposure types where the Basel formula is not used under Pillar 1. The first seven factors belong to group (i), while securitizations, government exposures and double default are factors belonging to group (ii). Each factor is explained below:

1. Pillar 1 calibration factor
In the Basel formula there is a calibration factor, which increases the risk weight by 6 percent. This factor is not based on the underlying theoretical model, but rather it is a result of a quantitative impact study. The internal model that SEK uses under Pillar 2 does not have such a calibration factor; therefore the analysis needs to take this into account.

2. Name concentration
Pillar 1 assumes a granular portfolio, i.e. that all exposures in a portfolio are so small that their individual sizes do not contribute to risk. Put another way, no name concentration is assumed. In general, this is not a realistic assumption, and particularly not for SEK's portfolio which consists of only a relatively small number of counterparties. Using the internal model, SEK analyzes the effect of name concentration by assuming a fine-grained portfolio with no apparent name concentration, which corresponds to the Pillar 1 view.

3. Correlation model
The underlying correlation model of the Basel formula is referred to as a one-factor model. Each counterparty is allocated a value for a correlation parameter, which is only dependent on that counterparty's probability of default. SEK's internal model instead employs a multi-factor model, wherein different counterparties are tied to indices that are geography- and sector-specific. If the same index were to be used for all counterparties, one would obtain the correlation model of the Basel formula. This way SEK can easily mimic the correlation model of the Basel formula in its internal model, thus enabling analysis of the effect of the capital requirement for the two different correlation assumptions.

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

SEK's internal model has a time horizon of one year for the calculation of risk. Exposures with maturities of less than one year

are given a reduced probability of default. Thus, the probability of default of a three-month exposure is reduced to a fourth of what it would be if the maturity were one year. For overnight exposures, whose maturity is only one day, the probability of default is virtually negligible. This type of exposure consequently exhibits a significant decrease in capital requirement.

SEK's liquidity portfolio consists, to a relatively large extent, of short-term exposures, meaning that the impact of this factor on the capital requirement is significant. SEK quantifies this impact by calculating the capital requirement, both with the default probabilities implied by the Basel formula and with default probabilities adjusted for maturities of less than one year.

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

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

6. Floor for default probabilities
The probability of default is an important parameter in credit risk calculations. In the Basel formula, probability estimates below 0.03 percent are not allowed. SEK's estimates of default probability, though, are lower than this so called "PD floor" for the "AAA" and "AA+" rating classes. This means that the internal calculations are made using slightly lower default probabilities for these two rating classes compared with the Basel formula. By changing all the PD estimates below 0.03 percent to 0.03 percent in the internal model, the Basel formula view can be replicated.

7. Loss given default
When using the Basel formula, the Loss Given Default (LGD) parameter is provided for each exposure. Under the Foundation IRB approach, which SEK uses, the value of this parameter is completely governed by regulations, and for a large part of SEK's portfolio it is set at 45 percent. Under Pillar 2 SEK instead uses an LGD value that better reflects SEK's view of LGD. By using the Basel formula's values for LGD, SEK is able to replicate the Pillar 1 view of this factor.

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

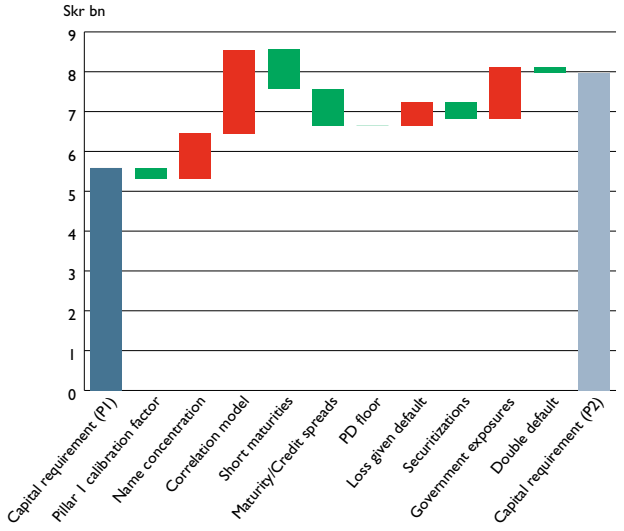
9. Government exposures
For exposures to governments in Pillar 1, SEK uses the standardized approach, yielding a capital requirement of zero for exposures to governments with a high credit rating. SEK's government exposures are mainly of this type.

The internal model treats exposures to governments in a similar way to other exposures. There is, however, an important exception: exposures to SEK's owner (the Kingdom of Sweden) are treated according to a standard rule which specifies that SEK's capital requirement (under Pillar 2) for exposures to the Swedish government is set at a fixed percentage of the amount of the exposure.

10. Double default
In order to reduce concentration risk, SEK has a large amount of credit derivatives. The term "double default", stems from the fact that two simultaneous defaults are required in order for a credit loss to be incurred. To calculate the capital requirement under Pillar 1, a modified version of the Basel formula is used that takes the respective default probability estimates of both the obligor and the guarantor into account. The internal model simulates double defaults realistically through losses being incurred in cases where both obligor and guarantor default.

5.2.4.2 Decomposition as of December 31, 2013
Chart 5.2 shows the result of the decomposition for SEK's portfolio as of December 31, 2013.

CHART 5.2: DECOMPOSITION OF THE DIFFERENCE IN CAPITAL REQUIREMENTS BETWEEN PILLAR 1 AND PILLAR 2



The green and red columns represent the effect on the capital requirement when moving from a Pillar 1 approach to a Pillar 2 approach. The red columns represent increases in the capital requirement, and green columns represent decreases. The left (dark blue) column represents the Pillar 1 capital requirement for credit risk, Skr 5,592 million, and the right (light blue) column represents the total Pillar 2 capital requirement for credit risk, Skr 7,980 million. Thus, these columns represent the starting point and endpoint of the decomposition.

The total additional capital required under Pillar 2 is Skr 2,388 million (7,980 minus 5,592). Chart 5.2 describes, or decomposes, this additional capital. It is worth pointing out that these factors need not result in an increase in the capital requirement, but can also result in a decrease. Hence, contributions of individual factors may exceed the total difference between Pillar 1 and Pillar 2.

5.3 CAPITAL PLANNING
5.3.1 BUSINESS PLAN AND SCENARIO ANALYSES
SEK annually assesses the development of its future capital requirements and available capital, primarily in connection with the three-year business planning process. One purpose behind the capital assessment is to ensure that the size of SEK's capital is sufficient for the risks SEK faces and to support a strong level of creditworthiness.

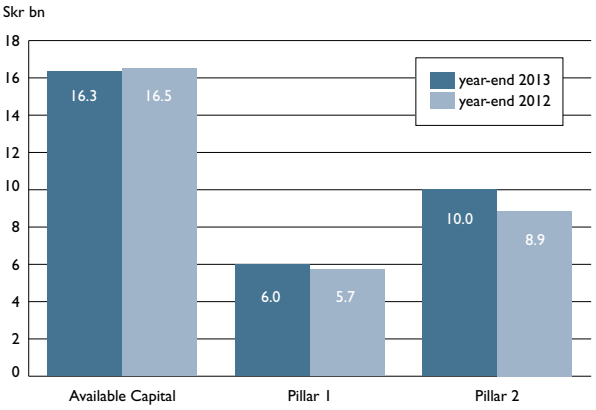
An important element in SEK's capital planning consists of scenario analyses. These provide a picture of SEK's risk level and available capital resources, both according to the business plan and under recession scenarios. SEK has, within its 2013 ICAAP process, carried out a scenario analysis which consists of a strongly unfavorable business environment development, i.e. a significant economic downturn, which can be expected to occur approximately every twenty-fifth year. SEK's management has

made an analysis of how the stress scenario affects the business plan. This analysis also includes the actions that would be taken, if the stress scenario became a reality.

5.3.2 CAPITAL SITUATION

Chart 5.3 compares SEK's available capital with the capital requirements under Pillar 1 and the overall capital requirements under Pillar 2.

CHART 5.3: CAPITAL SITUATION AS OF DECEMBER 31, 2013 (AND 2012)



SEK's assessment is that expected available capital adequately covers the company's expected risks in the various scenarios envisaged by the company in a way that supports the company's strong creditworthiness. SEK also has opportunities to take various measures aimed at strengthening its capital position in order to manage any negative development.

As of December 31, 2013, the total capital requirement under Pillar 2 was Skr 9,988 million, of which Skr 7,980 million was due to credit risk, Skr 345 million was due to operational risk and Skr 1,663 million was due to market risk.

5.3.3 CREDIT RISKS IN SEK'S CREDIT PORTFOLIO AS OF DECEMBER 31, 2013

SEK's credit portfolio is of high credit quality, with fairly high concentrations as a result of the company's mandate to support the Swedish export industry. Export credits are guaranteed largely by government export credit agencies, which is why there is a large exposure to these types of exposures in table 5.3. Chart 5.4 summarizes the distribution of risk by showing a breakdown of nominal exposure, capital requirement and economic capital by different risk classes.

CHART 5.4: COMPOSITION OF EXPOSURE, PILLAR 1 CREDIT RISK CAPITAL REQUIREMENT AND CREDIT RISK ECONOMIC CAPITAL AS PERCENTAGES OF TOTAL BY CREDIT RATING AS OF DECEMBER 31, 2013 (EXCLUDING ASSETS WITHOUT COUNTERPARTIES)

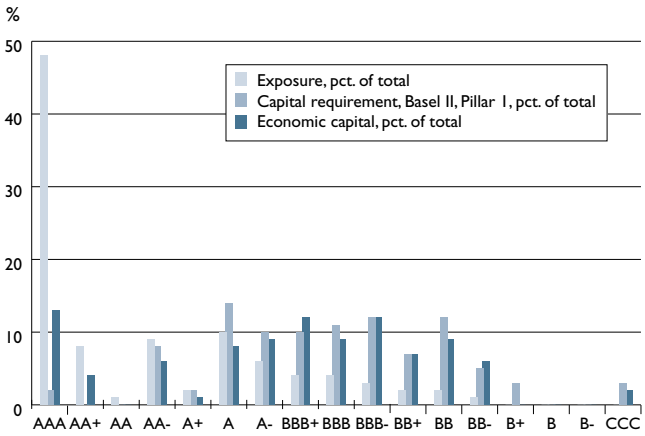


Table 5.2 shows exposures and capital measures by geographic region. The concentration in respect of Sweden is reflected primarily in the fact that the economic capital represented by exposures to counterparties domiciled in Sweden is significantly higher than the minimum capital requirement under Pillar 1 for the same exposures.

Table 5.3 shows exposures and capital measures by sector. There are two main reasons for the capital requirement under Pillar 1 being larger than the economic capital for financial institutions. First of all, a large portion of the liquidity portfolio is allocated to this sector. These exposures have a short average maturity, resulting in a difference due to the capital requirement under Pillar 1 being independent of maturity, whereas the calculation of economic capital is not. Secondly, this sector is where most of the risk mitigated exposures are allocated. These generally have a larger capital requirement under Pillar 1 than economic capital due to differences in the quantification of the capital requirement for what are known as "double default" exposures, for example when SEK owns a credit derivative.

TABLE 5.2: EXPOSURE, PILLAR 1 CREDIT RISK CAPITAL REQUIREMENT AND CREDIT RISK ECONOMIC CAPITAL, EXCLUDING ASSETS WITHOUT COUNTERPARTY, BY REGION AS OF DECEMBER 31, 2013 (AND 2012)

	Exposure				Credit risk capital requirement, Basel II, Pillar 1				Credit risk economic capital			
Region	Skr mn		in %		Skr mn		in %		Skr mn		in %	
Sweden	223,710	(216,180)	65%	(62%)	2,477	(2,154)	44%	(41%)	5,056	(4,641)	63%	(64%)
remaining Nordic region	22,990	(25,531)	7%	(7%)	614	(651)	11%	(13%)	757	(736)	10%	(10%)
remaining Europe	62,383	(62,754)	18%	(18%)	1,535	(1,429)	28%	(27%)	1,335	(952)	17%	(13%)
North America	17,059	(22,840)	5%	(7%)	493	(564)	9%	(11%)	459	(522)	6%	(7%)
Oceania	5,640	(11,425)	1%	(3%)	83	(167)	2%	(3%)	24	(31)	0%	(1%)
Asia	9,322	(5,296)	3%	(2%)	238	(150)	4%	(3%)	154	(122)	2%	(2%)
South America	2,512	(2,334)	1%	(1%)	113	(110)	2%	(2%)	185	(224)	2%	(3%)
Africa	486	(289)	0%	(0%)	27	(21)	0%	(0%)	10	(15)	0%	(0%)
Total	**344,102**	**(346,649)**	**100%**	**(100%)**	**5,580**	**(5,246)**	**100%**	**(100%)**	**7,980**	**(7,243)**	**100%**	**(100%)**

TABLE 5.3: EXPOSURE, PILLAR 1 CREDIT RISK CAPITAL REQUIREMENT AND CREDIT RISK ECONOMIC CAPITAL, EXCLUDING ASSETS WITHOUT COUNTERPARTY, BY SECTOR AS OF DECEMBER 31, 2013 (AND 2012)

	Exposure				Credit risk capital requirement, Basel II, Pillar 1				Credit risk economic capital			
Sector	Skr mn		in %		Skr mn		in %		Skr mn		in %	
Government export credit agencies	159,962	(161,991)	47%	(47%)	21	(25)	0%	(0%)	1,065	(970)	13%	(13%)
Corporates	73,313	(63,585)	21%	(18%)	3,414	(2,926)	61%	(56%)	5,214	(4,687)	65%	(65%)
Financial institutions	67,534	(77,206)	20%	(22%)	1,384	(1,569)	25%	(30%)	990	(972)	13%	(14%)
Regional governments	19,816	(23,620)	6%	(7%)	–	(–)	–	(–)	234	(247)	3%	(3%)
Central governments	14,898	(9,803)	4%	(3%)	61	(66)	1%	(1%)	178	(145)	2%	(2%)
Securitization positions	7,805	(10,021)	2%	(3%)	700	(660)	13%	(13%)	293	(219)	4%	(3%)
Multilateral development banks	773	(422)	0%	(0%)	–	(–)	–	(–)	6	(3)	0%	(0%)
Retail	1	(1)	0%	(0%)	0	(0)	0%	(0%)	–	(–)	–	(–)
Total	**344,102**	**(346,649)**	**100%**	**(100%)**	**5,580**	**(5,246)**	**100%**	**(100%)**	**7,980**	**(7,243)**	**100%**	**(100%)**

6. CREDIT RISK

Credit risks are SEK's largest risk category. Credit risks are inherent in all assets and other contracts in which a counterparty is obliged to fulfill obligations. Credit risks are limited through the methodical and risk-based selection of counterparties, and they are managed by, among other things, the use of guarantees and credit derivatives.

6.1 CREDIT RISK MANAGEMENT AT SEK

6.1.1 INTERNAL GOVERNANCE AND RESPONSIBILITY

The management of SEK's credit risk is governed by the Credit Policy and Credit Instructions, steering documents that are issued by the Board and its Credit Committee, respectively. These steering documents set out the framework for the level of credit risk assumed by SEK, describe decision-making bodies and their remit, the credit process, fundamental principles for limits and problem loan management.

The Credit Management function is responsible for developing and updating this framework. Credit analysts, which are part of Credit Management, are responsible for ongoing analysis of a counterparty and, where necessary, prepare the data for internal ratings of counterparties and ensure that internal ratings are reviewed at least once a year. At the request of and in cooperation with the account manager and the transaction manager, credit analysts also prepare credit proposal documentation.

Overall responsibility for the relationship with all of SEK's counterparties lies with Lending & Funding account managers. They are responsible for assessing the customer's product needs, credit risk assessment (with the support of credit analysts), limit and exposure management and have the ultimate responsibility for credit risk and its impact on SEK's income statement and balance sheet. Account managers are responsible for the content of credit proposals. Account managers are responsible for ensuring that limits are reviewed continually, at least on an annual basis. Credit Control is the Credit Management function that ensures control of compliance by limit and credit decisions and administers limit and credit decisions taken by SEK's decision-making bodies.

Decisions on limits and credits are taken in line with the following decision-making hierarchy.

1. The Board's Credit Committee
   Limit or credit decisions that exceed the Executive Management Credit Committee's mandate, country limits and issues relating to credits and credit decisions that are of fundamental importance or of great significance to SEK are dealt with by the Board's Credit Committee. An instruction is issued for the Board's Credit Committee by the Board.
2. Executive Management Credit Committee
   Limit and credit proposals outside the Standard but within the Executive Management Credit Committee's mandate are decided by the Executive Management Credit Committee.
3. Credit Committee
   Limit and credit proposals within the Standard and within the Executive Management Credit Committee's mandate are decided by the Credit Committee.
4. By authorization
   Credit proposals within limits and within the Standard are handled by means of authorization set out in the credit instruction determined by the Board's Credit Committee.

The Rating Committee takes decisions on internal ratings, which cannot be changed by another decision-making body.

6.1.2 MANAGEMENT

Credit risk is mitigated through a methodical and risk-based selection of counterparties and is managed by measures such as the use of guarantees and credit derivatives. Counterparty risk in derivative contracts is regulated on an ongoing basis under ISDA Master Agreements with associated Credit Support Annexes, by means of cash. Exemptions from entering into ISDA agreements require special decisions.

SEK uses limits to mitigate risks to a defined extent. Limits express the highest permitted amounts of exposure to a risk counterparty for each particular point in the future. For example, SEK has sublimits that mitigate exposures resulting from derivative contracts in respect of a risk counterparty. A limit entitles SEK's commercial units to enter, within this limit, commercial agreements in the name of SEK, implying a credit risk in respect of the relevant counterparty. All limits and risk classifications are subject to review at least once a year. Exposures that are assessed to be problem loans[5] are subject to more frequent analysis, and limits are also blocked[6] for these credits. The aim is to be able, at an early stage, to identify exposures with an elevated risk of loss and to ensure that the risk classification reflects the real risk in respect of the counterparty.

To provide guidance for lending and limit-setting, there is a specified standard within SEK that clarifies requirements that must be met in order for a credit or a limit with acceptable risks to be granted. This standard is set out in six sub-areas:

1. Operational criteria
2. Sector and/or customer
3. Risk level standard
4. Credit terms standard
5. Know your customer (KYC)
6. Corporate and social responsibility (CSR) related risks.

In addition, the requirements set out in the owner's directive (including operational criteria) must always be met in order for a credit or limit to be granted at any level. Calculation of the amount that defines the decision-making remit of the Executive Management Credit Committee is based on the formula for calculating the capital requirement under Pillar 1. This takes into consideration the probability of default (PD) of the counterparty, the size of exposure at default (EAD), and the assessed degree of loss given default (LGD), as well as the maturity of the exposure.

Exposures deemed to be problem credits, are managed in line with special guidelines. It is the account manager's and the credit analyst's responsibility to continually monitor the counterparty for problem loans and regularly report problem exposures to the Credit Committee, to the Executive Management Credit Committee and to the Board's Credit Committee.

[5] An exposure in respect of a risk counterparty that SEK assesses to have a high probability of being unable to fulfill all of its commitments under the original contractual terms on time.
[6] A blocked limit means that no new transactions may be undertaken with the relevant counterparty.

6.1.3 MEASUREMENT

Two measures are key to the measurement of credit risk: (1) Expected Loss, EL and (2) Unexpected Loss, UL (see also section 6.3.1). EL gives an indication of the mean of the credit losses that SEK expects to incur. This is calculated in accordance with capital adequacy regulations and is deemed to be a cost of running lending operations. EL is a component in the calculation of the price of a credit. In addition, the amount of the expected loss is deducted from the capital base. Unexpected loss, UL, consists of losses in excess of the expected levels and it is unknown, if and when they will occur or how large the losses will be. In order to also absorb unexpected losses, SEK also maintains risk capital in accordance with capital adequacy regulations.

SEK calculates UL using the company's internal model for calculating economic capital need for credit risk, under Pillar 2. Section 5.2.4 describes the difference in methodology between the calculation of the capital need under Pillar 2 and the corresponding value, the capital requirement, under Pillar 1. The main purpose of the comparative analysis of the capital requirement is to assess whether the total capital need should be set higher than the calculated capital requirement.

SEK's management and monitoring of credit risk in its operations takes place through the use of nominal amounts broken down by, for example, ratings category, sector and region.

6.1.4 PROVISIONING PROCESS

Any need for provisioning is assessed based on two tests, an individual provisioning test for assets that are significant individually and a provisioning test for assets that are not significant individually. The assessment criteria and reasons for proposed provisioning decisions are summarized in data used for decision-making.

The assessed provisioning requirement and the noted loan losses are minuted in full in the Credit Committee and Executive Management Credit Committee and used in the process of drawing up the accounts. The draft provision is prepared by the Board's Credit Committee. Finally, a decision on provisioning requirements is taken by the Board.

6.2 INTERNAL RATINGS-BASED APPROACH (IRB)

All of SEK's counterparties must be assigned an internal risk classification or rating except those counterparties that have been expressly exempted from this requirement by the Swedish Financial Supervisory Authority (see section 6.2.4). The design of the company's IRB system includes both operational as well as analytical aspects. The operational design concerns the organizational process for, and controls on how, counterparties are assigned risk classifications. Important operational aspects of the process include, where in the company the risk classification is performed and established, and how the responsibility for monitoring, validation and control is distributed throughout the organization. The analytical design concerns how risk is measured and assessed. This includes how the loss concept is defined and measured, and which methods and models are used for risk classification and the calculation of risk. The analytical design of the risk classification system often differs significantly among different financial institutions. The systems, however, share the fact that every credit exposure within a specific risk class is associated with a number of quantifiable risk criteria. SEK's internal rating system (the IRB system) comprises all the various methods, work and decision processes, control mechanisms, guideline documents, IT systems, processes and routines that support risk classification and quantification of credit risk.

6.2.1 SEK'S RATING COMMITTEE

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

Committee members are appointed by the Board's Credit Committee in such a way that a majority of the members represent non-commercial functions within the company. The committee members, who come from various functions within SEK, must have both broad and in-depth expertise in risk assessment and/or experience in credit ratings. SEK aims to maintain continuity within the Rating Committee. A rating that has been established by the Rating Committee may not be appealed against or amended by another body within SEK.

6.2.2 RISK CLASSIFICATION

6.2.2.1 Time horizon

One important question in an expert-based system, such as SEK's, is the intended time horizon of risk classification. The simplest approach would be for each risk classification to reflect the borrower's ability to repay given current conditions. This approach is known as point-in-time, and is designed to estimate the risk of the borrower defaulting within the near future, usually one year. A more ambitious, but also more demanding, approach is to allow the risk classification to reflect the borrower's ability to repay over an entire economic cycle. This approach, known as through-the-cycle, involves an assessment of the borrower's ability to repay during the worst phases of an economic cycle. This risk classification system will give different results, depending on which of these two different time horizons is used. In point-in-time assessments, the measured risk in a given portfolio will be significantly more sensitive to cyclical fluctuations in risk, rising in periods of economic downturn and falling in periods of upswing. If the assessments are made through-the-cycle, however, the measured risk in a portfolio should, in principle, only change if the long-term condition of one or more specific counterparties change(s) and there are reasons to change the original assessments. The choice of time horizon in the risk classification is highly dependent on the purpose for which the risk classification system is to be used.

The *through-the-cycle* approach is considered a suitable approach if the risk classification is to support a credit or investment decision. It is the goal of the established rating agencies, for example, that their credit ratings reflect credit risk through the cycle. SEK also uses this approach.

6.2.2.2 Internal rating scale

An internal risk classification system is a tool for facilitating the precision and consistency of credit assessments. SEK's internal ratings-based approach aims at assessing the credit risk of individual counterparties. SEK's methodology for internal risk classification is based on both qualitative and quantitative factors. Within SEK, risk classification is based, to a high degree, on analyst assessments.

Using different methods for analyzing corporates, regional governments and financial institutions, the individual counterparties are assigned credit ratings. The aim of using a common rating scale for all counterparties is simply to be able to correctly price and quantify risk over time for SEK's counterparties and, thereby, to maintain the desired risk level in the company. The tool used for this is the rating, which is an ordinal ranking system. Therefore the risk classification within SEK is to a great extent a question of relative assessments. The classification does not aim at estimating a precise probability of default, but rather seeks to place the counterparty within a category of comparable counterparties, from a risk perspective. It is currently common for financial institutions with internal ratings-based systems to set the probability of default (PD) values for their various risk classes, especially for "low default portfolios," by mapping their internal rating scale against the rating scale of a rating agency, and then using the external rating agency's default statistics for

calculating the probability of default. Rating agencies, such as Standard & Poor's, Fitch and Moody's, regularly publish statistics for default frequencies in their various rating classes. This type of technique is also considered at present to be common practice by the market. SEK maps its internal rating scale to Standard & Poor's rating scale and employs Standard & Poor's default statistics as a basis for its own calculations, with the aim of achieving consistent estimates of PD (within sufficient safety margins).

Table 6.1 summarizes the external rating agencies', coverage of the company's counterparties. For example, of the 664 counterparties that SEK has allocated an internal rating to, 286 counterparties have an external rating from Standard & Poor's.

TABLE 6.1: EXTERNAL RATING AGENCIES' COVERAGE OF SEK'S COUNTERPARTIES AS OF DECEMBER 31, 2013

SEK rating	S&P	Moodys	Fitch
664	286	294	220

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

6.2.3 EXPOSURE CLASSIFICATION WITHIN SEK

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

SEK's exposures are limited to central government exposures, financial institutions exposures, and corporate exposures, as well as securitization positions. Responsibility for all exposure classifications within SEK is held by the credit analysis function, Credit Management.

6.2.4 SEK-SPECIFIC EXEMPTIONS

The Swedish Financial Supervisory Authority approved SEK's application to be allowed to use an IRB approach in February, 2007. SEK's permission to base its capital requirement for credit risk on the IRB approach covers the majority of the company's exposures. The Swedish Financial Supervisory Authority has granted SEK permission until December 31, 2015, to apply the standardized approach to the following exposures:

- Export credits guaranteed by the Swedish Export Credits Guarantee Board ("EKN") or corresponding foreign entities within the OECD.
- Exposures to central governments.
- Exposures in the Customer Finance[7] business area.

Under the CRR, it is possible to request permanent extension of the approved exemptions.

6.2.5 RATING METHODOLOGY

6.2.5.1 Financial institutions

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

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

6.2.5.2 Corporates

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

6.2.5.3 Specialized lending

Within the exposure class corporate exposures, exposures that represent specialized lending are separately identified. For such exposures, SEK calculates risk weights based on "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 strongest creditworthiness). All of SEK's exposures are currently attributable to categories 1, 2 and 4.

48 percent of SEK's exposures that fall into the specialized lending category are guaranteed by central governments or regional governments within the OECD. This means that they are effectively transferred to another exposure class via credit-risk mitigation. After taking into account credit-risk mitigation and conversion factors, the total exposure in the specialized lending category amounted to Skr 2,769 million as of December 31, 2013.

TABLE 6.2: SPECIALIZED LENDING AS OF DECEMBER 31, 2013 (AND 2012)

Skr mn

Category	EAD*	
1	1,958	(2,011)
2	666	(379)
3	–	(–)
4	145	(139)
5	–	(–)
Total	**2,769**	**(2,529)**

* Exposure at Default, or "EAD", is calculated on the basis of the exposure amount after consideration has been given to conversion factors. The conversion factor describes that portion of an off-balance sheet commitment for which capital is required under the regulations. See section 6.3.1.

6.2.5.4 Securitization positions

SEK has not acted in the role of originator or participating institution in any of its securitization transactions and has only functioned as an investor with the purpose of diversifying liquidity placements. SEK's current securitization positions are classified as loans and receivables, and credit risk is therefore the main associated risk.

SEK uses what is known as the external rating method for the calculation of risk-weighted amounts for securitization positions. This means that the risk weight is determined based on the external credit rating. See table 6.3. Since 2007, SEK no longer invests in securitization positions.

[7] The Customer Finance business area offers financing solutions for end-customers.

TABLE 6.3: SECURITIZATION POSITIONS[1], AFTER CREDIT RISK MITIGATION, PER RISK WEIGHT, AS OF DECEMBER 31, 2013 (AND 2012)

	Risk Weight															
Skr mn	7–10%		12–18%		20–35%		40–75%		100%		425%		1250%		Total exposure	
Traditional securitizations	2,592	(4,415)	–	(225)	327	(712)	145	(–)	726	(538)	656	(459)	173	(178)	4,619	(6,527)
Synthetic securitizations	–	(16)	4	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	4	(16)
Resecuritizations	–	(–)	–	(–)	2,600	(2,884)	–	(–)	–	(–)	–	(–)	582	(594)	3,182	(3,478)
Total	**2,592**	**(4,431)**	**4**	**(225)**	**2,927**	**(3,596)**	**145**	**(–)**	**726**	**(538)**	**656**	**(459)**	**755**	**(772)**	**7,805**	**(10,021)**

[1] Exposures before impairments.

In addition to the external rating method, SEK classifies the securitization positions into three risk classes, ABS class 1 to 3, in which ABS class 3 represents normal risk. ABS class 2 represents higher than normal risk and includes positions with underlying assets in Ireland, Portugal or Spain, positions quoted below 80 percent of nominal value or positions deemed to be higher than normal risk for some other reason. ABS class 1 represents high risk and includes positions with an external credit rating below investment grade or positions deemed high-risk for some other reason. In addition to the three risk classes, a forth class includes positions expected to be paid in full within a period of 12 months and consists only of positions that would otherwise be classified as ABS class 3. Positions in ABS class 1 are reported on a quarterly basis and more thoroughly than other ABS classes. Monitoring of positions in re-securitizations takes place in accordance with the same process as for other securitization positions. Two re-securitizations account for a significant proportion of underlying securitization and/or re-securitization positions. These two positions are categorized under ABS class 1 and are reported each month based on underlying assets. Other re-securitization positions account for marginal proportions of underlying securitization and/or re-securitization position.

No securitization positions have been sold and no purchases have been made during 2013.

Asset-backed securities held

The tables below include current aggregated information regarding SEK's total net exposures (after effects related to risk-coverage) related to asset-backed securities held and to current rating. Ratings in the table as of December 31, 2013 are stated as the second lowest of the ratings from Standard & Poor's, Moody's and Fitch. When only two ratings are available the lowest is stated. All of these assets represent first-priority tranches, and they have all been rated 'AAA'/'Aaa' by Standard & Poor's or Moody's at acquisition.

TABLE 6.4: SECURITIZATION POSITIONS HELD AS OF DECEMBER 31, 2013

Net exposures	December 31, 2013									
Exposure[1] Skr mn	Australia	Germany	Ireland	Netherlands	Portugal	Spain	United Kingdom	United States	Total 2013	Total 2012
RMBS[2]	1,713	–	818	329	305	756	487	–	4,408	(5,754)
Auto loans	–	–	–	–	–	5	–	–	5	(54)
CMBS[2]	–	66	–	–	–	–	–	–	66	(66)
Consumer loans	–	–	–	–	–	8	–	–	8	(23)
CDO[2]	–	–	–	–	–	–	–	114	114	(133)
CLO[2]	–	–	1,461	–	–	93	4	1,180	2,738	(3,534)
Total	1,713	66	2,279	329	305	862	491	1,294	7,339	(9,564)
... of which rated 'AAA'	1,655	–	1,461	329	–	–	353	1,180	4,978	(7,056)
... of which rated 'AA+'	–	–	–	–	–	–	–	–	–	(66)
... of which rated 'AA'	–	66[3]	–	–	–	–	134[3]	–	200	(161)
... of which rated 'AA-'	–	–	–	–	–	13[3]	–	–	13	(45)
... of which rated 'A+'	47[3]	–	–	–	–	22[3]	–	–	69	(57)
... of which rated 'A'	–	–	–	–	–	–	4[3]	–	4	(225)
... of which rated 'A-'	–	–	–	–	6[3]	71[3]	–	–	77	(253)
... of which rated 'BBB+'	11[3]	–	–	–	–	175[3]	–	–	186	(393)
... of which rated 'BBB'	–	–	–	–	–	–	–	–	145	(–)
... of which rated 'BBB-'	–	–	393[3]	–	299[3]	33[3]	–	–	725	(538)
... of which rated 'BB'	–	–	252[3]	–	–	403[3]	–	–	655	(459)
... of which rated 'B+'	–	–	173[3]	–	–	–	–	–	173	(178)
... of which CDO rated 'CCC'	–	–	–	–	–	–	–	114[4]	114	(133)

[1] Exposures are assessed on the domicile of the issuance which is consistent with the underlying assets' domicile except for Ireland where the majority of the underlying assets are in France, United Kingdom and Germany.

[2] RMBS = Residential mortgage-backed securities
CMBS = Commercial mortgage-backed securities
CDO = Collateralized debt obligations
CLO = Collateralized loan obligations

[3] Of these assets amounting to Skr 2,247 million, still Skr 258 million have the highest-possible rating from at least one of the rating institutions.

[4] These assets consist of two CDOs (first-priority tranches) with end-exposure to the U.S market. There have been no delays with payments under the tranches. However, the ratings of the assets have been downgraded dramatically during 2008 to 2012, by Standard & Poor's from 'AAA' to 'NR' (after being downgraded to 'D'), by Moody's from 'Aaa' to 'Ca' and by Fitch from 'AAA' to 'C'. Due to the dramatic rating downgrades, SEK has analyzed the expected cash flows of the assets and has recorded related impairments. The impairments amounted to Skr 469 million in total as of December 31, 2013.

6.3 CALCULATION OF RISK-WEIGHTED ASSETS

6.3.1 CALCULATION OF RISK-WEIGHTED ASSETS IN ACCORDANCE WITH THE IRB APPROACH

Exposure at default (EAD) measures the utilised exposure at default. For on-balance sheet exposures, EAD is the gross value of the exposure without taking provisions into account. For off-balance-sheet exposures, EAD is calculated using a credit conversion factor (CCF) which estimates the future utilization level of unutilised amounts. The two expressions that together primarily quantify the credit risk of an exposure are the probability of default (PD) and the loss given default (LGD). Using these two parameters and the size of the outstanding exposure at default (EAD), it is possible to calculate the statistically expected loss (EL) for a given counterparty exposure (PD×LGD×EAD=EL). By using the so-called Basel formula, the amount of risk-weighted assets (RWA, f (PD, LGD, EAD)) is calculated. This estimate constitutes a measure of the Unexpected Loss (UL). The capital requirement refers ultimately to the risk of unexpected losses (UL), while expected losses (EL) should be able to be covered, in principle, by day-to-day revenues. That is, the risk weights should not reflect the normal loss level underlying the different exposures, but rather the risk of losses being unexpectedly large during a given period. Within the Foundation IRB model, only PD is estimated by SEK. The values of the other parameters are set by the supervisory authority. SEK follows the above described instructions for calculation of risk-weighted assets under the Foundation IRB approach.

CHART 6.1: DEFINITION OF EXPECTED LOSS

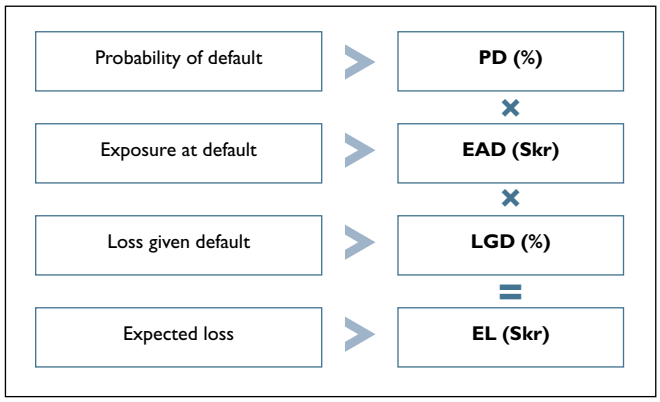


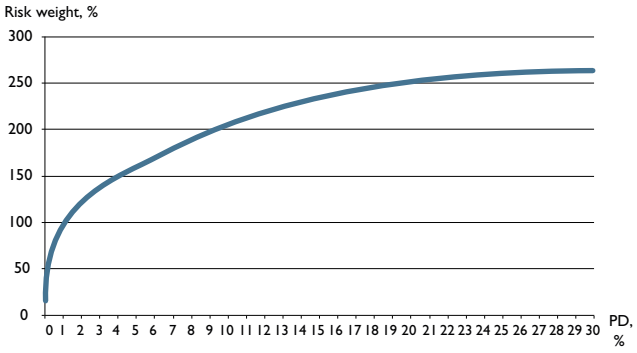
TABLE 6.5: RISK PARAMETERS

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

[1] Risk parameters established by the Swedish Financial Supervisory Authority.
[2] 45% and 2.5 years are normally applicable.

Chart 6.2 shows the connection between risk weight and "one-year horizon PD" for exposures to institutions and exposures to corporates.

CHART 6.2: RISK-WEIGHT FUNCTION



The table below shows SEK's credit exposure, EAD, risk-weighted assets (RWA), capital requirement for credit risk and average risk-weight by exposure type as of December 31, 2013 (and 2012). The average risk weight for SEK's credit portfolio is approximately 20 percent and the average risk weight for SEK's total portfolio is 18 percent.

TABLE 6.6: ORIGINAL EXPOSURE, EAD, RWA AND CAPITAL REQUIREMENTS BY EXPOSURE TYPE AS OF DECEMBER 31, 2013 (AND 2012)

Skr bn	On-balance sheet items		Off-balance sheet items		Derivatives		Total	
Original Exposure	280.5	(276.3)	57.9	(61.0)	5.7	(9.3)	344.1	(346.6)
EAD	280.5	(276.3)	31.9	(36.2)	5.7	(9.3)	318.1	(321.8)
RWA	66.3	(59.8)	1.5	(2.5)	2.1	(3.4)	69.9	(65.7)
Capital requirements	5.3	(4.8)	0.1	(0.2)	0.2	(0.3)	5.6	(5.3)
Average risk weight	23.6%	(21.6%)	4.7%	(6.9%)	36.8%	(36.6%)	22.0%	(20.4%)

The table below shows credit conversion factor and off-balance exposure split by exposure class as of December 31, 2013 (and 2012). SEK uses the credit conversion factors established by the Swedish Financial Supervisory Authority.

TABLE 6.7: CREDIT CONVERSION FACTOR AND OFF-BALANCE EXPOSURE BY EXPOSURE CLASS AS OF DECEMBER 31, 2013 (AND 2012)

Skr bn	Exposure after risk mitigation		EAD		CCF	
Standardized approach						
Central governments	0.2	(0.8)	0.2	(0.6)	75.0%	(75.0%)
Government export credit agencies	53.1	(54.8)	28.7	(32.0)	54.0%	(58.2%)
Regional governments	–	(0.2)	–	(0.1)	–	(50.0%)
Multilateral development banks	0.2	(–)	0.2	(–)	75.0%	(–)
Corporate	0.1	(0.1)	0.1	(0.0)	50.0%	(50.0%)
IRB method						
Institutions	0.7	(1.6)	0.5	(1.2)	75.0%	(74.5%)
Corporate	3.6	(3.5)	2.2	(2.3)	61.1%	(65.0%)

6.3.2 CALCULATION OF RISK-WEIGHTED ASSETS IN ACCORDANCE WITH THE STANDARDIZED APPROACH

Under the standardized approach, institutions also allocate their exposures among the prescribed exposure classes and assign the exposures those risk weights, which have been assigned to each respective exposure class. In certain cases, risk weights may comply with external ratings. External credit assessments may be used to determine to which credit quality level an exposure corresponds. To determine this, financial institutions must utilize the correspondence tables between credit rating companies' different credit ratings and the steps in the credit quality scales that the Swedish Financial Supervisory Authority sets. See table 6.8. SEK follows these instructions. The majority of the exposures for which SEK is granted permission to use the standardized approach can be attributed to the highest credit quality step, which corresponds to a risk weight of zero percent. See table 6.9.

TABLE 6.8: CORRESPONDENCE TABLE

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

TABLE 6.9: NET EXPOSURES UNDER THE STANDARDIZED APPROACH PER QUALITY STEP AS OF DECEMBER 31, 2013 (AND 2012)

Skr bn	1		2		3–6		Total	
Central governments	11.6	(5.9)	2.5	(3.0)	0.8	(0.9)	14.9	(9.8)
Government export credit agencies	158.7	(160.8)	0.8	(0.6)	0.5	(0.6)	160.0	(162.0)
Regional governments	19.8	(23.6)	–	(–)	–	(0.0)	19.8	(23.6)
Multilateral development banks	0.8	(0.4)	–	(–)	–	(0.0)	0.8	(0.4)
Corporates	–	(–)	–	(–)	0.7	(0.4)	0.7	(0.4)
Total	**190.9**	**(190.7)**	**3.3**	**(3.6)**	**2.0**	**(1.9)**	**196.2**	**(196.2)**

6.4 MONITORING OF SEK'S IRB SYSTEM

The Board of Directors and the committees responsible for risk monitoring aim to have a good understanding of the function of the internal ratings-based approach, as well as a good understanding of the content of the reports from the risk classification system that they receive. The President and the Chief Risk Officer have informed the Board about all significant changes to instructions that govern the design and use of SEK's IRB system.

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

The company's risk and product classification and risk estimates form a central part of the regular reporting of credit risks to the Board of Directors, Asset and Liability Committee and the Executive Management Credit Committee. Risk Control and the credit analysis function, Credit Management, are responsible for different parts of this reporting. The reporting includes information on the distribution of counterparties and exposures by risk classes, risk estimates for each product and risk class, and migration between risk classes. It also contains information about, and results of, the stress tests that are applied. In addition, the reporting also includes the company's use of credit-risk protection, as well as the development of positions in securitizations.

6.4.1 VALIDATION PROCESS

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

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

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

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

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

The IRB Use Test

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

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

6.4.2 INFORMATION ABOUT MIGRATION BETWEEN RISK CLASSES

The tables below show the rating distribution as of December 31, 2013 based on rating levels as of December 31, 2012. The migration matrix below shows an overall neutral development in the majority of risk classes. It may also be noted, however, that a number of risk classes has a slightly higher migration than other risk classes. The migration within the risk classes AA and A+ are mainly due to clarification of financial institutions' strengths and weaknesses as a result of the financial crisis of 2008, which has resulted in rating changes. There has also been some migration in the risk classes BB and B+, which primarily consist of companies in sectors with high volatility in demand and high frequency of structural changes.

TABLE 6.10: MIGRATION MATRIX 2013

	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC	D	Sum
AAA	93%	5%	2%																100%
AA+	6%	84%	8%	2%															100%
AA		20%	64%	16%															100%
AA-			2%	96%	2%														100%
A+				23%	46%	28%	3%												100%
A					5%	92%	1%	2%											100%
A-							98%	2%											100%
BBB+						1%	5%	76%	18%										100%
BBB								3%	87%	4%	4%	2%							100%
BBB-								2%	9%	82%	7%								100%
BB+									4%	11%	81%	4%							100%
BB											13%	58%	25%	4%					100%
BB-													88%	12%					100%
B+													50%	50%					100%
B															86%		14%		100%
B-																100%			100%
CCC/C																	100%		100%
D																		100%	100%

Table 6.10 should be read row by row. The first row shows the percentage breakdown as of December 31, 2013 for those counterparties that as of December 31, 2012 were rated 'AAA'. The second row displays the percentage breakdown as of December 31, 2013 for those counterparties that as of December 31, 2012 were rated 'AA+', and so on. The shaded diagonal area accordingly displays the shares of counterparties for which the ratings were unchanged as of December 31, 2013, compared with December 31, 2012.

Charts 6.3–6.5 below show, in absolute figures and in percentage terms, the upgrades and downgrades per risk class and also the number of counterparties whose risk class (rating) changed during 2013.

CHART 6.3: NUMBER OF MIGRATED COUNTERPARTIES WHOSE RISK CLASS CHANGED DURING 2013

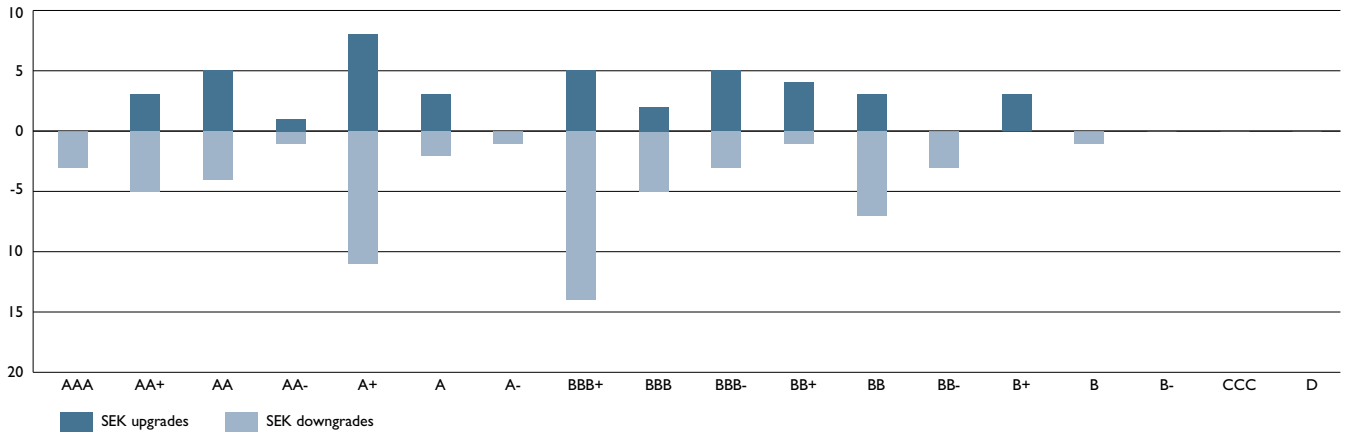


CHART 6.4: PERCENTAGE OF COUNTERPARTIES WHOSE RISK CLASS IN THE RESPECTIVE RATING CLASS CHANGED DURING 2013

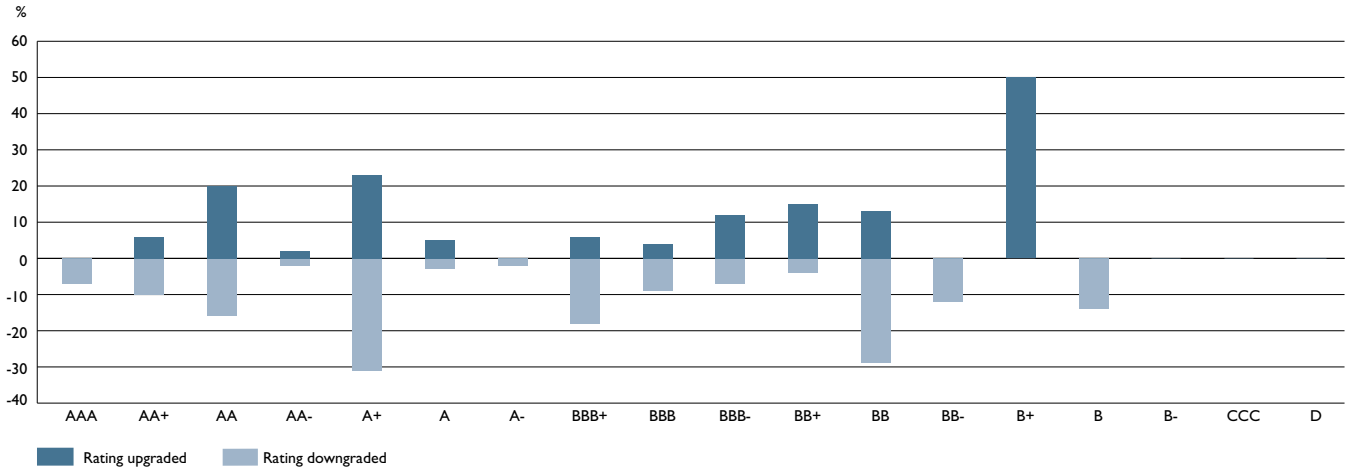
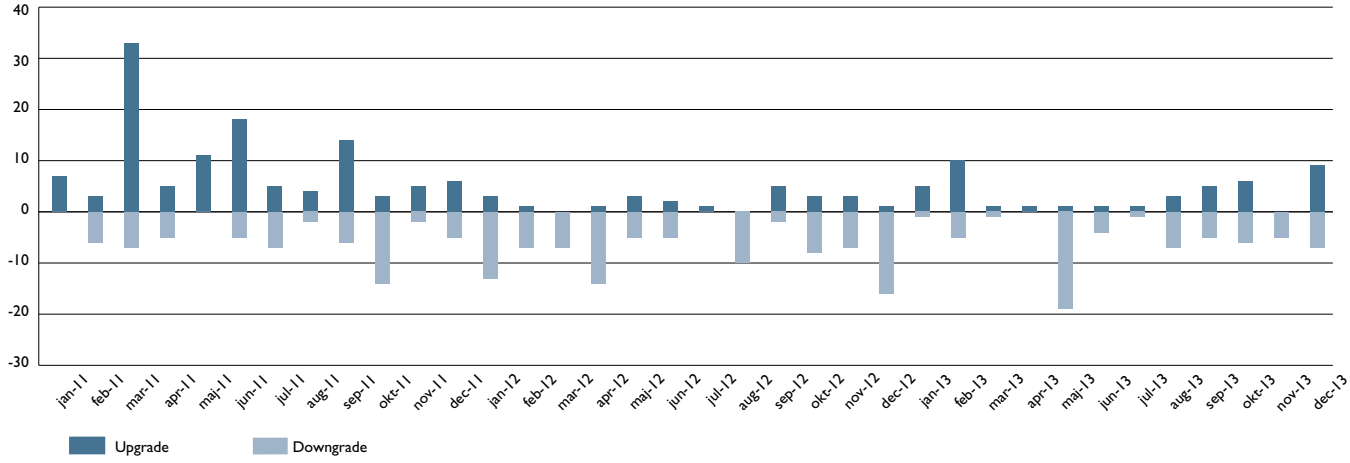


CHART 6.5: NUMBER OF COUNTERPARTIES WHOSE RISK CLASS CHANGED DURING 2011–2013 (PER MONTH)



6.4.3 INFORMATION ABOUT THE CORRELATION BETWEEN INTERNAL AND EXTERNAL RATINGS

In order to identify the differences between SEK's risk classification and the ratings of external rating agencies, SEK conducts outcome analyses on an ongoing basis showing the correlation between the company's internal risk classification and the ratings of rating agencies. These differences can be due to both differences in the analytical assessment and the date of the analyses.

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

Every circle represents a rating pair (for example, SEK: "BBB", Standard & Poor's: "BBB+") and the size of the circle reflects the number of counterparties that have been allocated this rating pair. The yellow points indicate where SEK's risk classification is higher than the external ratings, while blue points report observations where SEK's risk classifications are lower. The green color indicates where the risk classification for SEK and the external credit rating agencies is the same.

CHART 6.6: CORRELATION BETWEEN SEK'S INTERNAL RATINGS-BASED APPROACH AND STANDARD & POOR'S AT THE END OF 2012 AND 2013, RESPECTIVELY

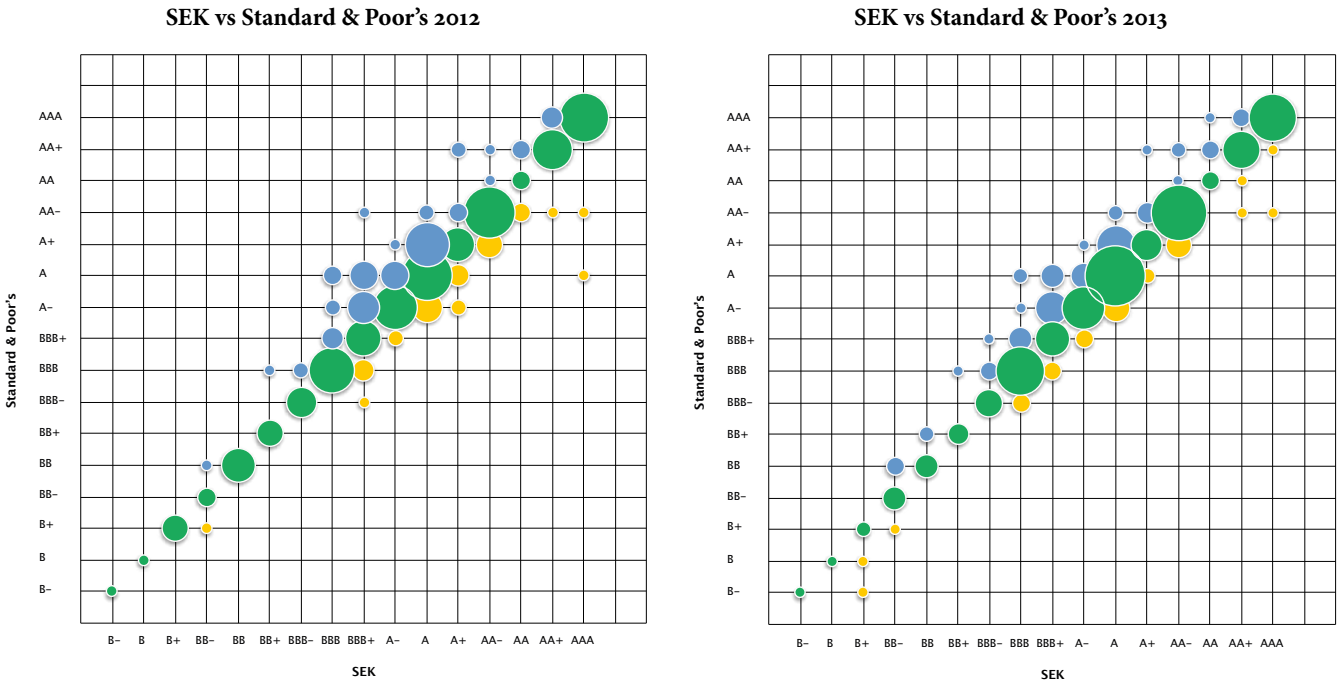


CHART 6.7: CORRELATION BETWEEN SEK'S INTERNAL RATINGS-BASED APPROACH AND MOODY'S AT THE END OF 2012 AND 2013, RESPECTIVELY

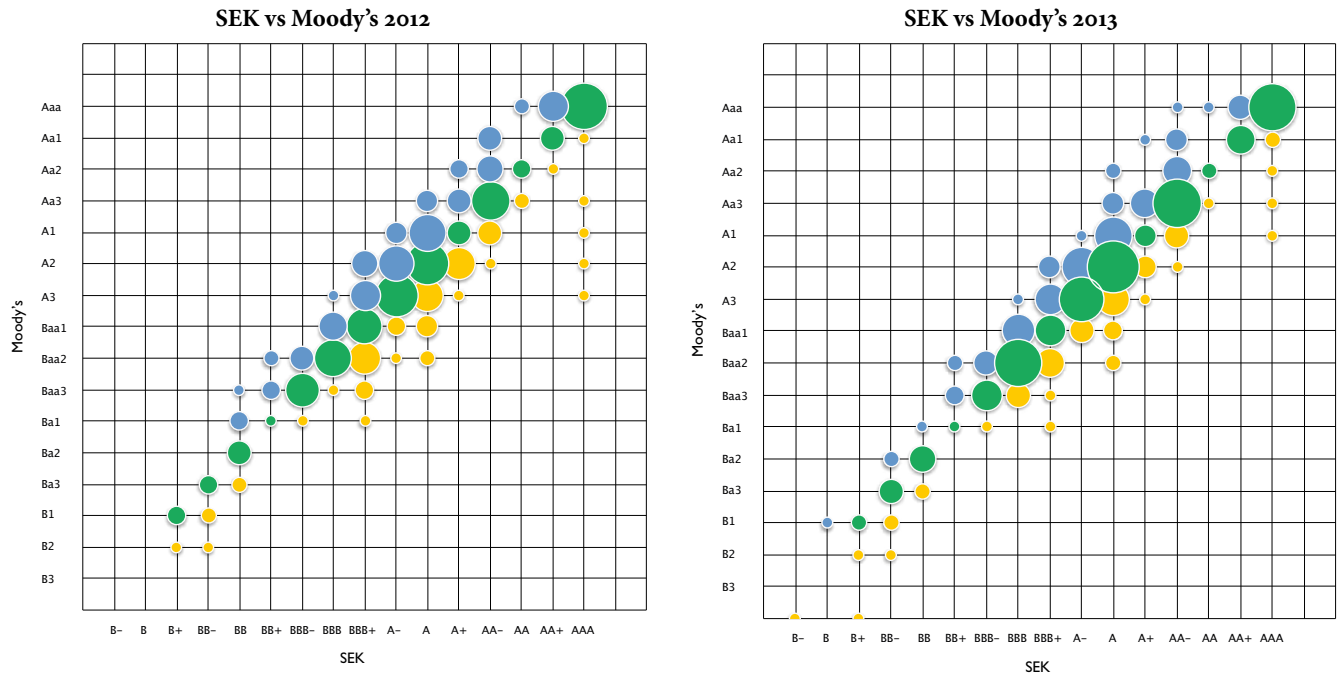
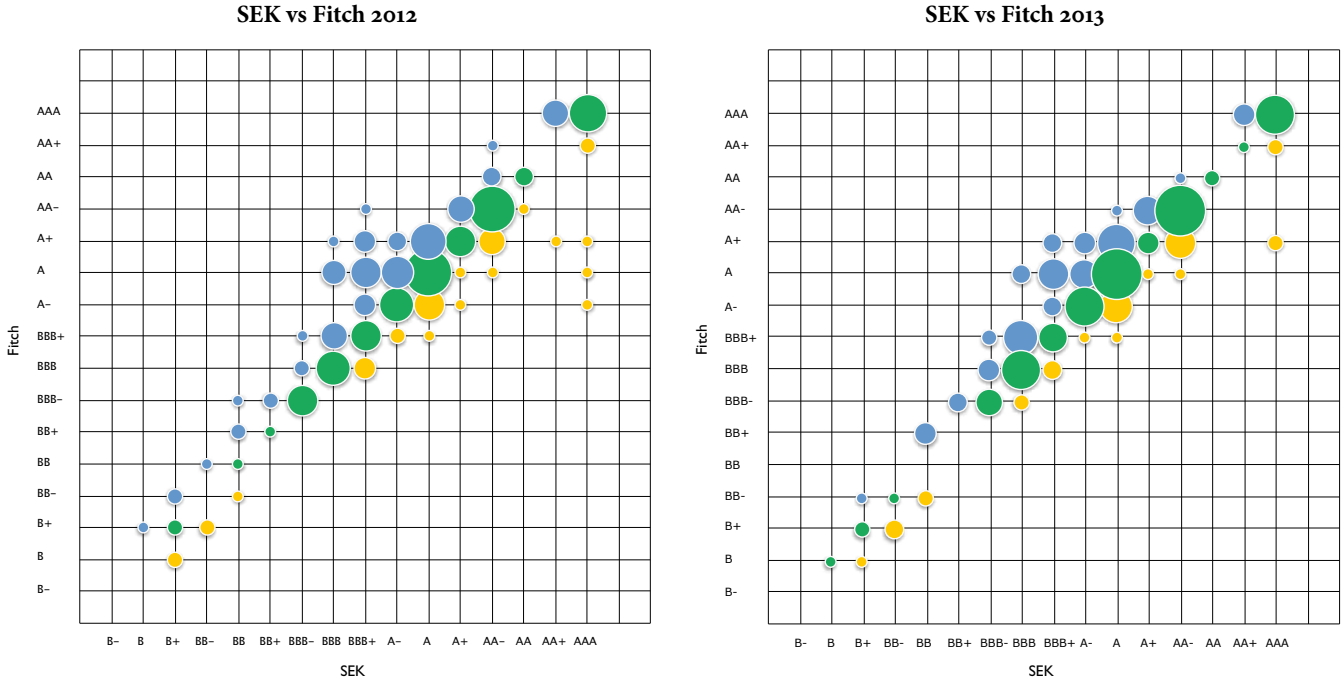


CHART 6.8: CORRELATION BETWEEN SEK'S INTERNAL RATINGS-BASED APPROACH AND FITCH'S AT THE END OF 2012 AND 2013, RESPECTIVELY



6.5 INFORMATION ABOUT THE CREDIT PORTFOLIO

In 2013, the level of risk in SEK's total net exposures, defined as the average risk weight, increased marginally and the total volume of risk-weighted amount (RWA) increased slightly. There have been minor changes in the composition of SEK's total net exposures. As in the previous year, in 2013 the percentage of exposures to corporates increased, while exposures to financial institutions declined. The main reason for the reduction in exposures to financial institutions was the decrease in exposures to derivatives during the year.

The table 6.11 shows a breakdown, by exposure class, of SEK's total exposures related to interest-bearing securities, outstanding lending and committed undisbursed credits (including guarantees and credit default swaps), as well as derivatives.

TABLE 6.11: TOTAL NET EXPOSURES AS OF DECEMBER 31, 2013 (AND 2012)

Skr bn	Total				Credits & Interest-bearing securitites				Undisbursed credits, Derivatives, etc			
Classified by exposure class	**Amount**		**%**		**Amount**		**%**		**Amount**		**%**	
Central Governments	14.9	(9.8)	4	(3)	14.7	(9.0)	5	(3)	0.2	(0.8)	0	(1)
Government export credit agencies	160.0	(162.0)	47	(47)	107.1	(107.0)	38	(39)	52.9	(55.0)	86	(78)
Regional governments	19.8	(23.6)	6	(7)	19.8	(23.4)	7	(8)	–	(0.2)	–	(0)
Multilateral development banks	0.8	(0.4)	0	(0)	0.6	(0.4)	0	(0)	0.2	(–)	0	(–)
Financial institutions	67.5	(77.2)	20	(22)	61.1	(66.3)	22	(24)	6.4	(10.9)	11	(16)
Securitization positions	7.8	(10.0)	2	(3)	7.8	(10.0)	3	(4)	–	(–)	–	(–)
Corporates	73.3	(63.6)	21	(18)	71.8	(60.1)	25	(22)	1.5	(3.5)	3	(5)
Total	**344.1**	**(346.6)**	**100**	**(100)**	**282.9**	**(276.2)**	**100**	**(100)**	**61.2**	**(70.4)**	**100**	**(100)**

The following applies to all the tables presented in this section 6.5:

i. The amount for gross exposure is reported before taking into account credit-risk protection (guarantees and credit derivatives) while net exposures are reported after taking into account guarantees and credit derivatives.
ii. exposure amounts (gross and net amounts) are reported on the basis of volumes without regard to conversion factors. The conversion factor describes that portion of an off-balance sheet commitment that must be risk-weighted and covered by capital according to the regulations.

6.5.1 EXPOSURES BY EXPOSURE CLASS

Table 6.12 shows the allocation of credit exposures to different exposure classes. The table illustrates that exposures to central governments and government export credit agencies correspond to approximately 51 percent (2012: 50 percent) of SEK's total net exposures.

TABLE 6.12: CREDIT-RISK EXPOSURES, AS OF DECEMBER 31, 2013 (AND 2012)

Skr bn	Gross exposure December 31, 2013		Share		Average gross exposure 2013[1]		Net exposure December 31, 2013		Share		Average net exposure 2013[1]	
Central governments	48.8	(42.7)	14%	(12%)	47.1	(31.6)	14.9	(9.8)	4%	(3%)	13.7	(10.9)
Government export credit agencies	0.2	(2.9)	0%	(1%)	1.6	(1.1)	160.0	(162.0)	47%	(47%)	165.8	(148.8)
Regional governments	13.2	(16.3)	4%	(5%)	11.4	(17.1)	19.8	(23.6)	6%	(7%)	18.3	(24.7)
Multilateral development banks	0.1	(0.0)	0%	(0%)	0.0	(0.6)	0.8	(0.4)	0%	(0%)	0.6	(1.0)
Financial institutions	58.8	(70.6)	17%	(20%)	63.0	(76.2)	67.5	(77.2)	20%	(22%)	70.6	(83.9)
Corporates	215.2	(204.1)	63%	(59%)	212.0	(200.9)	73.3	(63.6)	21%	(18%)	66.1	(58.6)
Securitization positions	7.8	(10.0)	2%	(3%)	8.7	(12.4)	7.8	(10.0)	2%	(3%)	8.7	(12.0)
Total	**344.1**	**(346.6)**	**100%**	**(100%)**	**343.8**	**(339.9)**	**344.1**	**(346.6)**	**100%**	**(100%)**	**343.8**	**(339.1)**

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

6.5.2 EXPOSURES BY RISK CLASS

Charts 6.9 and table 6.13 show the net exposures to financial institutions and corporates by risk class (rating) and the probability of default (PD) as of December 31, 2013. The capital requirement calculations for exposures in these risk classes are based on the stated PD estimates based on the IRB approach, as shown in table 6.13. For other exposure classes, the capital requirement calculations are established by the supervisory authority (standardized approach).

Note that the PD estimates shown in table 6.13 are the company's internal estimates. Regulation FFFS 2007:1 stipulates that for exposures to institutions and corporate exposures, the PD must be at least 0.03 percent (the "floor rule"). SEK uses this floor rule in connection with its formal capital requirement calculations.

CHART 6.9: NET EXPOSURES BY RISK CLASS

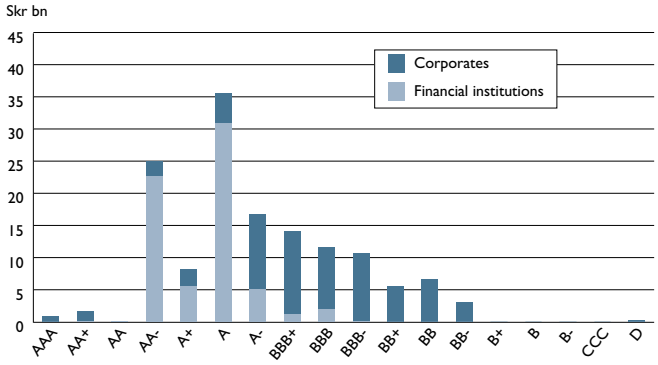


TABLE 6.13: NET EXPOSURES BY RATING AND PD AS OF DECEMBER 31, 2013 (AND 2012)

Skr bn Rating	PD		Financial institutions		Corporates	
AAA	0.02%	(0.02%)	–	(0.9)	0.9	(0.9)
AA+	0.02%	(0.02%)	0.1	(1.1)	1.6	(1.2)
AA	0.04%	(0.04%)	0.1	(3.8)	–	(–)
AA–	0.05%	(0.05%)	22.6	(22.4)	2.4	(0.6)
A+	0.07%	(0.07%)	5.5	(11.1)	2.7	(4.6)
A	0.10%	(0.10%)	30.9	(24.1)	4.7	(3.3)
A–	0.15%	(0.15%)	5.1	(8.9)	11.6	(9.6)
BBB+	0.21%	(0.21%)	1.1	(2.4)	13.0	(12.0)
BBB	0.31%	(0.31%)	2.0	(2.1)	9.6	(10.3)
BBB–	0.44%	(0.44%)	0.1	(0.2)	10.6	(7.5)
BB+	0.79%	(0.79%)	0.0	(0.2)	5.5	(6.0)
BB	1.03%	(1.03%)	–	(–)	6.6	(4.4)
BB–	1.56%	(1.56%)	–	(–)	3.1	(2.4)
B+	2.91%	(2.91%)	–	(–)	0.1	(0.1)
B	6.44%	(6.44%)	–	(–)	0.0	(0.2)
B–	10.05%	(10.05%)	–	(–)	–	(–)
CCC	28.98%	(28.98%)	–	(–)	–	(0.1)
D	100%	(100%)	–	(–)	0.2	(0.0)
Total			**67.5**	**(77.2)**	**72.6**	**(63.2)**

Table 6.14 illustrates the exposure at default (EAD), the portion of the exposure that will be lost in the event of a default (LGD) and the probability of default or cancellation of payments by a counterparty (PD) for the exposure classes where PD is estimated internally.

TABLE 6.14: EAD, AVERAGE PD, LGD AND RISK WEIGHT BY PD GRADE AS OF DECEMBER 31, 2013 (AND 2012)

Skr mn	AAA 0,02%		AA+ to A– 0,02–0,15%		BBB+ to BBB– 0,21–0,44%		BB+ to B– 0,79–10,05%		CCC to D 28,98–100%	
Financial institutions										
EAD	–	(899)	64,017	(70,969)	3,334	(4,678)	1	(243)	–	(–)
Average PD in %	–	(0.02)	0.09	(0.08)	0.28	(0.27)	0.79	(0.79)	–	(–)
Average LGD in %	–	(45.0)	41.9	(42.2)	45.0	(45.0)	45.0	(45.0)	–	(–)
Average risk weight in %	–	(15.3)	24.3	(23.8)	52.9	(50.7)	89.4	(89.4)	–	(–)
Corporates										
EAD	888	(898)	22,408	(19,062)	32,789	(29,482)	14,921	(12,344)	222	(191)
Average PD in %	0.02	(0.02)	0.11	(0.11)	0.31	(0.30)	1.08	(1.09)	33.2	(33.8)
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 %	15.3	(15.3)	33.6	(33.9)	58.3	(57.8)	98.9	(98.2)	238.8	(235.8)

6.5.3 EXPOSURES BY REGION

Tables 6.15 and 6.16 illustrate SEK's gross and net exposures as of December 31, 2013 (and 2012) by region. In the tables showing the geographic distribution of exposures, North America excludes Central America.

TABLE 6.15: GROSS EXPOSURE BY EXPOSURE CLASS AND REGION

Skr bn	Middle East/ Africa		Asia excl. Japan		Japan		North America		Oceania		Latin America		Sweden		West European countries excl. Sweden		Central– East European countries		Total	
Central governments	1.5	(0.9)	6.4	(6.9)	–	(–)	–	(–)	–	(–)	30.1	(30.2)	8.5	(3.9)	2.3	(0.8)	0.0	(0.0)	48.8	(42.7)
Government export credit agencies	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	0.2	(2.9)	–	(–)	0.2	(2.9)
Regional governments	0.6	(0.6)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	10.1	(9.9)	2.5	(5.8)	–	(–)	13.2	(16.3)
Multilateral development banks	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	0.1	(0.0)	–	(–)	0.1	(0.0)
Financial institutions	0.9	(0.5)	0.8	(0.6)	2.7	(0.3)	5.2	(9.1)	3.8	(8.8)	0.2	(–)	19.2	(18.6)	25.6	(32.2)	0.4	(0.5)	58.8	(70.6)
Corporates	13.4	(8.2)	24.4	(28.6)	7.7	(11.2)	23.0	(18.4)	0.6	(0.6)	12.9	(13.4)	75.6	(71.1)	44.4	(37.9)	13.2	(14.7)	215.2	(204.1)
Securitization positions	–	(–)	–	(–)	–	(–)	1.8	(2.6)	1.7	(2.5)	–	(–)	–	(–)	4.3	(4.9)	–	(–)	7.8	(10.0)
Total	**16.4**	**(10.2)**	**31.6**	**(36.1)**	**10.4**	**(11.5)**	**30.0**	**(30.1)**	**6.1**	**(11.9)**	**43.2**	**(43.6)**	**113.4**	**(103.5)**	**79.4**	**(84.5)**	**13.6**	**(15.2)**	**344.1**	**(346.6)**

TABLE 6.16: NET EXPOSURE BY EXPOSURE CLASS AND REGION

Skr bn	Middle East/ Africa		Asia excl. Japan		Japan		North America		Oceania		Latin America		Sweden		West European countries excl. Sweden		Central– East European countries		Total	
IRB method																				
Financial institutions	1.3	(–)	0.9	(0.7)	3.0	(0.3)	5.5	(11.9)	3.8	(8.8)	0.2	(–)	14.5	(13.6)	37.9	(41.4)	0.4	(0.5)	67.5	(77.2)
Corporates	1.2	(1.0)	1.2	(1.4)	1.8	(2.0)	3.7	(1.9)	0.1	(0.1)	3.6	(3.5)	47.0	(40.5)	13.6	(12.5)	0.4	(0.4)	72.6	(63.2)
Securitization positions	–	(–)	–	(–)	–	(–)	1.8	(2.6)	1.7	(2.5)	–	(–)	–	(–)	4.3	(4.9)	–	(–)	7.8	(10.0)
Standardized approach																				
Central governments	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	8.6	(4.2)	3.8	(2.6)	2.5	(3.0)	14.9	(9.8)
Government export credit agencies	–	(–)	0.8	(0.6)	–	(–)	4.5	(5.3)	–	(–)	–	(–)	136.6	(140.3)	18.1	(15.8)	–	(–)	160.0	(162.0)
Regional governments	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	17.0	(17.5)	2.8	(6.1)	–	(–)	19.8	(23.6)
Multilateral development banks	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	0.8	(0.4)	–	(–)	0.8	(0.4)
Corporates	0.1	(–)	0.3	(0.2)	–	(–)	–	(–)	–	(–)	0.3	(–)	0.0	(0.1)	0.0	(–)	–	(–)	0.7	(0.4)
Total	**2.6**	**(1.0)**	**3.2**	**(2.9)**	**4.8**	**(2.3)**	**15.5**	**(21.7)**	**5.6**	**(11.4)**	**4.1**	**(3.5)**	**223.7**	**(216.2)**	**81.3**	**(83.7)**	**3.3**	**(3.9)**	**344.1**	**(346.6)**

Table 6.17 and 6.18 illustrate SEK's gross and net exposures as of December 31, 2013 (and 2012) by European countries, excluding Sweden.

TABLE 6.17: GROSS EXPOSURES BY EUROPEAN COUNTRIES, EXCLUDING SWEDEN, AND EXPOSURE CLASS

Skr bn	Central governments		Government export credit agencies		Regional governments		Multilateral development banks		Financial institutions		Corporates		Securitization positions		Total	
Spain	–	(–)	–	(–)	–	(–)	–	(–)	0.3	(0.1)	13.4	(8.4)	0.9	(1.0)	14.6	(9.5)
The Netherlands	–	(–)	–	(–)	–	(–)	–	(–)	7.7	(8.7)	4.2	(1.8)	0.3	(0.7)	12.2	(11.2)
Finland	–	(–)	–	(0.0)	0.7	(0.9)	–	(–)	0.5	(1.9)	10.1	(9.2)	–	(–)	11.3	(12.0)
United Kingdom	–	(–)	–	(–)	–	(–)	–	(–)	4.8	(6.0)	5.6	(5.7)	0.5	(0.6)	10.9	(12.3)
Russia	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	10.0	(10.7)	–	(–)	10.0	(10.7)
Denmark	–	(0.8)	–	(–)	0.7	(0.6)	–	(–)	3.1	(4.7)	2.1	(2.2)	–	(–)	5.9	(8.3)
Norway	–	(–)	–	(–)	–	(–)	–	(–)	3.9	(3.5)	1.0	(1.0)	–	(–)	4.9	(4.5)
France	0.7	(–)	–	(–)	–	(–)	–	(–)	2.7	(3.7)	1.5	(1.7)	–	(–)	4.9	(5.4)
Ireland	–	(–)	–	(–)	–	(–)	–	(–)	0.4	(0.6)	1.6	(1.8)	2.5	(2.5)	4.5	(4.9)
Poland	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	2.5	(3.0)	–	(–)	2.5	(3.0)
Italy	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	2.2	(2.9)	–	(–)	2.2	(2.9)
Germany	0.1	(–)	–	(1.0)	1.1	(4.3)	–	(–)	0.3	(1.6)	0.3	(0.2)	–	(–)	1.8	(7.1)
Luxembourg	1.5	(–)	–	(1.7)	–	(–)	0.1	(0.0)	0.0	(0.1)	0.2	(0.5)	–	(–)	1.8	(2.3)
Switzerland	–	(–)	–	(–)	–	(–)	–	(–)	1.1	(–)	0.3	(–)	–	(–)	1.4	(–)
Iceland	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	1.0	(1.0)	–	(–)	1.0	(1.0)
Austria	–	(–)	0.2	(0.2)	–	(–)	–	(–)	0.6	(1.3)	0.0	(0.0)	–	(–)	0.8	(1.5)
Latvia	0.0	(0.0)	–	(–)	–	(–)	–	(–)	0.2	(0.2)	0.4	(0.4)	–	(–)	0.6	(0.6)
Portugal	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	0.3	(0.4)	0.1	(0.1)	0.4	(0.5)
Cyprus	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	0.4	(0.4)	–	(–)	0.4	(0.4)
Greece	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	0.1	(0.1)	–	(–)	0.1	(0.1)
Other countries	0.0	(0.0)	–	(–)	–	(–)	–	(–)	0.4	(0.3)	0.4	(1.2)	–	(–)	0.8	(1.5)
Total	**2.3**	**(0.8)**	**0.2**	**(2.9)**	**2.5**	**(5.8)**	**0.1**	**(0.0)**	**26.0**	**(32.7)**	**57.6**	**(52.6)**	**4.3**	**(4.9)**	**93.0**	**(99.7)**

TABLE 6.18: NET EXPOSURE BY EUROPEAN COUNTRIES, EXCLUDING SWEDEN, AND EXPOSURE CLASS

Skr bn	Central governments		Government export credit agencies		Regional governments		Multilateral development banks		Financial institutions		Corporates		Securitization positions		Total	
France	0.7	(–)	9.3	(2.9)	–	(–)	–	(–)	6.2	(4.1)	–	(–)	–	(–)	16.2	(7.0)
United Kingdom	–	(–)	2.2	(3.1)	–	(–)	–	(–)	8.6	(10.8)	1.9	(1.1)	0.5	(0.6)	13.2	(15.6)
The Netherlands	–	(–)	–	(–)	–	(–)	–	(–)	7.7	(8.0)	0.9	(0.8)	0.3	(0.7)	8.9	(9.5)
Finland	0.6	(0.7)	1.0	(1.1)	0.9	(1.1)	–	(–)	1.2	(2.6)	5.2	(4.3)	–	(–)	8.9	(9.8)
Germany	–	(–)	4.3	(5.5)	1.3	(4.4)	–	(–)	1.6	(2.9)	1.4	(1.0)	–	(–)	8.6	(13.8)
Denmark	–	(0.8)	0.2	(0.2)	0.6	(0.6)	–	(–)	4.9	(6.2)	1.8	(1.6)	–	(–)	7.5	(9.4)
Norway	–	(–)	0.6	(0.6)	–	(–)	–	(–)	5.2	(4.8)	0.1	(0.1)	–	(–)	5.9	(5.5)
Ireland	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	0.4	(0.4)	2.5	(2.5)	2.9	(2.9)
Poland	2.5	(3.0)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	2.5	(3.0)
Luxembourg	1.5	(–)	0.0	(1.8)	–	(–)	0.8	(0.4)	0.0	(0.0)	0.2	(0.5)	–	(–)	2.5	(2.7)
Spain	–	(–)	–	(–)	–	(–)	–	(–)	0.2	(0.3)	1.1	(1.8)	0.9	(1.0)	2.2	(3.1)
Switzerland	–	(–)	–	(0.0)	–	(–)	–	(–)	1.5	(0.4)	0.2	(–)	–	(–)	1.7	(0.4)
Austria	0.2	(0.2)	–	(–)	–	(–)	–	(–)	0.7	(1.3)	–	(–)	–	(–)	0.9	(1.5)
Iceland	0.5	(0.5)	–	(–)	–	(–)	–	(–)	–	(–)	0.2	(0.2)	–	(–)	0.7	(0.7)
Italy	–	(–)	0.5	(0.6)	–	(–)	–	(–)	–	(–)	0.0	(0.1)	–	(–)	0.5	(0.7)
Portugal	0.3	(0.3)	–	(–)	–	(–)	–	(–)	–	(–)	–	(0.0)	0.1	(0.1)	0.4	(0.4)
Belgium	–	(–)	–	(–)	–	(–)	–	(–)	0.1	(0.0)	0.2	(0.3)	–	(–)	0.3	(0.3)
Greece	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)
Other countries	0.0	(0.0)	–	(–)	–	(–)	–	(–)	0.4	(0.5)	0.4	(0.7)	–	(–)	0.8	(0.6)
Total	**6.3**	**(5.6)**	**18.1**	**(15.8)**	**2.8**	**(6.1)**	**0.8**	**(0.4)**	**38.3**	**(41.9)**	**14.0**	**(12.9)**	**4.3**	**(4.9)**	**84.6**	**(87.6)**

6.5.4 EXPOSURES BY REMAINING MATURITY

Table 6.19 and 6.20 below show SEK's exposures in maturity buckets, both gross and net, as of December 31, 2013 (and 2012). The average maturity for SEK's exposures including binding offers was 5.8 years, and excluding binding offers 3.9 years as of December 31, 2013.

TABLE 6.19: GROSS EXPOSURE BY EXPOSURE CLASS AND MATURITY (M)

Skr bn	M≤ 1 year		1 year<M ≤ 3 years		3 years <M ≤ 5 years		M> 5 years		Total	
Central governments	9.4	(4.6)	1.7	(0.5)	0.1	(0.2)	37.6	(37.4)	48.8	(42.7)
Government export credit agencies	0.2	(2.7)	–	(0.2)	–	(–)	–	(–)	0.2	(2.9)
Regional governments	10.0	(12.1)	2.1	(2.7)	0.3	(0.7)	0.8	(0.8)	13.2	(16.3)
Multilateral development banks	0.1	(–)	0.0	(–)	–	(0.0)	–	(–)	0.1	(0.0)
Financial institutions	37.8	(46.5)	9.2	(9.8)	2.6	(2.2)	9.2	(12.1)	58.8	(70.6)
Corporates	28.2	(17.2)	46.1	(39.2)	56.0	(64.6)	84.9	(83.1)	215.2	(204.1)
Securitization positions	1.8	(1.3)	1.7	(3.0)	0.8	(1.5)	3.5	(4.2)	7.8	(10.0)
Total	**87.5**	**(84.4)**	**60.8**	**(55.4)**	**59.8**	**(69.2)**	**136.0**	**(137.6)**	**344.1**	**(346.6)**

TABLE 6.20: NET EXPOSURE BY EXPOSURE CLASS AND MATURITY (M)

Skr bn	M≤ 1 year		1 year<M ≤ 3 years		3 years <M ≤ 5 years		M> 5 years		Total	
IRB method										
Financial institutions	42.4	(47.8)	14.1	(16.5)	7.3	(8.1)	3.7	(4.8)	67.5	(77.2)
Corporates	17.6	(13.9)	18.2	(14.0)	20.1	(17.4)	16.6	(17.9)	72.6	(63.2)
Securitization positions	1.8	(1.3)	1.7	(3.0)	0.8	(1.5)	3.5	(4.2)	7.8	(10.0)
Standardized approach										
Central governments	9.4	(4.7)	2.2	(0.4)	0.5	(1.4)	2.8	(3.3)	14.9	(9.8)
Government export credit agencies	6.0	(4.2)	22.5	(18.7)	29.5	(39.3)	102.0	(99.8)	160.0	(162.0)
Regional governments	10.2	(12.5)	2.1	(2.8)	0.7	(1.0)	6.8	(7.3)	19.8	(23.6)
Multilateral development banks	0.1	(–)	0.0	(–)	0.7	(0.4)	–	(–)	0.8	(0.4)
Corporates	0.0	(0.0)	0.0	(0.0)	0.2	(0.1)	0.6	(0.3)	0.7	(0.4)
Total	**87.5**	**(84.4)**	**60.8**	**(55.4)**	**59.8**	**(69.2)**	**136.0**	**(137.6)**	**344.1**	**(346.6)**

6.5.5 EXPOSURES BY INDUSTRY

Table 6.21 below summarizes the distribution of SEK's exposures to corporates by industry as of December 31, 2013 (and 2012).

TABLE 6.21: CORPORATE EXPOSURE BY INDUSTRY (GICS)

Skr bn	Gross exposure		Net exposure	
IT and telecom	78.3	(75.3)	7.6	(6.8)
Industrials	37.4	(28.8)	18.3	(15.0)
Financials	29.0	(31.7)	13.5	(13.4)
Materials	28.9	(28.4)	11.1	(10.3)
Consumer goods	15.3	(14.8)	12.6	(10.3)
Utilities	14.2	(12.4)	6.1	(3.6)
Health Care	7.4	(7.3)	2.8	(2.8)
Energy	4.3	(4.9)	1.2	(1.4)
Other	0.4	(0.5)	0.1	(0.0)
Total	**215.2**	**(204.1)**	**73.3**	**(63.6)**

6.5.6 NUMBER OF EXPOSURES BY INDUSTRY AND RISK CLASS

Table 6.24 on page 34 describes SEK's credit portfolio by industry and internal rating. The values in the table, which are grouped by risk class, show the number of counterparties that are in each industry. (Note that this industry allocation is more detailed than the allocation that is reported in table 6.21 and that all exposure classes have been included.)

6.5.7 EXPOSURES BY BUSINESS SEGMENT

SEK has the following two segments: Corporate Lending and End-customer Finance. Corporate Lending concerns financing that SEK arranges directly to, or for the benefit of, Swedish export companies. End-customer Finance refers to financing that SEK arranges for buyers of Swedish goods and services. Table 6.22 and table 6.23 illustrate SEK's gross and net exposures as of December 31, 2013 by business segment and region. These tables contain only the company's loan portfolio, i.e. liquidity placements are not included in these tables as in the other tables in section 6.5. In the tables showing the geographic distribution of exposures, North America excludes Central America.

TABLE 6.22: GROSS EXPOSURES BY BUSINESS SEGMENT AND REGION

Skr bn	Middle East/ Africa	Asia excl. Japan	Japan	North America	Oceania	Latin America	Sweden	West European countries excl. Sweden	Central-East European countries	Total
End-customer Finance	14.8 (9.4)	29.8 (34.8)	7.2 (10.6)	21.8 (16.9)	0.5 (0.5)	37.8 (38.2)	11.7 (11.5)	28.1 (22.7)	12.9 (17.2)	164.6 (161.8)
Corporate Lending	1.0 (0.7)	1.0 (0.9)	0.5 (0.6)	0.3 (–)	– (0.1)	5.5 (5.4)	70.5 (67.1)	15.0 (14.8)	0.8 (1.0)	94.6 (90.6)
Total	**15.8 (10.1)**	**30.8 (35.7)**	**7.7 (11.2)**	**22.1 (16.9)**	**0.5 (0.6)**	**43.3 (43.6)**	**82.2 (78.6)**	**43.1 (37.5)**	**13.7 (18.2)**	**259.2 (252.4)**

TABLE 6.23: NET EXPOSURES BY BUSINESS SEGMENT AND REGION

Skr bn	Middle East/ Africa	Asia excl. Japan	Japan	North America	Oceania	Latin America	Sweden	West European countries excl. Sweden	Central-East European countries	Total
End-customer Finance	0.5 (0.3)	1.3 (1.5)	0.4 (0.3)	5.6 (5.6)	0.1 (–)	0.5 (0.4)	127.9 (129.7)	25.8 (20.4)	2.5 (3.6)	164.6 (161.8)
Corporate Lending	0.8 (0.6)	1.2 (1.1)	0.9 (0.6)	2.1 (1.6)	– (0.1)	3.6 (3.1)	65.8 (63.3)	19.4 (19.3)	0.8 (0.9)	94.6 (90.6)
Total	**1.3 (0.9)**	**2.5 (2.6)**	**1.3 (0.9)**	**7.7 (7.2)**	**0.1 (0.1)**	**4.1 (3.5)**	**193.7 (193.0)**	**45.2 (39.7)**	**3.3 (4.5)**	**259.2 (252.4)**

TABLE 6.24: NUMBER OF EXPOSURES BY INDUSTRY AND RISK CLASS

Number of exposures by industry and risk class	AAA	AA+' till 'AA-'	A+' till 'A-'	BBB+' till 'BBB-'	Below investment grade
Consumer goods					
Auto Parts & Equipment				1	3
Automobile Manufacturers			11	5	2
Consumer Electronics				2	
Household Appliances				2	
Household Products		1		1	1
Tobacco					1
Agricultural Products					1
Distributors				1	
Home Furnishings		2			1
Packaged Foods & Meats			1		
Publishing					1
Homefurnishing Retail		1			
Automotive Retail					1
Homebuilding			1		
Hypermarkets & Super Centers				1	
Food Distributors					1
Food Retail				1	
Energy					
Coal & Consumable Fuels				1	
Oil & Gas Refining & Marketing				2	3
Oil & Gas Exploration & Production				1	1
Financials					
Asset Management & Custody Banks		1	6	2	
Consumer Finance				1	
Diversified Banks	5	32	50	25	3
Diversified Capital Markets		1	7	1	
Investment Banking & Brokerage			10	12	2
Multi-Sector Holdings			2	1	
Other Diversified Financial Services	1		7	10	2
Property & Casualty Insurance	1[5]				
Regional Banks		2	8	6	
Specialized Finance	11[1]	7[2]	11[3]	9[4]	4
Thrifts & Mortgage Finance			8		
Real Estate Development		2			8
Real Estate Operating Companies				1	
Retail REITs		3			
Reinsurance		2	3	1	
Insurance Brokers			1		
Real Estate Management & Development	1	3			
Health care					
Health Care Distributors		1			
Health Care Equipment				5	
Health Care Facilities				2	
Pharmaceuticals			1		1
Health Care Services		1			
Industrials					
Aerospace & Defense			1		2
Air Freight & Logistics				1	
Building Products			1		2
Construction & Engineering			1	4	8
Construction & Farm Machinery & Heavy Trucks				6	
Environmental & Facilities Services					3
Heavy Electrical Equipment			4	1	
Highways & Railtracks			3		
Industrial Conglomerates		1	1	2	1
Industrial Machinery			8	7	3
Marine				1	2
Railroads	1			1	1
Security & Alarm Services				1	
Trucking				1	4
Airlines					1
Trading Companies & Distributors					1
Marine Ports & Services					1
IT and Telecom					
Communications Equipment			1	7	1
Electronic Equipment & Instruments				4	
Integrated Telecommunication Services			3	14	2
Wireless Telecommunication Services			1	15	9
Technology Distributors			1		
Materials					
Commodity Chemicals				2	
Construction Materials					3
Diversified Metals & Mining				4	2
Forest Products			1	1	4
Paper Packaging					3
Paper Products				4	9
Steel					6
Industrial Gases			1		
Sovereign and Municipalities					
Regional/Local Government	6	60	2	1	
Sovereign	14	14	3	18	14
Central Government Agency	3				
Utilities					
Independent Power Producers & Energy Traders				1	1
Electric Utilities		4	4	4	4
Multi-Utilities		1			
Grand Total	43	141	163	194	123

[1] of which 7 are government export credit agencies
[2] of which 2 are government export credit agencies
[3] of which 2 are government export credit agencies
[4] of which 1 are government export credit agencies
[5] of which 1 are government export credit agencies

6.6 COMPARISON OF EXPECTED LOSSES AND ACTUAL LOSSES (IRB)

SEK's estimated expected loss amount (EL), for non-defaulted exposures, as of December 31, 2013 totaled Skr 190.7 million, of which Skr 167.3 million was attributable to exposures to corporates and Skr 23.4 million was attributable to exposures to financial institutions. The time horizon of the expected loss amount is one year. However, the company basically has a low-default portfolio, which is why this amount does not constitute a reliable indicator of the company's actual credit losses for 2014.

The table below provides a comparison for the years 2008–2013, between the expected loss amount for non-defaulted exposures at the start of each year and the actual losses attributable to internally risk-classified exposures[8] that defaulted during that year. In this context, actual loss is defined as either the write-down or the realized loan loss, at the end of the year the exposure defaulted.

Four defaults occurred in the classes exposures to corporates and exposures to financial institutions during the years 2008–2013. Only two of these defaults resulted in actual losses and the sum of these losses totaled Skr 420 million, which can be compared with the sum of the expected loss amounts for these six years which totaled Skr 762 million. As the number of defaults for the period is small, it is not possible to draw any significant conclusions based on this in regard to the accuracy of the PD estimates.

TABLE 6.25: COMPARISON OF EXPECTED LOSSES AND ACTUAL LOSSES (IRB)

Skr mn	Corporates	Financial institutions	Total
2008			
Expected loss amount	37	25	62
Actual loss	–	389	389
2009			
Expected loss amount	64	46	110
Actual loss	31	–	31
2010			
Expected loss amount	89	51	140
Actual loss	–	–	–
2011			
Expected loss amount	97	46	143
Actual loss	–	–	–
2012			
Expected loss amount	111	36	147
Actual loss	–	–	–
2013			
Expected loss amount	133	27	160
Actual loss	–	–	–

The Basel II regulations have in many respects been written with a focus on portfolios with high or average expected probabilities of default. For such portfolios, statistical tests are applicable and significant. Despite SEK having access to statistics regarding defaults over a long period of time, it is not possible for SEK to apply traditional statistical tests in a meaningful manner. This is because the number of defaults in SEK's portfolio, consisting mainly of highly rated counterparties, will normally be too small to be validated by statistical methods. The regulations do not explicitly express how to handle portfolios of this kind.

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

6.7 WRITE-DOWNS AND PAST-DUE EXPOSURES

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

Credit losses for 2013 amounted to a net recovery of Skr 10.3 million (2012: Skr 13.7 million). Credit losses of financial assets amounted to Skr 68.2 million 2013 (2012: Skr 71.7 million). The credit losses includes a provision of Skr 10.0 million (2012: Skr 40.0 million) related to bad debts not linked to a specific counterparty. This results in the provision for bad debts not linked to a specific counterparty amounting to Skr 210.0 million (Year-end 2012: Skr 200.0 million). The provision for bad debts not linked to a specific counterparty relates to deterioration in credit quality related to assets not individually reserved for. SEK established the reserve according to a methodology based on both quantitative and qualitative analysis of all exposures accounted for at amortized cost.

TABLE 6.26: EXPOSURES WITH A NEED FOR WRITE-DOWN AND PAST-DUE EXPOSURES, BY EXPOSURE CLASS

Skr mn	Past-due exposures		Exposures with a need for write-down		Accumulated individual write-downs	
Government export credit agencies	15	(1,574)	–	(–)	–	(–)
Financial institutions	–	(–)	–	(–)	–	(–)
Corporates	–	(–)	219	(84)	95	(61)
Securitization positions	–	(–)	583	(594)	456	(451)
Total	**15**	**(1,574)**	**802**	**(678)**	**551**	**(512)**

TABLE 6.27: EXPOSURES WITH A NEED FOR WRITE-DOWN AND PAST-DUE EXPOSURES, BY REGION

Skr mn	Past-due exposures		Exposures with a need for write-down		Accumulated individual write-downs	
North America	–	(–)	583	(594)	456	(451)
Sweden	15	(1,574)	63	(67)	45	(44)
Central-East European countries	–	(–)	14	(17)	7	(17)
West European countries excl. Sweden	–	(–)	142	(–)	43	(–)
Total	**15**	**(1,574)**	**802**	**(678)**	**551**	**(512)**

TABLE 6.28: CHANGES IN WRITE-DOWNS IN 2013

Skr mn	
Opening balance January 1, 2013	721
Write-downs 2013	68
Established losses	3
Reversal of previous write-downs	–22
Closing balance December 31, 2013	**770**

[8] This does not cover position in securitization since an expected loss amount is not calculated for this exposure class.

6.7.1 LEHMAN BROTHERS

On April 11, 2012, the Swiss company Lehman Brothers Finance AG. (in liquidation, with PricewaterhouseCoopers as appointed liquidators) ('LBF') filed a lawsuit against SEK in the Stockholm District Court. LBF claims that SEK miscalculated the termination payment that was due to LBF when certain derivative transactions were terminated following the September 2008 bankruptcy of LBF's parent company, Lehman Brothers Holding Inc. LBF also claims that SEK was late in paying the amount that SEK calculated as being due. In its lawsuit, LBF is seeking a payment of approximately USD 87 million including purported default interest. SEK has filed responses denying that any amounts are due. A hearing at the Stockholm District Court for the litigation is scheduled to be held in March 2014. SEK believes that LBF's claims are without merit and intends to vigorously defend its position.

SEK does not believe it will suffer any significant losses related to the bankruptcy of Lehman Brothers, including as a result of the current lawsuit. However, no guarantees on the outcome of SEK's dispute with LBF can be given.

6.8 CREDIT-RISK MITIGATION METHODS

SEK seeks to limit credit risk by the methodical risk-based selection of counterparties. Moreover, counterparty credit risk is managed, inter alia, by the use of guarantees supporting counterparty obligations as well as through the purchase of credit protection in the form of credit default swaps ("CDS"). By purchasing protection under a CDS, SEK seeks to protect itself against certain events (referred to as "credit events") affecting the credit quality of the counterparty in question (for purposes of a CDS, referred to as the "reference entity").

A CDS provides the buyer with the right, under certain circumstances (such as the default or insolvency of the underlying reference entity) to exchange its claims against the reference entity for a pre-agreed value paid by the seller. Stated in general terms, the buyer of protection under a CDS may exchange credit exposure to the reference entity for a combination of derivatives transaction exposure (see section 6.9) towards the financial institution selling protection under the CDS, and residual exposure to the reference entity of the CDS.

As described in more detail in section 6.9, SEK documents any derivatives transaction, including any CDS, through an ISDA Master Agreement supported by either a Credit Support Annex or a recouponing/repricing arrangement (both herein referred to as "CSA"). Under these credit support arrangements, the potential net exposure of SEK to the CDS protection seller (and vice versa) is valued typically on a daily basis across all transactions under the agreement, and, where this potential net exposure exceeds pre-agreed levels, credit support is transferred or swaps are re-priced to manage the exposure.

The market value of a CDS is a function, among other things, of the creditworthiness of the underlying reference entity. As a result, the changes in value to SEK of a CDS in which SEK is the protection buyer will, all other things being equal, be inversely proportional with the changes in the creditworthiness of the underlying reference entity. SEK therefore views this risk mitigation technique as being particularly efficient from a real risk management perspective. For further information on SEK's use of CDSs, see section 6.8.2.

6.8.1 GUARANTEES

SEK relies to a large extent on guarantees in its lending. The guarantors are principally made up of government export credit agencies, such as the Swedish EKN, the Export Import Bank of the United States ("USEXIM"), the Exports Credits Guarantee Department of the United Kingdom ("ECGD"), the Compagnie Financière pour la Commerce Exterieure ("Coface") of France and Euler Hermes Kreditversicherungs AG of Germany, as well as financial institutions and, to a lesser extent, non-financial corporations. Credit risk is allocated to a guarantor according to SEK's policy and therefore, when disclosing credit risk net exposures, the majority of SEK's guaranteed credit exposure is shown as exposure to sovereign counterparties. As of December 31, 2013, government export credit agencies guaranteed a total of Skr 160.0 billion (year-end 2012: Skr 159.4 billion), which was equivalent to 46.5 percent (year-end 2012: 46 percent) of total credit exposures. Skr 120.0 billion (year-end 2012: Skr 116.3 billion) covered corporate exposures, Skr 1.5 billion (year-end 2012: Skr 4.7 billion) covered exposures to financial institutions, and Skr 37.9 billion (year-end 2012: Skr 37.9 billion) covered government exposures. See also table 6.30 in section 6.8.2.

TABLE 6.29: CREDIT EXPOSURES GUARANTEED BY GOVERNMENT EXPORT CREDIT AGENCIES AS OF DECEMBER 31, 2013 (AND 2012)

Skr bn	Guaranteed exposure		Share	
The Swedish Export Credits Guarantee Board	136.6	(140.3)	85%	(88%)
Compagnie Française d'Assurance pour le Commerce Extérieur (COFACE)	9.3	(2.9)	6%	(2%)
Export-Import Bank of the United States	4.5	(5.3)	3%	(3%)
Euler Hermes Kreditversicherungs AG	4.3	(4.6)	3%	(3%)
UK Export Finance	2.2	(3.1)	1%	(2%)
Other	3.1	(3.2)	2%	(2%)
Total	**160.0**	**(159.4)**	**100%**	**(100%)**

6.8.2 CREDIT DERIVATIVE TRANSACTIONS

At year-end 2013, SEK had purchased CDS-protection (described in table 6.30) in respect of claims (assets) totalling Skr 9.4. billion (year-end 2012: Skr 11.6 billion). CDS protection was purchased from 17 (year-end 2012: 18) different financial institutions. Of these, Skr 9.4 billion (year-end 2012: Skr 11.6 billion) covered exposures to corporates.

As described in more detail in section 6.9, SEK has ISDA Master Agreements and CSA arrangements in place with CDS protection sellers. As also described in section 6.9, if the net in-the-money value to SEK of its derivatives transactions (including CDSs) with a given counterparty exceeds a certain pre-agreed level, the CSAs oblige the individual protection seller to either transfer collateral to SEK or enter into a recouponing transaction which has the same economic effect. All SEK's CDSs are entered into under ISDA Master Agreements supported by a CSA.

During 2013 SEK has not acted as seller of protection. At year-end 2013, the notional amount of CDSs in respect of which SEK acted as seller of protection was Skr 0.0 billion (year-end 2012: Skr 0.0 billion).

CHART 6.10: BREAKDOWN OF CDS-PROTECTED EXPOSURES BY THE CDS-PROTECTION SELLERS' RISK CLASS AS A PERCENTAGE OF THE TOTAL CDS-PROTECTED EXPOSURE AS OF DECEMBER 31, 2013

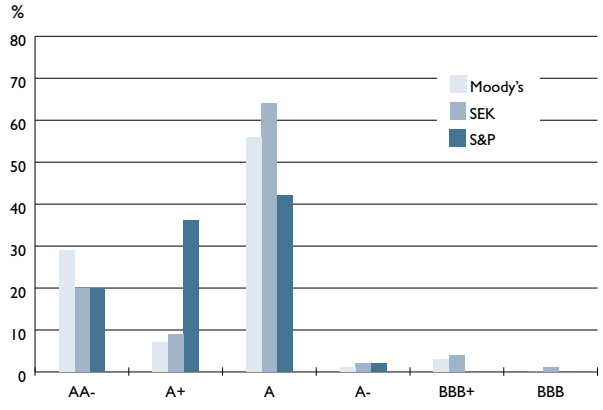
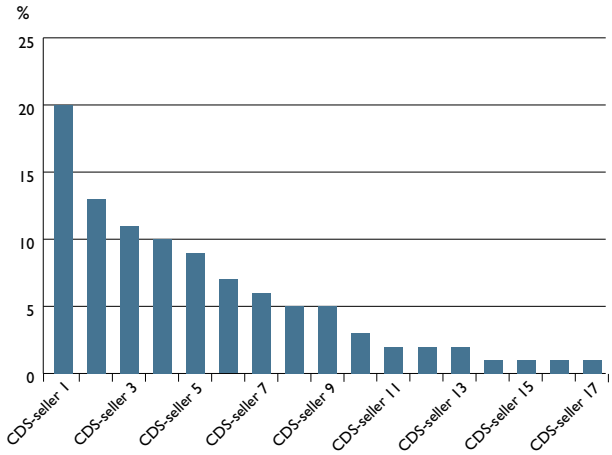


CHART 6.11: ALL SEK'S CDS-COUNTERPARTIES AND THEIR PERCENTAGE OF TOTAL PROTECTED AMOUNTS AS OF DECEMBER 31, 2013



The table below shows SEK's exposures mitigated by guarantees or CDS contracts, by exposure class as of December 31, 2013.

TABLE 6.30: EXPOSURES MITIGATED BY GUARANTEES OR CREDIT DERIVATIVES, BY EXPOSURE CLASS

Skr bn Exposure Class before mitigation	Type of mitigation	Institutions		Corporates		Local governments		Multilateral development banks		Central governments and central banks		Export credit agencies		Total	
Institutions	Guarantee	0.9	(0.3)	0.8	(0.4)	6.9	(7.2)	–	(–)	–	(–)	1.5	(4.7)	10.1	(12.6)
Corporates	CDS	9.4	(11.6)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	9.4	(11.6)
Corporates	Guarantee	8.5	(7.5)	6.0	(4.9)	0.2	(0.5)	0.7	(0.4)	4.0	(4.7)	120.0	(116.3)	139.4	(134.3)
Local governments	Guarantee	–	(–)	0.1	(0.0)	0.0	(0.0)	–	(–)	–	(–)	0.6	(0.5)	0.7	(0.5)
Central governments and central banks	Guarantee	0.1	(0.0)	–	(–)	0.1	(–)	–	(–)	–	(–)	37.9	(37.9)	38.1	(37.9)
Export credit agencies	Guarantee	–	(–)	–	(–)	–	(0.1)	–	(–)	0.2	(0.2)	–	(–)	0.2	(0.3)
Total		**18.9**	**(19.4)**	**6.9**	**(5.3)**	**7.2**	**(7.8)**	**0.7**	**(0.4)**	**4.2**	**(4.9)**	**160.0**	**(159.4)**	**197.9**	**(197.2)**

6.8.3 COLLATERAL

SEK relies on various types of collateral in order to reduce and reallocate credit risks. Approved collateral under the ISDA Credit Support Annex consists of cash. Any collateral that SEK is entitled to receive must be managed and documented in a manner such that the collateral fulfills its function and can be used in the intended manner when needed. When a credit decision is made, the creditor's assessed creditworthiness and ability to repay, as well as, where applicable, the value of collateral, is taken into account. The credit decision may be made on the condition that certain collateral is provided.

6.8.4 RISK MITIGATION THROUGH INSURANCE COMPANIES

In January 2012 the Swedish Financial Supervisory Authority granted SEK permission to begin using the foundation internal ratings-based approach to calculate capital requirements for risk-weighted exposures to insurance companies. In 2013, three insurance companies were assigned an internal rating and limit. During the year SEK carried out two transactions in which risk mitigation via a private insurance company was used. At the end of 2013 Skr 0.3 billion (–) of SEK's assets were hedged through risk mitigation via insurance companies. Risk mitigation via insurance companies enables SEK to handle larger volumes of credit.

6.8.5 CREDIT EXPOSURES TO EUROPEAN COUNTRIES BY RISK MITIGATION METHOD

In light of the ongoing European sovereign debt crisis, the tables below aim to describe SEK's exposures to European countries. The effects of the crisis are observed and analyzed using scenario analyses as part of the internal capital adequacy assessment (ICAAP). In order to avoid refinancing risk, it is SEK's policy that for all credit commitments – outstanding credits as well as agreed, but undisbursed credits – there must be funding available through maturity. 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. SEK ensures that it does not purchase credit derivatives (CDSs) with shorter maturities than the assets whose risk the credit derivatives are intended to mitigate.

The first column of the risk mitigation tables shows gross exposures, i.e. exposures excluding guarantees and credit risk derivatives, for respective countries. The next two columns show decrease due to risk mitigation, in the form of guarantees and credit risk derivatives. A decrease due to risk mitigation results in a decrease in the exposure in the respective country as the original gross exposure is transferred to another country by means of risk mitigation. An increase due to risk mitigation means that an exposure, in the form of guarantees and credit risk derivatives, increases in the respective country as a result of including credit protection that is not reflected in the gross exposure. An increase due to risk mitigation results in increased exposure to the respective country. Figures in the column for net exposures, i.e. exposures after including guarantees and credit risk derivatives, are the sum of gross exposure, the decrease due to risk mitigation and the increase due to risk mitigation, for the respective country.

TABLE 6.31: GROSS AND NET EXPOSURES TO EUROPEAN COUNTRIES, EXCLUDING NORDIC COUNTRIES, BY RISK MITIGATION METHOD, AS OF DECEMBER 31, 2013 (AND 2012)

	Gross exposure		Outgoing risk mitigation				Additional risk mitigation				Net exposure	
Skr bn			Guarantee		CDS		Guarantee		CDS			
United Kingdom												
Sovereign	–	(–)	–	(–)	–	(–)	2.2	(3.1)	–	(–)	2.2	(3.1)
Non-sovereign	10.9	(12.3)	–2.9	(–3.5)	–0.6	(–1.1)	1.2	(1.0)	2.4	(3.8)	11.0	(12.5)
France												
Sovereign	0.7	(–)	–	(–)	–	(–)	9.3	(2.9)	–	(0.0)	10.0	(2.9)
Non-sovereign	4.2	(5.4)	–1.8	(–3.9)	–	(–)	0.9	(0.4)	2.9	(2.2)	6.2	(4.1)
Germany												
Sovereign	1.2	(5.4)	–	(–)	–	(–)	4.4	(4.5)	–	(0.0)	5.6	(9.9)
Non-sovereign	0.6	(1.7)	0.0	(–)	–	(–)	1.5	(1.1)	0.9	(1.1)	3.0	(3.9)
The Netherlands												
Sovereign	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)
Non-sovereign	12.2	(11.2)	–3.2	(–1.6)	–0.3	(–0.3)	0.2	(0.2)	–	(–)	8.9	(9.5)
Ireland												
Sovereign	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)
Non-sovereign	4.5	(4.9)	–1.6	(–1.4)	–	(–0.6)	–	(–)	–	(–)	2.9	(2.9)
Spain												
Sovereign	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)
Non-sovereign	14.6	(9.5)	–12.4	(–6.6)	–	(–)	0.0	(0.1)	–	(0.1)	2.2	(3.1)
Poland												
Sovereign	–	(–)	–	(–)	–	(–)	2.5	(3.0)	–	(–)	2.5	(3.0)
Non-sovereign	2.5	(3.0)	–2.5	(–3.0)	–	(–)	–	(–)	–	(–)	–	(–)
Switzerland												
Sovereign	–	(–)	–	(–)	–	(–)	–	(0.4)	–	(–)	–	(0.4)
Non-sovereign	1.4	(–)	–0.3	(–)	–	(–)	0.6	(0.0)	–	(–)	1.7	(0.0)
Italy												
Sovereign	–	(–)	–	(–)	–	(–)	0.5	(0.6)	–	(–)	0.5	(0.6)
Non-sovereign	2.2	(2.9)	–2.2	(–2.9)	–	(–)	–	(0.1)	–	(–)	0.0	(0.1)
Portugal												
Sovereign	–	(–)	–	(–)	–	(–)	0.3	(0.4)	–	(–)	0.3	(0.4)
Non-sovereign	0.4	(0.5)	–0.3	(–0.4)	–	(–)	–	(–)	–	(–)	0.1	(0.1)
Russia												
Sovereign	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)
Non-sovereign	10.0	(10.7)	–9.9	(–10.7)	–	(–)	–	(–)	–	(–)	0.1	(0.0)
Greece												
Sovereign	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)
Non-sovereign	0.1	(0.1)	–0.1	(–0.1)	–	(–)	–	(–)	–	(–)	–	(–)
Austria												
Sovereign	0.2	(0.2)	–	(–)	–	(–)	–	(–)	–	(–)	0.2	(0.2)
Non-sovereign	0.6	(1.3)	–	(–)	–	(–)	0.1	(0.0)	–	(–)	0.7	(1.3)
Luxembourg												
Sovereign	1.6	(1.7)	–	(–)	–	(–)	0.7	(0.5)	–	(–)	2.3	(2.2)
Non-sovereign	0.2	(0.6)	–	(–0.1)	–	(–)	–	(–)	–	(–)	0.2	(0.5)
Latvia												
Sovereign	0.0	(0.0)	–	(–)	–	(–)	–	(–)	–	(–)	0.0	(0.0)
Non-sovereign	0.6	(0.6)	–	(–)	–	(–)	–	(–)	–	(–)	0.6	(0.6)
Cyprus												
Sovereign	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	
Non-sovereign	0.4	(0.4)	–0.4	(–0.4)	–	(–)	–	(–)	–	(–)	–	
Other countries												
Sovereign	0.0	(–)	–0.0	(0.0)	–	(–)	–	(–)	–	(–)	–	(0.0)
Non-sovereign	0.8	(1.5)	–0.5	(–0.4)	–	(–0.2)	0.1	(0.0)	–	(–)	0.4	(0.9)
Total	**69.9**	**(73.9)**	**–38.1**	**(–34.9)**	**–0.9**	**(–2.2)**	**24.5**	**(18.2)**	**6.2**	**(7.2)**	**61.6**	**(62.2)**

TABLE 6.32: GROSS AND NET EXPOSURES NORDIC COUNTRIES BY RISK MITIGATION, AS OF DECEMBER 31, 2013 (AND 2012)

	Gross exposure		Outgoing risk mitigation				Additional risk mitigation				Net exposure	
Skr bn			Guarantee		CDS		Guarantee		CDS			
Sweden												
Sovereign	18.6	(13.8)	–	(–)	–	(–)	143.6	(148.2)	–	(–)	162.2	(162.0)
Non-sovereign	94.8	(89.7)	–33.3	(–31.4)	–5.0	(–5.9)	5.0	(1.8)	0.0	(0.0)	61.5	(54.2)
Norway												
Sovereign	–	(–)	–	(–)	–	(–)	0.6	(0.6)	–	(–)	0.6	(0.6)
Non-sovereign	4.9	(4.5)	–0.0	(–0.0)	–0.9	(–0.9)	1.3	(1.3)	–	(–)	5.3	(4.9)
Finland												
Sovereign	0.7	(0.9)	–	(–)	–	(–)	1.8	(2.0)	–	(–)	2.5	(2.9)
Non-sovereign	10.6	(11.1)	–3.5	(–3.6)	– 1.6	(–1.5)	0.4	(0.3)	0.5	(0.6)	6.4	(6.9)
Iceland												
Sovereign	–	(–)	–	(–)	–	(–)	0.5	(0.5)	–	(–)	0.5	(0.5)
Non-sovereign	1.0	(1.0)	–0.8	(–0.8)	–	(–)	–	(–)	–	(–)	0.2	(0.2)
Denmark												
Sovereign	0.7	(1.4)	–	(–)	–	(–)	0.1	(0.2)	–	(–)	0.8	(1.6)
Non-sovereign	5.2	(6.9)	–	(–)	–	(–0.3)	1.3	(1.0)	0.2	(0.2)	6.7	(7.8)
Total	**136.5**	**(129.3)**	**–37.6**	**(–35.8)**	**–7.5**	**(–8.6)**	**154.6**	**(155.9)**	**0.7**	**(0.8)**	**246.7**	**(241.6)**

6.9 COUNTERPARTY RISK IN DERIVATIVES TRANSACTIONS

Counterparty risk may arise when SEK has entered into derivative transactions, such as swaps or options, with a counterparty. Counterparty risk in derivatives transactions is a product of the market value to SEK of the transactions with a given counterparty and the creditworthiness of the counterparty in question. 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. Thus, this risk is not dissimilar to credit risk arising upon the extension of credit. However, in a derivatives relationship the size of the risk may vary substantially during the life of the derivatives transaction(s), e.g. due to changes in the value of the asset underlying the transaction, or due to a sudden drop in the creditworthiness of the counterparty in question.

SEK addresses counterparty risk in derivatives transactions in a number of ways. First, counterparty risk is limited through credit analysis in the ordinary credit process. Secondly, SEK's counterparty 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. On the assumption that it is enforceable against the counterparty, the effect of a netting agreement is that, should SEK's counterparty default, the positive and negative values to SEK of all derivatives transactions with that counterparty under the relevant netting agreement will be set off against each other, so that only the net exposure remains. SEK seeks to only enter 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 exposure. The supplementary agreements are in the form of ISDA Credit Support Annexes (CSAs), providing for the regular transfer and re-transfer of credit support. In some cases, ISDA Master Agreements are supported exclusively by recouponing/repricing provisions. Both the CSA and the recouponing/repricing provisions (herein referred to as "CSA") rely on a regular (typically daily) assessment of counterparty exposure and provide that where such exposure is above a certain threshold, collateral shall be transferred or recouponing shall take place. The SEK standard threshold level is zero, both with new and existing counterparties. When the threshold is zero, the uncollateralized exposure of SEK will, provided the relevant collateral provisions are enforceable, largely be a function of movements in the value of the transactions between the valuations, and the application of a minimum transfer amount for collateral transfers. The current SEK standard minimum transfer amount is USD 100,000 and we are working on amending all contracts with a minimum transfer amount that differs from USD 100,000.

Importantly, both the CSA and the recouponing/repricing provisions may go both ways, meaning that where the counterparty has exposure to SEK above the agreed threshold and minimum transfer amount, SEK may be required to transfer collateral or provide credit support through recouponing/repricing of transactions.

The majority of SEK's derivative contracts are what are known as OTC (over the counter) derivatives, i.e. derivative contracts that are not exchange-traded products. The EU regulation on OTC derivatives, central counterparties and trade repositories (EMIR) came into force in August 2012. EMIR requires that certain types of OTC derivatives contracts will need to be cleared through a central counterparty. However, the clearing requirement will probably not apply before the end of 2014 (see section 12). At the end of 2013, SEK's OTC derivative contracts were not subject to mandatory central clearing.

6.9.1 INFORMATION ABOUT COUNTERPARTY RISK IN DERIVATIVE TRANSACTIONS

Where the values of transactions fluctuate and SEK has exposure to a counterparty exceeding the level of unsecured exposure agreed with that counterparty, the net exposure must, subject to the applicable minimum transfer amount, be regulated so that the exposure will be reduced. As of December 31, 2013 the positive gross value of derivative transactions on the balance sheet was Skr 14.2 billion (year-end 2012: Skr 25.7 billion). However, on the assumption that the netting is enforceable, also on the insolvency of a counterparty, SEK's exposure on default of its counterparties should, as a function of close-out netting under the ISDA Master Agreement, be its net exposure, as described above. SEK's net counterparty exposure in derivatives transactions was equal to approximately Skr 6.3 billion (year-end 2012: Skr 12.8 billion), i.e. Skr 7.9 billion (year-end 2012: Skr 12.9 billion) less than the gross exposure. As of December 31, 2013, SEK's counterparties had provided credit support of Skr 8.2 billion (year-end 2012: Skr 14.3 billion). Due to a time lag (two business days) in the handling of the financial collateral, the value of the counterparty's pledged assets may exceed the netted market value. During 2013, credit support received amounted on average to Skr 9.7 billion (2012: Skr 16.8 billion). Chart 6.12 displays how transactions settled by counterparties under the ISDA Master Agreements varied over 2013.

CHART 6.12: NUMBER OF TRANSACTIONS SETTLED BY COUNTERPARTIES, AVERAGE PER MONTH DURING 2013

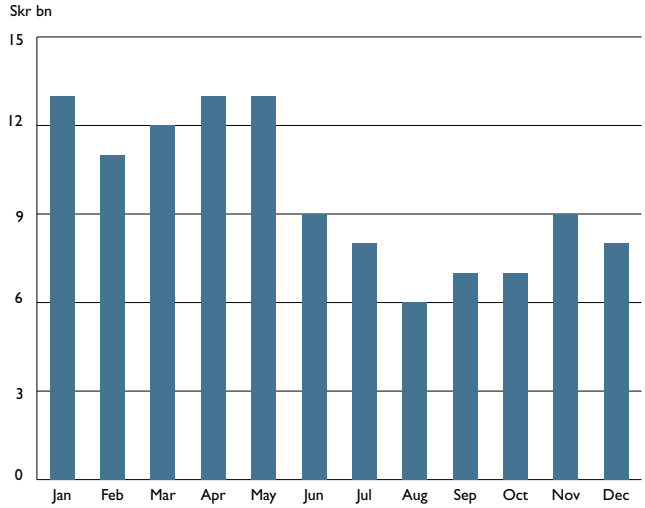


Table 6.33 shows values of derivative contracts on the balance sheet as of December 31, 2013 (and 2012).

TABLE 6.33: DERIVATIVE INSTRUMENTS, BY CATEGORY

Skr bn	Assets fair value		Liabilities fair value		Nominal amounts	
Currency related contracts	9.0	(16.8)	7.4	(5.0)	172.6	(207.1)
Interest rate related contracts	3.0	(6.5)	8.3	(6.9)	209.4	(150.5)
Equity related contracts	2.2	(2.2)	0.9	(3.2)	21.2	(40.4)
Others	0.0	(0.2)	0.2	(1.3)	4.7	(16.1)
Total	**14.2**	**(25.7)**	**16.8**	**(16.4)**	**407.9**	**(414.1)**
Collateral received					*8.2*	*(14.3)*
Reduction in exposure from applying netting					*7.9*	*(12.9)*

6.9.2 CAPITAL REQUIREMENT FOR COUNTERPARTY RISK IN DERIVATIVE TRANSACTIONS

SEK applies the mark to market method to calculate the exposure amount for counterparty risk under Pillar 1. As of December 31, 2013, the capital requirement for counterparty risk in derivative transactions under Pillar 1 totaled Skr 168 million (2012: Skr 275 million). Table 6.34 shows current exposure, potential future exposure and capital requirements for counterparty risk.

Economic capital, which forms the basis for the assessment of the capital requirement under Pillar 2 for counterparty risk, is calculated in much the same way as ordinary credit risk exposures. The exposure amounts are determined by the market value of derivative contracts, netted by counterparty. An addition is made for potential future credit exposures due to the volatility of the market values. This process is the same as when determining the minimum capital requirement for counterparty risk under Pillar 1. Once the exposure amounts have been determined, the exposures are added to the rest of the credit portfolio as if they were ordinary credit exposures and economic capital for credit risk is calculated for the entire portfolio as described in section 5.2.1.

TABLE 6.34: CURRENT, POTENTIAL FUTURE EXPOSURE AND CAPITAL REQUIREMENT FOR COUNTERPARTY RISK AS OF DECEMBER 31, 2013 (AND 2012)

Skr mn	Current Exposure		Potential Future Exposure		Total Exposure		Risk-weigthed amount		Capital Requirement	
Public entities	–	(0)	–	(0)	–	(0)	–	(0)	–	(0)
Institutions	187	(45)	5,468	(9,222)	5,655	(9,267)	2,098	(3,440)	168	(275)
Corporates	0	(0)	1	(2)	1	(2)	0	(2)	0	(0)
Total	**187**	**(45)**	**5,469**	**(9,224)**	**5,656**	**(9,269)**	**2,098**	**(3,442)**	**168**	**(275)**

6.10 CAPITAL REQUIREMENT FOR CREDIT RISK

Table 6.35 summarizes the capital requirement for credit risk under Pillar 1, broken down by the IRB approach and the standardized approach.

TABLE 6.35: RISK-WEIGHTED ASSETS AND CAPITAL REQUIREMENT CREDIT RISK AS OF DECEMBER 2013 (AND 2012) BY METHOD

Credit risk Skr mn	Risk-weighted assets		Capital requirement	
Standardized approach				
Central governments	759	(820)	61	(66)
Government export credit agencies	257	(315)	21	(25)
Corporates	628	(373)	50	(30)
Retail	1	(1)	0	(0)
Total capital requirement standardized approach	**1,645**	**(1,509)**	**132**	**(121)**
IRB method				
Financial institutions	17,305	(19,612)	1,384	(1,569)
Securization positions	8,744	(8,254)	700	(660)
Corporates	42,054	(36,202)	3,364	(2,896)
Non-credit-obligation assets	150	(149)	12	(12)
Total capital requirement IRB method	**68,253**	**(64,217)**	**5,460**	**(5,137)**
Total credit risk[1]	**68,898**	**(65,726)**	**5,592**	**(5,258)**
[1] Of which counterparty credit risk	2,098	(3,442)	168	(275)

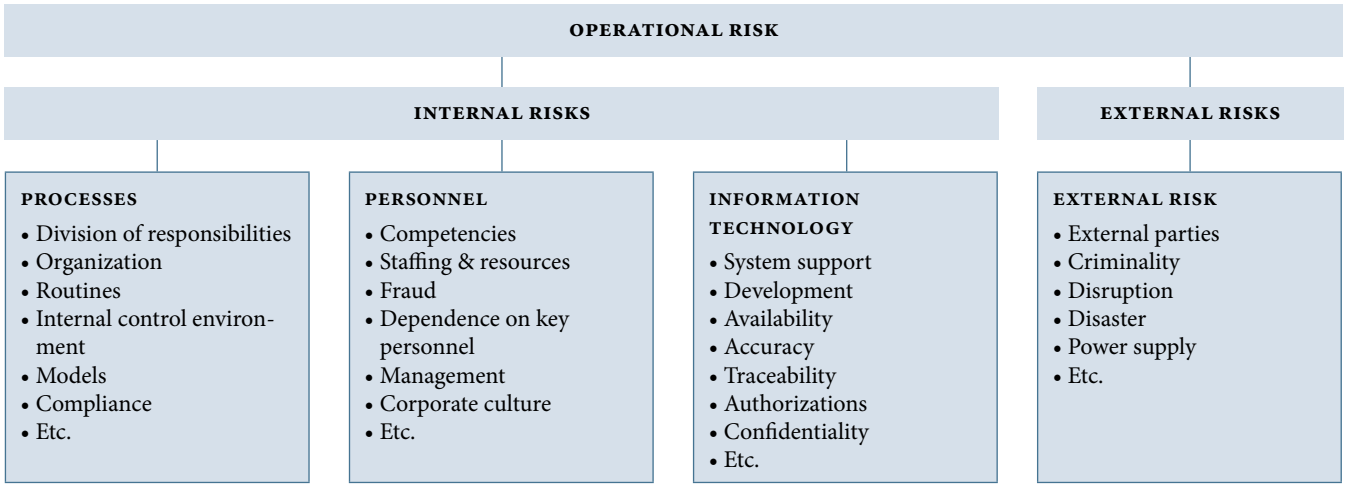
See also section 5.2.1 and 5.3.2 for description of measurement and calculation of economic capital under Pillar 2 for credit risk.

7. OPERATIONAL RISK

Operational risk is defined as the risk of loss resulting from inadequate internal processes, human error, faulty systems or from external events. The definition includes legal risk. SEK's appetite for operational risk is low.[9] Risks that are assessed to be at a medium or high level should be mitigated. The risk appetite for losses[10] resulting from incidents is Skr 10 mn per rolling 12-month period, or Skr 3 mn each quarter.

The definition of operational risk can be divided into four main categories, as set out in chart 7.1 below.

CHART 7.1: MAIN CATEGORIES OF OPERATIONAL RISK



7.1 HIGHLIGHTS IN 2013

The company has during 2013 further developed the risk framework and has defined risk appetite for losses from incidents as well as for which types of incidents that typically fall outside the risk appetite. The Company has also decided on criteria that should form the basis, for assessing the risk level for operational risk.

At SEK, regardless of the size of their impact on earnings, events related to deficiencies in management, processes, systems, compliance or similar are reported in accordance with the company's incident reporting procedure. During 2013, 153 incidents were reported (year-end 2012: 111) incidents The loss resulting from reported incidents was Skr 4.4 million (year-end 2012: Skr 3.8 million).

7.2 INTERNAL GOVERNANCE

In order to support risk management, the company works in accordance with the framework for operational risk. The framework is based on the company's appetite for operational risk and risk management objectives. The risk appetite specifies the direction and boundaries for the management of risk, which is detailed in the form of policy for operational risk, instructions, manuals and the corporate culture of the company. These steering documents describe the risk management process and define, which activities and operations are included in the process, and how they should be performed. The steering documents also state how responsibility is allocated for the execution of risk management and for the monitoring and analysis of risk and the level of risk, as well as for the audit of this area. The policy is issued by the Board and the instructions are issued by the President.

7.3 RESPONSIBILITY

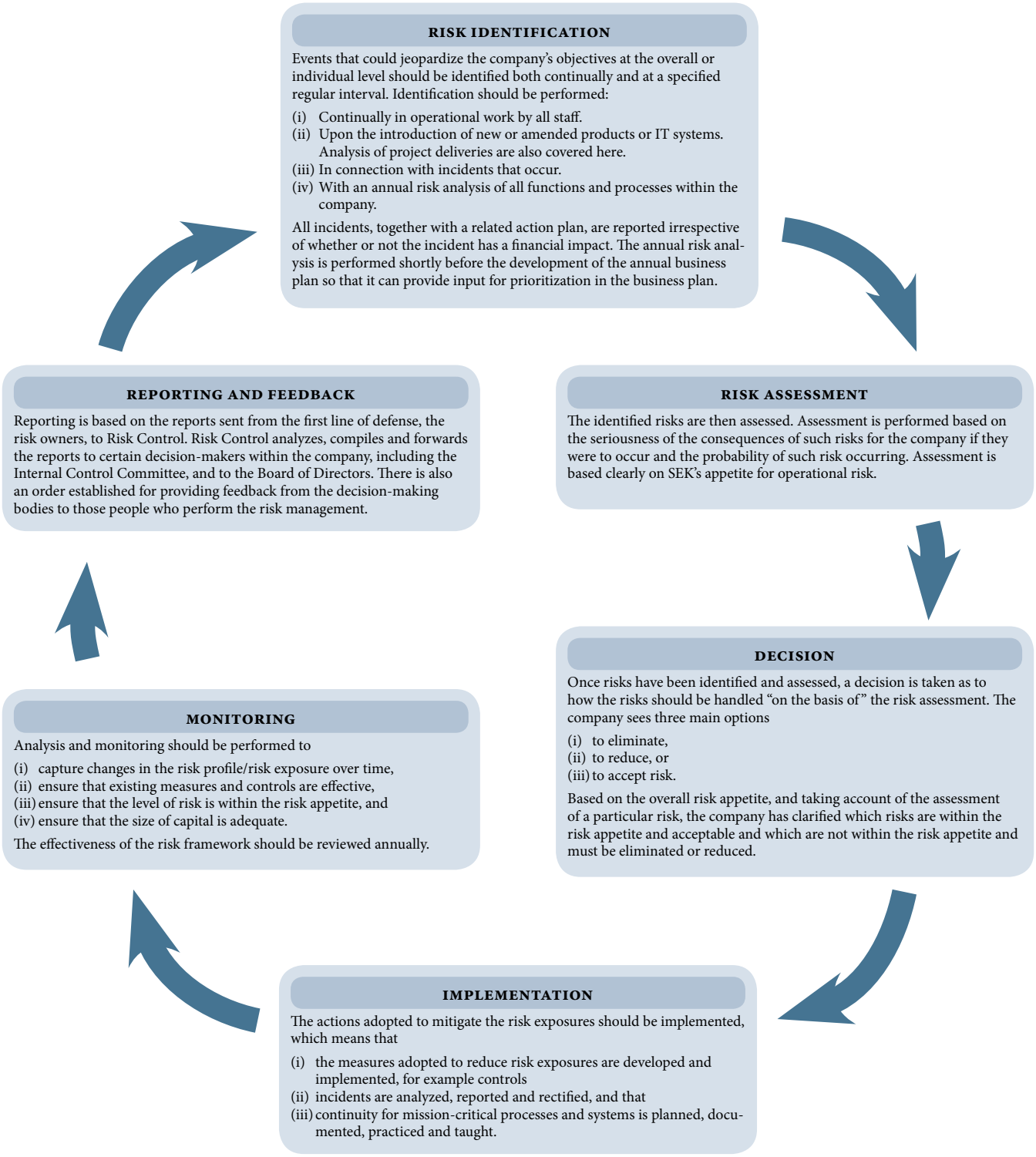
Operational risk exists in potentially all business and support activities within SEK. This means that all functions within the company serve as part of the first line of defense in terms of operational risks. Each function is therefore responsible for operational risks that occur within their own function. Responsibility for monitoring, analyzing and reporting operational risk lies with Operational Risk Control, which constitutes the second line of defense. Operational Risk Control is also responsible for ensuring that the company complies with the framework for operational risk. The Internal Control Committee is the company committee that is responsible for managing and monitoring operational risk.

7.4 RISK MANAGEMENT PROCESS

SEK works with operational risk in accordance with a risk management process consisting of six main stages, as depicted in the chart and described below.

[9] SEK applies a three-point scale when assessing operational risk; low, medium, high
[10] Losses refer to actual and calculated direct external costs

CHART 7.2: RISK MANAGEMENT PROCESS FOR OPERATIONAL RISK



7.5 MEASUREMENT OF RISK LEVEL

SEK measures the level of operational risk on an ongoing basis. The company's conclusion regarding the risk level is based on an assessment of primarily four components. In brief, these are:

i. The number of existing identified risks assessed as "high risk",
ii. The amount of losses from reported incidents during the last four quarters,
iii. Whether incidents has occurred, and in that case how many, that fall outside the risk appetite for type of incident, during the last four quarters,
iv. Whether management has assessed that efficient internal controls relating to financial reporting, in accordance with SOX Section 404, exists or not.

7.6 COMPLIANCE RISK AND MONEY LAUNDERING

Compliance risk is an operational risk and has been elevated to its own category for reporting purposes due to the importance of this area. The President has overall responsibility for regularly identifying compliance risks and for ensuring that business is conducted in compliance with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to SEK's financial activities. The President has assigned the compliance function to assist 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 laws, regulations, rules, related self-regulatory organization standards and codes of conduct applicable to its financial activities. This assessment covers new legislation, internal regulations and the risk of conflicts of interest.

Money laundering risks are identified in accordance with the Act on Measures Against Money Laundering and Terrorist Financing (2009:62). Procedures for monitoring money laundering risks include the collection and review of customer information and the monitoring of transactions in accordance with a risk-based approach. All employees receive regular training and information regarding changes in regulations and new trends and patterns, as well as regarding methods that may be used for money laundering and terrorist financing. SEK has a process of providing information regarding suspicion of money laundering to the National Police Board.

7.7 CAPITAL REQUIREMENT FOR OPERATIONAL RISK

SEK uses the standardized approach to calculate the capital requirement for operational risk under Pillar 1.

Under the standardized approach the Institution's activities are divided into business lines according to the capital adequacy regulations. The capital requirement for each business line is calculated via a coefficient that can be either 12 percent, 15 percent or 18 percent (which is determined by the regulation), depending on the business line, which is multiplied by the gross income for each business line.

The gross income is calculated as the sum of the following items: interest and leasing revenues, interest and leasing expenses, dividends received, commissions earned, commissions incurred, net results of financial transactions, and other operational revenues. As of December 31, 2013, the capital requirement under Pillar 1 for operational risk totaled Skr 293 million.

SEK has during 2013 developed an improved method for the calculating the capital requirement under Pillar 2 for operational risk. The method is based on the actual identified operational risks in the company and considers the consequence and probability that events were to occur. As of December 31, 2013, the capital requirement under Pillar 2 for operational risk totaled Skr 345 million.

8. MARKET RISK

Market risk arises from changes in prices and volatilities in financial markets. SEK's business model leads to exposure to interest rate risk, foreign exchange risk, different types of spread risks and highly limited exposure to commodity and equity risk.

SEK does not hold a trading book and has therefore only market risk in the banking book.

8.1 RISK MANAGEMENT AND REPORTING

The essence of SEK's market risk management is simple and transparent. As a rule the company borrows money in the form of bonds, which regardless of conditions to debt investors are swapped to a floating interest rate. Funds that are not used immediately for lending (mainly at a floating rate of interest) are retained to provide lending capacity in the form of liquidity placements (mainly at a floating rate of interest). The intention is to hold both assets and liabilities to maturity. Apart from the market risk that originates from unrealized changes in value, the market risks are limited. However, unrealized changes in value as a result of changes in credit spreads, cross currency basis swap spreads, interest rates and currency exchange rates may result in significant impact on both capital base and earnings.

SEK's management of market risks is regulated by instructions established by the Board's Finance Committee. These clearly define and circumscribe the permitted net market risk exposures. In addition, SEK has instructions defining the methodology for calculation of market risk and an instruction whereby work duties and information flows are detailed in the event of limit breaches. These instructions are re-established annually. The calculated market risks are reported to the Head of Lending and Funding, the Head of Risk, the Asset and Liability Committee and the Board's Finance Committee.

During 2013 SEK introduced a new risk framework to improve the company's ability to calculate and report market risk. This work has resulted in improved calculation methodology and the introduction of new risk measures. For example, an aggregated risk measure has been introduced and limits to this measure have been imposed. The aggregated risk measure takes account of the most relevant market risks and is calculated and reported on a daily basis to the Head of Lending and Funding, the Head of Risk, the Asset and Liability Committee. In addition, equity and commodities risk measures, as well as a volatility risk measure, have been added.

SEK's significant risk measures are shown in table 8.1. Several risk measures and limits were introduced in 2013 and there are consequently no comparative figures for 2012.

TABLE 8.1: SEK'S SIGNIFICANT RISK MEASURES AND LIMITS AS OF DECEMBER 31, 2013 (AND 2012)

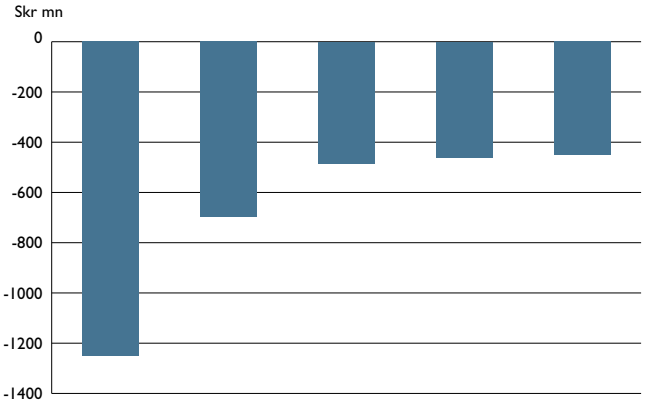
Skr mn	Limit 2013	Limit 2012	Risk 2013	Risk 2012
Risk measure				
Aggregated risk measure	2,300	(–)	1,252	(1,994)
Interest rate risk in the banking book				
Interest rate risk in business operations (parallel shift +1%)	500[1]	(70)[1]	105	(42)
Interest rate risk in business operations (rotation 0.5%)	250[1]	(70)[1]	84	(6)
Interest rate risk in positions related to equity	–	(–)	–481	(–553)
Interest rate risk in positions related to equity compared with a benchmark portfolio	250	(300)	218	(136)
Spread risks				
Credit spread risk in assets	700	(500)	412	(196)
Credit spread risk in own debt	1,300	(–)	835	(497)
Cross currency basis swap price risk	750	(–)	371	(293)
Risk to NII from cross currency basis swaps	250	(190)	113	(102)
Other risks				
Foreign exchange risk (excl. market value adjustments)	15	(15)	1	(3)
Equity risk	20	(–)	8	(–)
Commodities risk	15	(–)	6	(–)
Interest volatility risk	150	(–)	26	(–)
FX volatility risk	75	(–)	18	(–)
Equity volatility risk	20	(–)	7	(–)
Commodities volatility risk	15	(–)	2	(–)

* See comment in 8.3.1

8.2 AGGREGATED RISK MEASURE

The aggregated risk measure is based on the analyses of 48 scenarios that each has a three-month time horizon. The scenarios consist of historical movements from all quarters since 2008 through 2013 and also opposite market movements to these historical scenarios, referred to as antithetical market movements. This method calculates the impact on equity using market movements from scenarios together with SEK's current market sensitivities. The risk limit is based on the worst scenario, which for SEK at the end of 2013 was the scenario based on antithetical market movements from the fourth quarter in 2008.

CHART 8.1: RESULT OF THE FIVE WORST SCENARIOS AS OF DECEMBER 31, 2013



In table 8.2 the result of the worst scenario for each risk factor is shown, as well as the result of the worst scenario analyses. The diversification effect is defined as the difference between stressing each risk factor separately and stressing the risk factors simultaneously.

TABLE 8.2: COMPOSITION OF THE AGGREGATED RISK MEASURE, AS OF DECEMBER 31, 2013 (AND 2012)

Skr mn	2013	2012
Credit spread risk in own debt	835	(994)
Interest-rate risk	391	(604)
Cross currency basis swap price risk	384	(860)
Credit spread risk in assets	316	(213)
Foreign exchange risk	100	(252)
Diversification effect	–774	(–930)
Worst total scenario	**1,252**	**(1,994)**

8.3 INTEREST-RATE RISK MEASUREMENT

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

- Business operations (ex. the S-system)
- Positions related to equity

Interest rate risk affecting equity is calculated and reported on a daily basis. Interest rate risk in other positions is reported at least on a monthly basis and more frequently when necessary.

8.3.1 INTEREST RATE RISK IN BUSINESS OPERATIONS

The interest rate risk in business operations is calculated, by means of stress tests, as the change in present value from a one-percentage-point upward parallel shift in the yield curve. Positions related to equity are excluded from these calculations. The limit for interest rate risk in business operations at the end of 2013 amounted to Skr 500 million (year-end 2012: Skr 70 million). The risk amounted to Skr 105 million at the end of 2013. The limit was raised in connection with a change of methodology when introducing the new risk framework. The comparative risk figure from the previous method is Skr 20 million (year-end 2012: Skr 42 million).

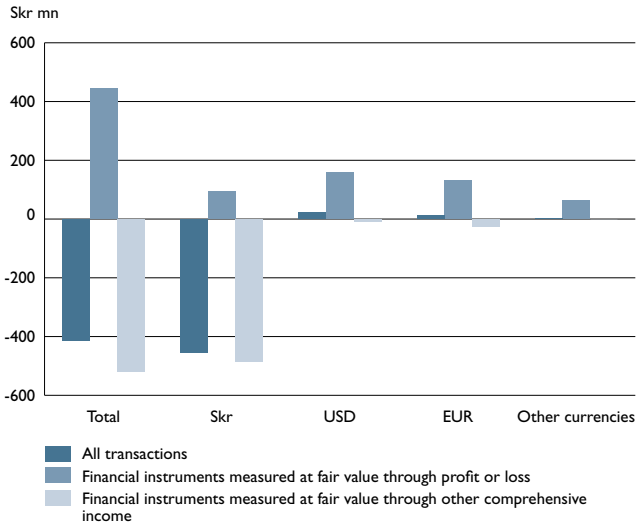
8.3.2 INTEREST RATE RISK FROM POSITIONS RELATED TO EQUITY

The objective for positions related to equity isto generate the risk-free interest component within SEK's targeted return on equity. Interest rate risk is therefore measured against a benchmark portfolio consisting of fixed-rate Swedish government bonds with maturities of between one and ten years. The desired fixed interest can be achieved by means of investments in securities or in the form of derivative transactions. At year-end 2013, the volume of transactions for this purpose amounted to Skr 13.7 billion (year-end 2012: Skr 14.7 billion) with an average outstanding maturity of 3.8 years (year-end 2012: Skr 4.1 years). The interest rate risk in positions related to equity is calculated as the change in present value from a one-percentage-point upward shift in the yield curve compared with SEK's benchmark portfolio.

8.3.3 INTEREST-RATE RISK BY CURRENCY

SEK's largest interest rate risk derives from interest rate risk in Swedish krona, as showed in chart 8.2. The largest part of this risk derives from positions related to equity. These positions should match risk-free interest component of SEK's targeted return on equity. SEK hedges interest rate risk for all positions in order to minimize volatility to NII regardless of accounting classification.

CHART 8.2: INTEREST RATE RISK BY CURRENCY, +100 BP, AS OF DECEMBER 31, 2013



8.3.4 INTEREST-RATE RISK REPORTING TO THE SWEDISH FINANCIAL SUPERVISORY AUTHORITY

SEK regularly reports interest-rate risk in the banking book to the Swedish Financial Supervisory Authority in accordance with regulation FFFS 2007:4. The interest rate risk consists of the net sum of all SEK's exposures in the banking book that contain interest rate conditions, calculated for each currency separately. If there is a possible change in value exceeding 20 percent of SEK's capital base in either direction as a result of an interest rate change of two percentage points, a report must be submitted to the Swedish Financial Supervisory Authority. Given a positive parallel shift in all yield curves of 200 basis points, as of December 31, 2013, the sensitivity was Skr –830 million (year-end 2012: Skr –639 million), which corresponds to 5.1 percent of SEK's capital base (year-end 2012: 3.9 percent). Given a negative parallel shift of 200 basis points the sensitivity was Skr +300 million (year-end 2012: +73 million), which corresponds to 1.8 percent of SEK's capital base (year-end 2012: 0.4 percent). Convexity in interest rate risk has reduced significantly compared with last year. This is a consequence of the termination of the perpetual subordinated debt. The impact from the negative shift is less than the positive shifts due to the fact that the model has a floor for interest rates preventing negative interest rates.

8.4 SPREAD RISKS

SEK is exposed to spread risks, which may result in significant impact on both earnings and capital base. For SEK these impacts consist mainly of accrual effects that even out over time, due to the fact that SEK in general holds both assets and liabilities to maturity. SEK's significant spread risks are credit spread risk in

assets, credit spread risk in own debt and cross currency basis swap risk.

8.4.1 CREDIT SPREAD RISK IN ASSETS

Credit spread risk in assets indicates a potential impact on SEK's equity, in the form of unrealized gains or losses, as a result of changes in assets' credit spreads for those assets measured at fair value through profit and loss. Credit spread risk in assets is calculated as the change in present value after a one percentage point increase in the credit spreads. Credit spread risk in assets has increased due to new liquidity placements being measured at fair value and consequently having an effect on the credit spread risk. Liquidity placements purchased before December 2012 were mostly measured at amortized cost.

8.4.2 CREDIT SPREAD RISK IN OWN DEBT

Credit spread risk in own debt indicates a potential impact on SEK's equity, in the form of an unrealized gains or losses, as a result of changes in SEK's own credit spread. This risk is not hedged but is limited. 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. The method was changed during the year and the reference figure in table 8.1 from the previous year has been updated. The risk has decreased during 2013 due to a decrease in volume of structured funding.

8.4.3 CROSS CURRENCY BASIS SWAP RISK

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

8.4.3.1 Cross currency basis swap price risk

The cross currency basis swap price risk measures a potential impact on SEK's equity, in the form of unrealized gains or losses, as a result of changes in cross currency basis spreads. Cross currency basis swap price risk is calculated as the change in present value after an increase in cross currency basis spreads by a varying number of points (varying by currency in accordance with a standardized method based on volatility). The risk for each cross currency basis spread curve is totaled as absolute figures. The method was changed during the year and the reference figure in table 8.1 from the previous year has been updated. The risk has decreased during 2013 due to less risk to the USD/EUR basis spread.

8.4.3.2 Risk to NII from cross currency basis swaps

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. Changes in cross currency basis spreads consequently may have an effect on SEK's future net interest income (NII) and this risk is calculated by the measure for calculating risk to NII from cross currency basis swaps. The risk to NII from cross currency basis swaps is measured as the impact on SEK's future earnings resulting from an assumed cost increase (varying by currency in accordance with a standardized method based on volatility) for transfer between currencies using cross currency basis swaps. Borrowing surpluses in the currencies Skr, USD and EUR are considered not to result in any risk to NII from cross currency basis swaps as it is these currencies that SEK endeavors to hold its lending capacity.

8.5 FOREIGN EXCHANGE RISK

In accordance with SEK's policies for risk management, currency positions related to unrealized fair value changes are not hedged. This is because, based on SEK's business model, unrealized fair value changes mainly consist of accrual effects that even out over time.

The remaining foreign exchange risk mainly arises on an ongoing basis due to differences between revenues and costs (net interest margins) in foreign currency. This risk is kept at a low level by matching assets and liabilities in terms of currencies or through the use of derivatives. In addition, SEK also regularly converts accrued gains/losses in foreign currency to Swedish krona.

The risk is calculated as the change in value of all foreign currency positions at an assumed 10 percentage point change in the exchange rate between the respective currency and the Swedish krona. When calculating the risk, foreign currency positions related to unrealized fair value changes are excluded.

8.6 COMMODITIES AND EQUITY RISK AND VOLATILITY RISKS

SEK's equity and commodities risks and volatility risk from equity, commodity and FX only arise from structured borrowing. Even though all structured cash flows are matched through a hedging swap an impact on the result arises. This is because the valuation of the bond takes account of SEK's own credit spread, whereas the swap is not affected by this credit spread.

Interest rate volatility risk arises from SEK having transactions with early redemption options. This risk is calculated and limited.

Commodities and equity risk, and volatility risks are calculated using a variety of stress tests. The risks were at the end of 2013 small.

8.7 CAPITAL REQUIREMENT FOR MARKET RISK

SEK has market risks under Pillar 1 in the form of foreign exchange risk and commodities risk. As of December 31, 2013, SEK's total net position in foreign currency exceeded two percent of the group's capital base, and SEK consequently had an economic capital requirement for foreign exchange risk. SEK had previously not assigned capital for commodities risk under Pillar 1. With improvements to the method of risk measurement, commodities risk has now been identified. Table 8.3 details the capital requirements under Pillar 1.

SEK's assessment of how much capital that should be allocated for market risk under Pillar 2 is based on both analyses of scenarios and stress tests. For interest rate risk, cross currency basis swap risk, credit spread risk and foreign exchange risk calculations are carried out using analyses of scenarios, choosing the worst result of 48 scenarios. Volatility risks, rotation risks and equity risk are calculated utilizing stress tests. Commodities risk is calculated using the same method as for the calculation of capital requirement under Pillar 1. All risks in a foreign currency are translated to Swedish krona in accordance with the current spot rate. Table 8.3 shows SEK's capital requirement for year-end 2012 and 2013. The capital requirement for market risk constitutes 11 percent of Core Tier-1 capital, which is well within SEK's market risk appetite, which states that market risk may constitute at most 20 percent of the Core Tier-1 capital.

TABLE 8.3: SEK'S CAPITAL REQUIREMENT, AS OF DECEMBER 31, 2013 (AND 2012)

Skr mn	2013	2012
Pillar 1		
Foreign exchange risk	112	(178)
Commodities risk	5	(0)
Pillar 2		
Market risk	1,663	(1,298)

9. LIQUIDITY AND FUNDING RISK

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, 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.

9.1 RESPONSIBILITY AND REPORTING

SEK's Board of Directors has overall responsibility for liquidity risk management and also establishes policies for liquidity risk management. Operational responsibility for liquidity risk management lies within SEK's Treasury function. Short-term liquidity is monitored and managed on a daily basis, while long-term liquidity planning is monitored on a monthly basis and reported to account managers, Risk Control, the Asset and Liability Committee, the Executive Management, the Board's Finance Committee and the Board of Directors. Funding managers ensure that available funding always exceeds credit commitments – outstanding credits as well as agreed but undisbursed credits – throughout the maturity period of the credit portfolio. 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. Responsibility for ensuring that short-term and long-term liquidity risk limits are adhered to lies within the Asset and Liability Committee, while Risk Control is responsible for the control, analysis and reporting of liquidity risks.

9.2 LIQUIDITY AND FUNDING RISK MANAGEMENT

SEK's liquidity and funding risk is measured on the basis of different forecasts regarding the development of available funds in comparison with credit commitments. Available funds are defined as equity, borrowing in the financial markets and a loan facility with the Swedish National Debt Office. Credit commitments are defined as outstanding credits and agreed but undisbursed credits. See also chart 9.3 "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.

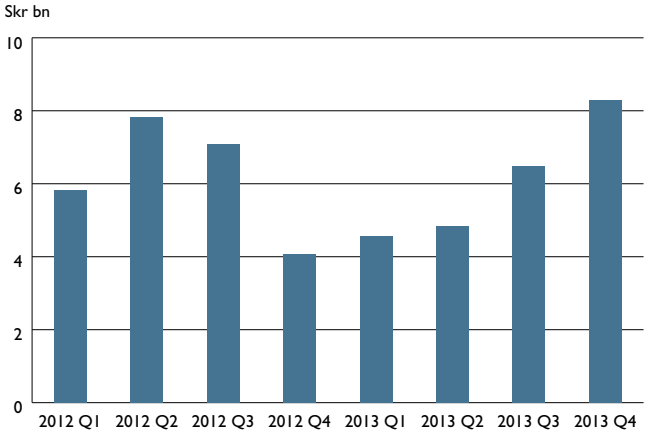
SEK also publishes periodical information on the liquidity situation of the company in order to be as transparent as possible with its investors and to retain their trust at all times.

9.2.1 LIQUIDITY RISK FROM A SHORT-TERM PERSPECTIVE

Short-term liquidity risk is managed by a combination of a large volume of liquid assets[11], strict rules on funding needs and a back-up facility. In 2009, the government granted SEK a loan facility of Skr 100 billion through the Swedish National Debt Office.[12] This facility has, since 2010, been extended on a yearly basis, and is now valid through December 31, 2014. A change for 2014 is that the total amount of the facility has, on SEK:s initiative, been reduced to Skr 80 billion and is now 100 percent allocated to the S-system and cannot be used for other purposes.[13]

In day-to-day management, deficits must be avoided. This is regulated with the help of established limits and liquidity forecasts, by currency, for the following eight days. Liquidity forecasts for a period of up to one year are also produced on a regular basis. As mentioned, SEK also has a back-up facility that serves as a buffer in the event of possible deficits. In addition, during turbulent times an even larger portion of liquid funds are invested via so-called O/N investments (deposits) to further ensure access to liquid funds in the short term.

CHART 9.1: AVERAGE SURPLUS INVESTED IN O/N DURING 2012 AND 2013



[11] A fundamental concept in SEK's liquidity and funding risk management is that the liquidity placements will be held to maturity. Instead of selling assets as funds are needed, the very short maturity profile of the liquidity placements is matched against funds expected to be paid out. See section 9.2.3.

[12] The loan facility with the Swedish National Debt Office allows SEK to receive funding with maturities fully matching the underlying credits.

[13] The state-supported system ("S-system"). SEK administers, for compensation, the Swedish State's export credit support system, and the state's related aid credit program (together, the "S-system"). For more information see SEK's Annual Report.

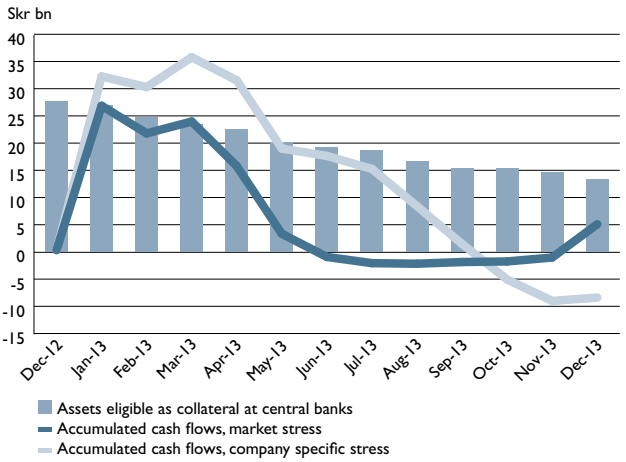
Cash flows are forecasted, reported and monitored carefully so that possible deficits can be avoided, firstly through new funding, and ultimately through the sale of liquid assets. SEK also performs stress tests of cash flows for different exceptional, but plausible, scenarios. Chart 9.2 shows the development of accumulated cash flows for two scenarios, one in which the market is stressed (i) and one which represents a company-specific stress scenario (ii). General assumptions for these scenarios include, but are not limited to, the following: SEK meets all of its previously agreed credit commitments. SEK also continues to grant new credits in accordance with the business plan. The fact that SEK's liquidity reserve quickly can be converted into liquid funds is also taken into account. In addition to these general assumptions, the scenarios also include some scenario-specific assumptions, which include, but are not limited to:

i. Market stress: not all funding that matures can be refinanced and cash needs to be paid out under collateral agreements.
ii. Company-specific stress: only a small fraction of all funding that matures can be refinanced.

In addition to what is mentioned above for the two scenarios, SEK holds a significant amount of assets that are eligible to be held as collateral at central banks. These have not been utilized in the stressed scenarios. Instead, they serve as an additional back-up in case market conditions should become even more disadvantageous. This extra reserve would be used to off-set the potential deficit in accumulated cash flows under the two scenarios in the chart below. The credit facility with the Swedish National Debt Office has not been included in these stress tests. See section 9.5 "Stress testing" for more information on these tests.

As a complement to the stressed scenarios, the probability distribution of future cash flows is analyzed. This enables the company to assess the size and likelihood of extreme cash flows. This Value-at-Risk-based approach enables analysis of the sensitivity of the cash flows as well as of the risk factors that drive the refinancing risk.

CHART 9.2: STRESS TESTS AND CASH FLOWS IN MARKET AND COMPANY-SPECIFIC STRESS SCENARIOS



SEK analyzes the effect on the requirement for regulation of net exposures in the event that the credit rating of the company is stressed. The largest amount that could be claimed from SEK in the event of a downgrade of SEK's rating from 'AA+' to 'A+' was Skr 0.0 billion at December 31, 2013 (Skr 0.2 billion at year-end 2012).

For the purpose of ensuring access to funding, SEK has funding programs for maturities of 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. Table 9.1 illustrates these funding sources. The total volume of short-term funding programs was USD 7.0 billion, of which USD 0.0 billion (year-end 2012: USD 1.6 billion) had been utilized, as of December 31, 2013. SEK also has a swing line that functions as back up-facility for the commercial paper programs.

TABLE 9.1: SHORT-TERM FUNDING PROGRAMS

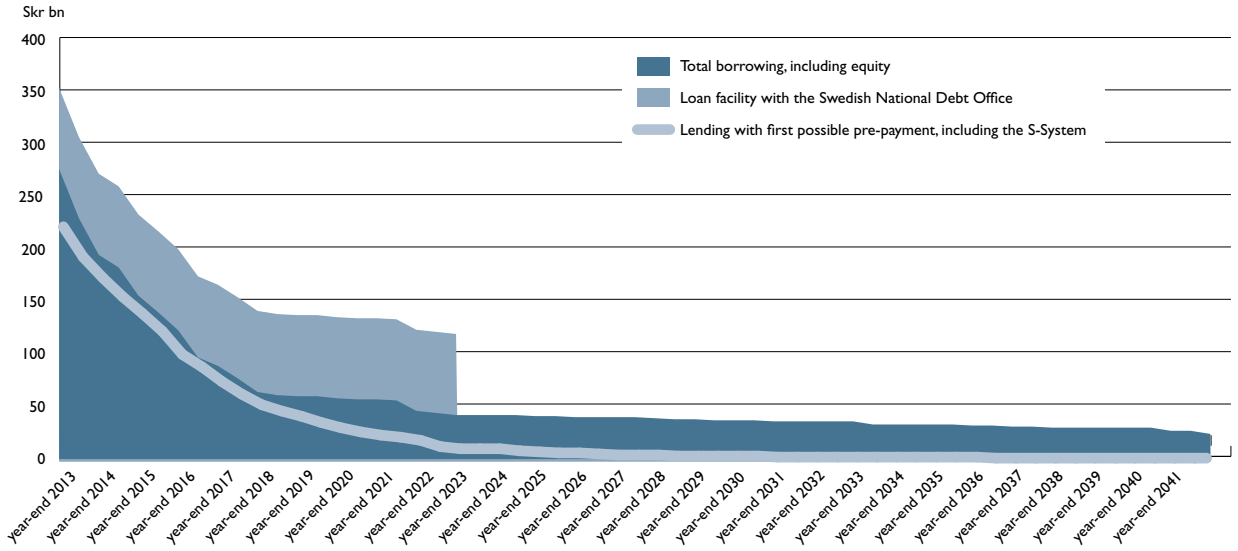
Program type	UCP	ECP
Currency	USD	Multiple currencies
Number of dealers	4	4
"Dealer of the day facility"	No	Yes
Program size	USD 3,000 mn	USD 4,000 mn
Usage as of Dec. 31, 2013	USD 0 mn	USD 0 mn
Maturity	Maximum 270 days	Maximum 364 days

9.2.2 LIQUIDITY RISK FROM A LONG-TERM PERSPECTIVE

For all SEK's credit commitments – outstanding credits as well as agreed, but undisbursed credits – there must be funding available for the full maturity period. This strategy is a fundamental and integral part of SEK's business operations. Consequently, additional funding is not required to manage commitments with regard to existing credits. This policy is monitored through the reporting of maturity profiles for lending and borrowing in accordance with chart 9.3.

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 9.3 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.

CHART 9.3: DEVELOPMENT OVER TIME OF SEK'S AVAILABLE FUNDS AS OF DECEMBER 31, 2013

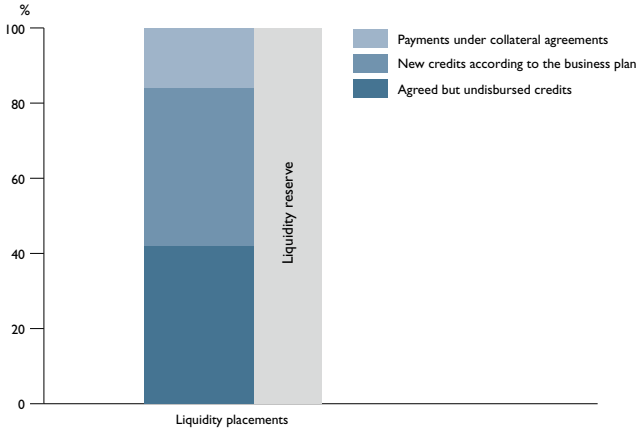


9.2.3 LIQUIDITY PLACEMENTS AND THEIR COMPOSITION

SEK's liquidity and funding risk management is based in part on the fundamental concept of liquidity placements and the assessment that these assets 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. It could be said that these liquidity placements consist of all assets that are not credits. However, this is too general a definition. SEK's need and strategy for short-term placements, known as liquidity placements, is an integral and important part of the company's business model. Liquidity placements serve an important purpose by ensuring lending capacity at times of market stress, or if market conditions are deemed disadvantageous and are necessary to meet SEK's policy on liquidity and funding risk.

The size of the liquidity placements is determined based on the size of different building blocks. As part of its liquidity placements, SEK requires a liquidity buffer to ensure that SEK can fulfill payments related to collateral agreements that the company has with its derivative counterparties in order to reciprocally manage counterparty risk in derivative transactions. The company allocates Skr 15 billion (year-end 2012: Skr 15 billion) for this purpose. As a result of the business model used by SEK, which entails dependence on the capital markets, funds reserved for agreed but undisbursed credits are invested in such a way that the maturity profile is matched against the planned disbursements of these credits. Hence, a substantial proportion of total liquidity placements is associated with these agreed but undisbursed credits. At the end of 2013, agreed but undisbursed credits amounted to Skr 20.5 billion (year-end 2012: Skr 25.9 billion), corresponding to 23.6. percent of total liquidity placements (year-end 2012: 29.6 percent). Furthermore, the liquidity placements also strives to ensure that SEK maintains readiness for at least 6 months to meet its assessed new lending requirements, enabling SEK to continue for a certain period to grant new credits to the normal extent, even if funding markets were entirely or partly closed. At December 31, 2013 this capacity amounted to Skr 44.5 billion (year-end 2012: Skr 44.3 billion), which corresponded to 11 months' (year-end 2012: 9 months') new lending capacity. A change in calculation methodology was introduced in 2013, which increased lending capacity compared with 2012. The high lending capacity is also partly due to large amounts of maturing debt already having been refinanced via measures such as a new benchmark bond. Chart 9.4 illustrates the size and composition of the liquidity placements.

CHART 9.4: SIZE AND COMPOSITION OF LIQUIDITY PLACEMENTS



9.2.4 DETAILS OF LIQUIDITY PLACEMENTS

To meet the financing requirements for long-term lending, liquid assets surpluses need to be invested in assets with good credit quality. It is the company's intention that the liquidity placements will be held to maturity. As of December 31, 2013, the size of SEK's liquidity placements was Skr 86.9 billion (year-end 2012: Skr 87.7 billion), only a small change from year-end 2012 (see section 9.2.3 for an explanation of the composition of the liquidity placements). The charts below provide a breakdown of SEK's liquidity placements by exposure class/type, maturity, rating and country as of December 31, 2013. The remaining maturity in the liquidity placements decreased further in 2013. This despite the fact that a few longer-term placements with maturities of up to five years have been made in Swedish covered bonds during 2013. All of these covered bond placements are of the highest credit quality and also qualify as high-quality assets under the quantitative liquidity ratio, Liquidity Coverage Ratio (LCR), which has been binding in Sweden since January 1, 2013. Furthermore, credit quality remained stable in 2013. Finally, the composition of SEK's liquidity reserve is presented in table 9.4.

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. See table 9.4 in section 9.2.4. 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 9.5: SEK'S LIQUIDITY PLACEMENTS AS OF DECEMBER 31, 2013 (AND 2012), BY EXPOSURE CLASS/TYPE

Total amount of SEK's liquidity placements: Skr 86.9 billion, as of December 31, 2013.

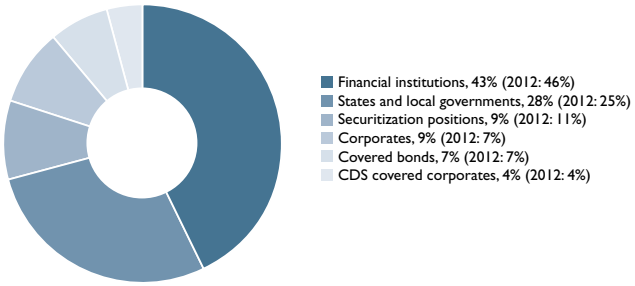


CHART 9.6: REMAINING MATURITY (M) IN SEK'S LIQUIDITY PLACEMENTS AS OF DECEMBER 31, 2013 (AND 2012)

Total amount of SEK's liquidity placements: Skr 86.9 billion, as of December 31, 2013.

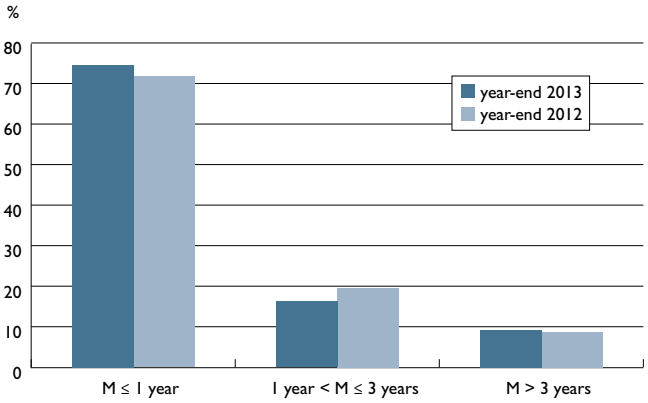


CHART 9.7: SEK'S LIQUIDITY PLACEMENTS AS OF DECEMBER 31, 2013 (AND 2012), BY RATING

Total amount of SEK's liquidity placements: Skr 86.9 billion, as of December 31, 2013.

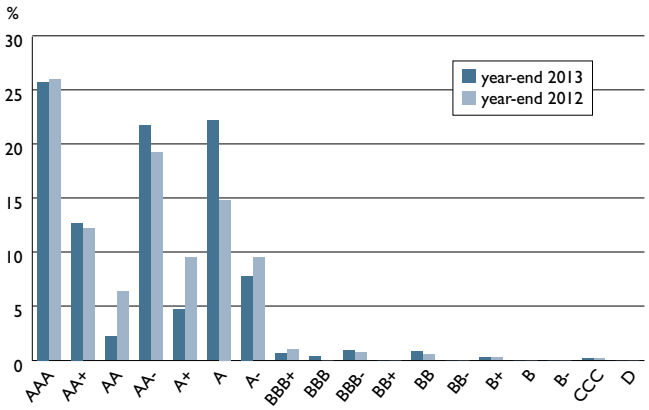


TABLE 9.2: LIQUIDITY PLACEMENTS AS OF DECEMBER 31, 2013 (AND 2012), BY COUNTRY AND EXPOSURE CLASS/TYPE

Net Exposures

Skr bn Country	Financial institutions		States		Regional/Local Governments		Securitization positions		Corporates		Covered bonds		CDS covered corporates		Multilateral development banks		Total[1]	
Sweden	3.8	(2.7)	8.5	(3.9)	8.9	(8.1)	–	(–)	3.3	(2.7)	5.0	(5.0)	0.2	(0.5)	–	(–)	29.7	(22.8)
Netherlands	7.2	(7.3)	–	(–)	–	(–)	0.3	(0.7)	–	(–)	–	(–)	–	(–)	–	(–)	7.5	(7.9)
Australia	3.7	(8.8)	–	(–)	–	(–)	1.7	(2.6)	–	(–)	–	(–)	–	(–)	–	(–)	5.4	(11.3)
Norway	4.0	(3.5)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	4.0	(3.5)
Denmark	2.2	(3.7)	–	(0.8)	0.7	(0.6)	–	(–)	–	(–)	0.9	(0.8)	–	(–)	–	(–)	3.7	(6.0)
France	1.5	(0.2)	0.7	(–)	–	(–)	–	(–)	–	(–)	–	(–)	1.5	(0.5)	–	(–)	3.7	(0.7)
Japan	2.7	(–)	–	(–)	–	(–)	–	(–)	0.7	(1.1)	–	(–)	–	(–)	–	(–)	3.4	(1.1)
United States	0.1	(0.0)	–	(–)	–	(–)	1.3	(2.1)	1.8	(1.7)	–	(–)	0.1	(0.1)	–	(–)	3.4	(3.9)
Canada	3.3	(7.0)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	3.3	(7.0)
United Kingdom	1.8	(1.4)	–	(–)	–	(–)	0.5	(0.6)	–	(–)	–	(–)	0.6	(2.1)	–	(–)	2.9	(4.1)
Germany	–	(1.1)	–	(0.9)	1.2	(4.4)	0.1	(0.1)	1.2	(0.8)	–	(–)	–	(–)	–	(–)	2.5	(7.3)
Ireland	–	(–)	–	(–)	–	(–)	2.3	(2.2)	–	(–)	–	(–)	–	(–)	–	(–)	2.3	(2.2)
Luxembourg	–	(–)	1.5	(1.7)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	0.1	(–)	1.5	(1.7)
Switzerland	1.1	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	1.1	(–)
Spain	–	(–)	–	(–)	–	(–)	0.9	(1.0)	–	(–)	–	(–)	–	(–)	–	(–)	0.9	(1.0)
Austria	0.6	(1.3)	0.2	(0.2)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	0.8	(1.5)
Qatar	0.7	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	0.7	(–)
United Arab Emirates	0.6	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	0.6	(–)
Finland	0.1	(1.3)	–	(–)	–	(–)	–	(–)	0.2	(0.1)	–	(0.0)	0.3	(0.4)	–	(–)	0.5	(1.8)
Korea, Republic Of	0.4	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	0.4	(–)
Singapore	0.3	(0.3)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	0.3	(0.3)
Portugal	–	(–)	–	(–)	–	(–)	0.3	(0.3)	–	(–)	–	(–)	–	(–)	–	(–)	0.3	(0.3)
Latvia	–	(–)	0.0	(0.0)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	0.0	(0.0)
Total	**34.1**	**(38.6)**	**10.9**	**(7.6)**	**10.8**	**(13.1)**	**7.3**	**(9.6)**	**7.2**	**(6.3)**	**5.9**	**(5.8)**	**2.7**	**(3.5)**	**0.1**	**(–)**	**79.0**	**(84.5)**

[1] Total amounts in this table exclude collateral deposited.

TABLE 9.3: LIQUIDITY PLACEMENTS AS OF DECEMBER 31, 2013 (AND 2012), BY COUNTRY AND RATING

Net Exposures

Skr bn

Country	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB	B+	CCC	Total[1]
Sweden	13.5 (9.4)	6.6 (4.6)	1.4 (2.0)	4.2 (2.1)	1.2 (1.5)	0.6 (1.9)	2.0 (1.2)	0.2 (0.2)	0.0 (–)	– (–)	– (–)	– (–)	– (–)	29.7 (22.8)
Netherlands	0.3 (1.5)	0.1 (–)	– (2.8)	2.9 (–)	– (–)	4.2 (3.6)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	7.5 (7.9)
Australia	1.7 (2.6)	– (–)	– (–)	3.7 (8.8)	0.0 (–)	– (–)	– (–)	0.0 (–)	– (–)	– (–)	– (–)	– (–)	– (–)	5.4 (11.3)
Norway	– (–)	– (–)	– (–)	1.4 (0.5)	– (–)	0.9 (0.8)	1.7 (2.2)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	4.0 (3.5)
Denmark	1.5 (2.2)	– (–)	– (–)	– (–)	– (–)	1.0 (1.0)	1.1 (2.7)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	3.7 (6.0)
France	– (–)	0.7 (–)	– (–)	– (–)	– (–)	3.0 (0.7)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	3.7 (0.7)
Japan	– (–)	– (–)	– (–)	– (–)	– (–)	3.4 (1.1)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	3.4 (1.1)
United States	1.2 (2.0)	– (–)	– (–)	1.8 (–)	0.2 (1.8)	– (–)	– (–)	0.1 (–)	– (–)	– (–)	– (–)	– (–)	0.1 (0.1)	3.4 (3.9)
Canada	– (–)	– (–)	– (–)	0.7 (2.3)	1.6 (4.7)	1.0 (–)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	3.3 (7.0)
United Kingdom	0.4 (0.4)	– (–)	0.1 (0.2)	1.2 (0.5)	– (–)	1.0 (1.9)	0.1 (0.8)	– (0.2)	0.1 (0.0)	– (–)	– (–)	– (–)	– (–)	2.9 (4.1)
Germany	0.1 (2.2)	1.1 (4.0)	0.1 (0.3)	– (–)	– (–)	– (–)	1.2 (0.8)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	2.5 (7.3)
Ireland	1.5 (1.4)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	0.4 (0.4)	0.3 (0.3)	0.2 (0.2)	– (–)	2.3 (2.2)
Luxembourg	0.1 (–)	1.5 (1.7)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	1.5 (1.7)
Switzerland	– (–)	– (–)	– (–)	– (–)	– (–)	1.1 (–)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	1.1 (–)
Spain	– (–)	– (–)	– (–)	0.0 (0.0)	0.0 (0.1)	– (0.2)	0.1 (0.1)	0.2 (0.4)	0.1 (–)	0.0 (–)	0.4 (0.2)	– (–)	– (–)	0.9 (1.0)
Austria	0.2 (0.2)	– (–)	– (–)	– (–)	– (–)	0.6 (1.3)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	0.8 (1.5)
Qatar	– (–)	– (–)	– (–)	– (–)	0.7 (–)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	0.7 (–)
United Arab Emirates	– (–)	– (–)	– (–)	0.6 (–)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	0.6 (–)
Finland	– (–)	– (–)	0.1 (0.1)	0.3 (1.7)	– (–)	0.2 (–)	– (0.0)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	0.5 (1.8)
Korea, Republic Of	– (–)	– (–)	– (–)	– (–)	– (–)	0.4 (–)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	0.4 (–)
Singapore	– (–)	– (–)	– (–)	0.3 (0.3)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	0.3 (0.3)
Portugal	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	0.0 (0.2)	– (–)	– (–)	0.3 (0.2)	– (–)	– (–)	– (–)	0.3 (0.3)
Latvia	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	– (–)	0.0 (–)	– (0.0)	– (–)	– (–)	– (–)	0.0 (0.0)
Total	**20.3 (21.9)**	**10.0 (10.3)**	**1.7 (5.4)**	**17.1 (16.2)**	**3.7 (8.0)**	**17.5 (12.5)**	**6.1 (8.0)**	**0.5 (0.8)**	**0.3 (0.0)**	**0.7 (0.6)**	**0.7 (0.5)**	**0.2 (0.2)**	**0.1 (0.1)**	**79.0 (84.5)**

[1] Total amounts in this table exclude collateral deposited.

TABLE 9.4: LIQUIDITY RESERVE[1] AS OF DECEMBER 31, 2013

Skr mn

Market values	Total	SKR	EUR	USD	Other
Balances with other banks and National Debt Office, overnight	8,337	6,502	209	1,328	299
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	6,131	52	4,206	1,874	–
Securities issued or guaranteed by municipalities or other public entities	5,106	3,133	671	1,303	–
Covered bonds issued by other institutions	6,175	3,900	1,993	282	–
Securities issued by non-financial corporates	1,147	1,147	–	–	–
Total Liquidity Reserve	**26,896**	**14,733**	**7,078**	**4,786**	**299**

[1] The liquidity reserve is a part of SEK's liquidity placements.

9.3 DIVERSIFICATION

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, by using derivatives, SEK converts the issue proceeds from foreign currency bonds to EUR or USD. To manage and ensure market access at all times, SEK seeks to establish and maintain relationships with its investors. Charts 9.8, 9.9, 9.10 and table 9.5 illustrate some of the aspects of the diversification of SEK's funding. Chart 9.10 shows that Europe remained the most important funding market in 2013. The chart also shows that North America accounted for a greater share of funding in 2013 than in 2012, which was due in part to SEK issuing a number of benchmark bonds with global documentation, which many US investors require in order to be able to invest.

CHART 9.8: LONG-TERM FUNDING AS OF DECEMBER 31, 2013 (AND 2012), BY ISSUE CURRENCY

Net total long-term funding amount when swaps are taken into account: Skr 258.9 billion as of December 31, 2013.

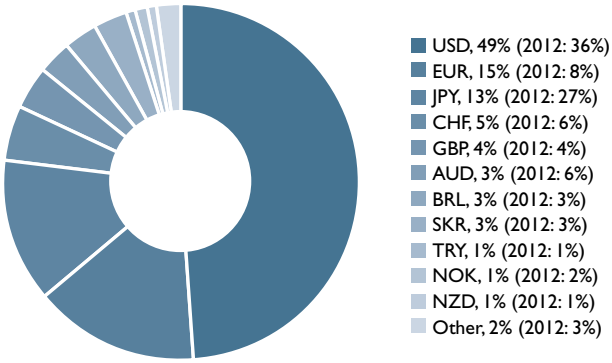


CHART 9.9: LONG-TERM FUNDING AS OF DECEMBER 31, 2013 (AND 2012), BY STRUCTURE TYPE

Net total long-term funding amount when swaps are taken into account: Skr 258.9 billion as of December 31, 2013.

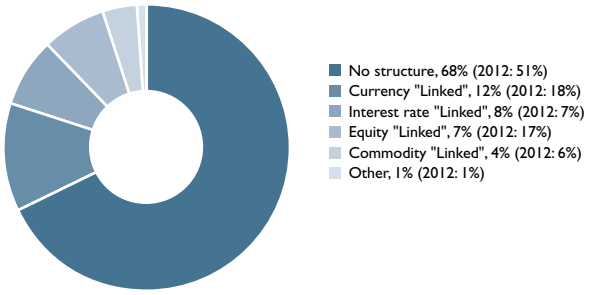


CHART 9.10: LONG-TERM FUNDING IN 2013 (AND 2012), BY REGION

Total long-term funding amount in 2013: Skr 95.2 billion.

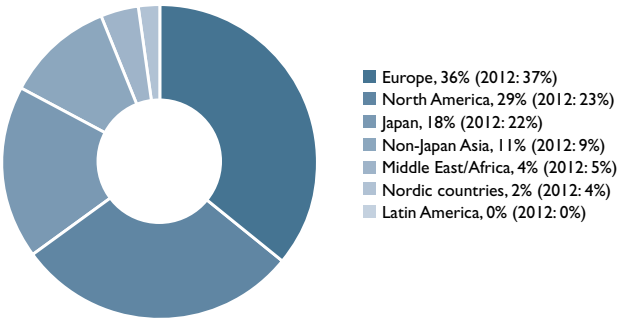


TABLE 9.5: NET LONG-TERM FUNDING AMOUNT, AS OF DECEMBER 31, 2013 (AND 2012), BY COUNTRY AND STRUCTURE TYPE

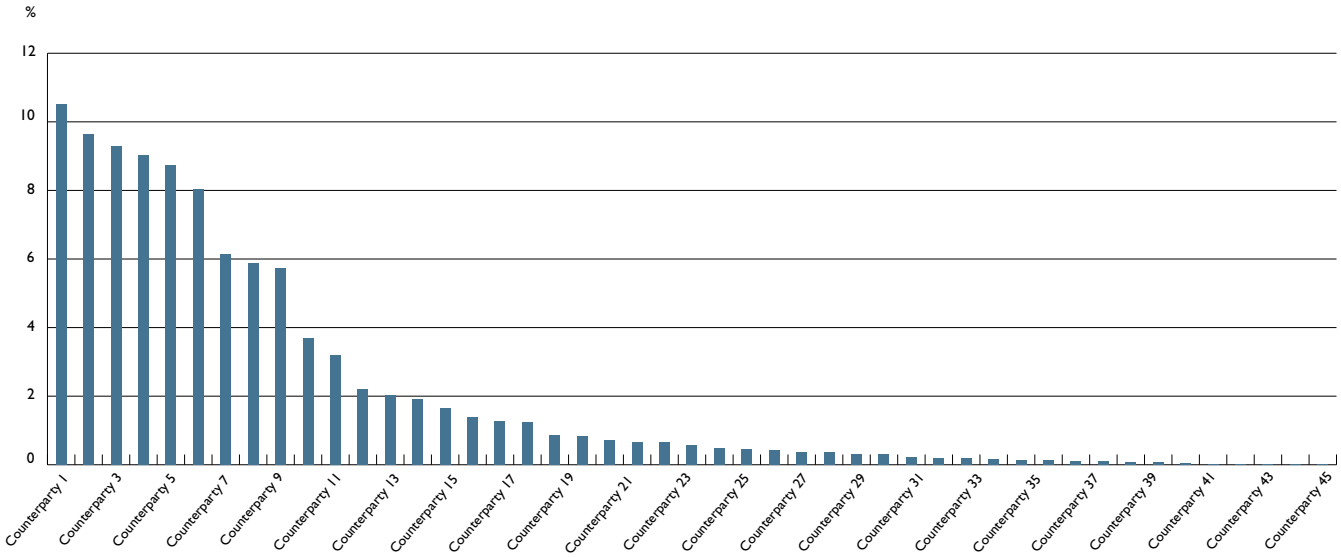
Net total long-term funding amount when swaps are taken into account: Skr 258.9 billion as of December 31, 2013.

Skr bn Market	No structure		Currency "Linked"		Interest rate "Linked"		Equity "Linked"		Commodity "Linked"		Credit "Linked"		Fund "Linked"		Total	
Europe	77.1	(54.6)	1.3	(1.3)	11.1	(5.6)	0.6	(0.8)	0.2	(0.3)	0.1	(0.1)	–	(0.3)	90.4	(63.0)
North America	46.6	(26.4)	–	(–)	0.8	(0.7)	2.8	(3.7)	10.3	(11.0)	–	(–)	–	(0.0)	60.4	(41.8)
Japan	15.9	(16.3)	28.9	(38.5)	1.1	(2.7)	11.4	(31.5)	0.3	(1.6)	0.1	(0.1)	0.1	(0.1)	57.8	(90.9)
Non-Japan Asia	18.8	(11.1)	0.6	(1.2)	7.1	(6.7)	–	(0.0)	0.1	(0.2)	0.8	(0.8)	0.0	(0.0)	27.4	(20.0)
Nordic countries	7.7	(5.3)	0.2	(0.8)	1.0	(1.2)	4.3	(4.7)	0.1	(0.2)	0.2	(0.2)	0.1	(0.1)	13.6	(12.5)
Middle East/Africa	8.5	(4.3)	–	(–)	0.3	(0.3)	–	(–)	–	(–)	–	(–)	–	(–)	8.9	(4.7)
Latin America	0.2	(–)	–	(–)	0.0	(0.0)	0.0	(0.1)	–	(–)	–	(–)	–	(–)	0.3	(0.1)
Oceania	0.1	(0.1)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	0.1	(0.1)
Total	174.9	(118.2)	31.0	(41.8)	21.5	(17.2)	19.1	(40.8)	10.9	(13.3)	1.2	(1.2)	0.2	(0.5)	258.9	(233.1)

As mentioned in section 9.2.2 "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. For long-term funding, 18 percent (year-end 2012: 26 percent) of the outstanding volume includes such early-redemption clauses as of December 31, 2013. On a regular basis, the sensitivity to the underlying indexes of such early-redemption clauses are presented to the Board's finance committee together with a forward looking qualitative analysis.

Structured bonds often create exposures to underlying market risks, mostly to an equity index or to a foreign-exchange rate. By using derivatives, SEK manages and reduces these market risks and keep them within established limits. Since SEK has a large number of swap counterparties, the impact of individual default risk is reduced. Chart 9.11 shows the percentage of SEK's total long-term funding that has been converted in this manner by swap counterparty.

CHART 9.11: LONG-TERM FUNDING BY SWAP COUNTERPARTY



9.4 SEK AND THE NEW LIQUIDITY REGULATIONS UNDER BASEL III

During 2013, SEK continued preparing for future regulations in the field of liquidity. The focus has mainly been on studying the effects and preparing for the two new quantitative measures proposed by the Basel Committee on Banking Supervision (BCBS); the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

9.4.1 LIQUIDITY COVERAGE RATIO

In accordance with the liquidity risk reporting framework in Sweden, the 30-day quantitative liquidity risk measure LCR has been binding since January 2013. In the Swedish version, a ratio of at least 100 percent is required for all currencies combined, as well as for each of euro and US dollars. This regulation is accordingly implemented both earlier and more stringently than what is proposed by the BCBS.

As of December 31, 2013, SEK complied with these new rules by having a LCR ratio at an aggregate level of 595 percent, a ratio for euro of 233 percent and a ratio for US dollar of 193 percent.

9.4.2 NET STABLE FUNDING RATIO

As described in section 9.2.2 "Liquidity risk from a long-term perspective", SEK does not tolerate any refinancing risk. 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. As a result, the company is well prepared and does not have to make any major adjustments in order to fulfill the long-term, structural, quantitative liquidity risk measure NSFR. Instead, this new measure confirms the conservative strategy that SEK has used for a long time. However, it is important to point out that there is still considerable uncertainty over when this ratio will be binding, as well as over what the final version of the ratio will look like. SEK will continue to follow developments and evaluate any changes and their consequences for SEK's current business model.

9.5 STRESS TESTING

SEK conducts stress tests on a regular basis. The aim of liquidity stress testing within SEK is to improve readiness to face potential disruptive events and to identify possible vulnerabilities in liquidity management, as well as to ensure that appropriate mitigating actions are in place to avoid liquidity shortfalls. The tests estimate liquidity risk in various scenarios, including a company-specific scenario, a market-wide stress scenario and a combination of the two. The stress testing covers a time horizon of up to one year.

The results of these stress tests are discussed thoroughly by management, primarily by the Asset and Liability Committee and the Board's Finance Committee. SEK analyses the effects of different scenarios on its liquidity position and on its access to central bank facilities. The results of the stress tests play a key role in shaping SEK's contingency plan. As a result, stress testing and contingency planning are closely integrated. The results of the 2013 stress tests show that SEK has, in line with SEK's liquidity and funding policy, 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. See also section 9.2.1 "Liquidity risk from a short-term perspective," for information on the outcome of stress tests performed as of December 31, 2013. Analysis shows that the deficit emerging in the market stress scenario in June 2014 is primarily a consequence of the assumption regarding payments under collateral agreements. The extra reserve ensures that the outcome of the scenario is in line with SEK's liquidity and funding policy.

9.6 CONTINGENCY FUNDING PLANS

SEK has established a contingency funding plan for the management of liquidity crises. The plan describes what constitutes a liquidity crisis according to SEK and what measures SEK intends to take if such a crisis is deemed to have occurred. The plan also describes the roles and responsibilities during a liquidity crisis, including the authority to invoke the plan. It contains an escalation procedure, i.e., 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. As mentioned in section 9.5 "Stress testing", the contingency funding plan design and procedures are closely integrated with the results of the scenarios and assumptions used in stress tests.

9.7 CAPITAL REQUIREMENTS FOR LIQUIDITY RISK UNDER PILLAR 2

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 the company has a good contingency plan, as well as professional risk management. SEK therefore focuses primarily on conservative and professional liquidity risk management.

10. REPUTATIONAL RISK

SEK is strongly averse to reputational risk and focuses on managing this risk in a proactive and professional manner.

10.1 MANAGEMENT OF REPUTATIONAL RISK

The Company's communications plan forms the guiding principles for describing the principles that apply for both long-term and short-term management of reputational risk. The Company's communications plan aims to ensure *proactive* and *reactive* management of communications challenges. The communications plan includes a (long-term) communication strategy, an activity plan and specific advice and guidance with regard to (short-term) media management.

The method used to assess the level of risk in the company is primarily based on experience and knowledge of how media and other information channels operate and of the areas known to be of greatest interest to them and containing possibly high reputational risk. The Company performs a risk analysis workshop at least yearly, when risks are identified, assessed and documented. A plan with mitigating actions is also documented.

The Company has routines for environmental and social (E&S) due diligence. Lending activities are screened and categorized with respect to E&S risks as an integral part of the credit process. Each transaction is tested for compliance with the Policy for Sustainable Business. In case of high E&S or reputational risks, the transaction is reviewed by a sustainability analyst and decided by the Credit Committee. High risk projects are managed according to the OECD Common Approaches for officially supported export credits and environmental and social due diligence. The Company promotes an open and responsive dialogue with stakeholders and the media with respect to E&S issues.

10.2 CAPITAL REQUIREMENT FOR REPUTATIONAL RISK UNDER PILLAR 2

SEK assesses that capital does not provide adequate protection against reputational risk to the company. SEK focuses, however, on proactive and professional management of reputational risks.

11. BUSINESS AND STRATEGIC RISK

SEK's focuses on lending to Swedish exporters and their customers. This exposes the company in various ways to business cycle fluctuations, which has implications for both strategic and business risk. Demand for long-term financing from SEK is expected to remain counter-cyclical, implying that, in relative terms, the company will play a greater role at times when exporters' access to alternative financing is low.

11.1 BUSINESS RISK

11.1.1 MEASURING BUSINESS RISK

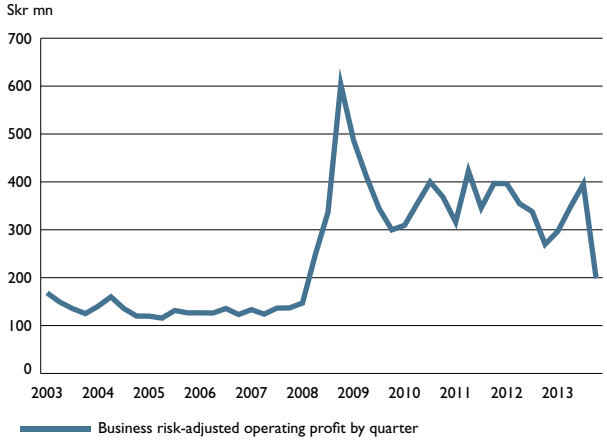
The company defines business risk as the risk of an unexpected decline in revenues as a result of a reduction in volumes, pressure on margins or owing to competition in general.

An annual risk analysis of business risk is carried out in the form of self-assessment. The Executive Committee identifies and assesses risks in a workshop format. One person is assigned with responsibility for each relevant risk.

Business risk is measured based on the volatility in adjusted operating profit, excluding effects attributable to unrealized changes of market values, credit losses and repurchase of own debt.

The chart below provides an illustration of business risk by showing historical business risk-adjusted operating profit by quarter.

CHART 11.1: ILLUSTRATION OF BUSINESS RISK



The chart shows significantly higher volatility since 2008. The main reason for this increased volatility is the increased turbulence in the financial market, which has led to a significant change in margins. The higher level of earnings in recent years is partly due to SEK's conservative business model, which is based on being able to act counter-cyclically. This means that SEK should be able to generate better results during worse times, both relative to other financial institutions and to previous earnings. However, the increase in earnings shown above is mostly due to a very strong credit growth during 2009, which was made possible by SEK receiving a capital contribution at the end of 2008, which essentially doubled the company's equity.

A consequence of SEK's conservative business model is that earnings tend to increase in stressed situations, when the financial sector's lending capacity generally falls. 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 earnings over time, which has also been demonstrated by both past performance as well as simulated stress scenarios. In addition to this correlation, there are two other factors that significantly reduce business risk:

- SEK has a low cost/income ratio, which means that SEK's earnings are less affected by relative decreases in revenue.
- SEK's positive availability results in SEK not having any refinancing risk.[14] This means that the net margins of existing lending are locked in and, therefore, that a large proportion of forecast net interest income for the coming year is locked in.

11.1.2 CAPITAL REQUIREMENT FOR BUSINESS RISK UNDER PILLAR 2

For the reasons described in section 11.1.1, business risk is deemed not to result in additional capital requirements under Pillar 2.

11.2 STRATEGIC RISK

11.2.1 MEASURING STRATEGIC RISK

The company defines strategic risk as the risk of reduced revenues as a result of poor business decisions, incorrect implementation of decisions, or an inability to react adequately to changes in regulatory systems and the business environment. There are, therefore, two dimensions to strategic risk – the risk that the company may adopt the wrong strategy, and the risk that the company may be unable to adapt appropriately to threats.

SEK's Executive Committee is responsible for identifying and managing strategic risks. Risk Control is responsible for carrying out an annual risk analysis of strategic risk and for following up the plans with mitigating actions.

SEK's business environment analysis focuses on factors that may have a significant future impact on the company and its business. Using information generated by its business environment analysis, SEK is able to have a greater influence over its own development and guide the business towards the targets set by the Board of Directors and the company's management. The business environment analysis is complemented by a situation analysis, which examines the current situation and focuses on SEK's operations. The combined assessment is summarized in a "SWOT" analysis. Moreover, an annual risk analysis of strategic risk is carried out in the form of self-assessment. The Executive Committee identifies and assesses risks in a workshop format. One person is assigned with responsibility for each relevant risk.

[14] In order to avoid refinancing risk, it is SEK's policy that for SEK's total credit commitments – outstanding credits as well as agreed, but undisbursed credits – there must be funding available for the full tenor (referred to as positive availability). For CIRR credits, which SEK manages on behalf of the Swedish state, when evaluating whether it has positive availability the company includes its credit facility with the Swedish National Debt Office, as available funding, even though no funds have been drawn under this facility.

There is coordination between the "SWOT" analysis and the risk analysis, which means that weaknesses and threats are to a great extent also assessed as risks. The strategic risks that are currently assessed as the greatest risks relate to two areas; (1) changes in the competitive situation which could result in limited lending opportunities for SEK, and (2) regulatory reforms from two perspectives; (i) the impact of these reforms on SEK and SEK's business model and (ii) the requirements on the organization resulting from the increased regulatory complexity.

As a consequence of banks' increased risk appetite and a functioning capital market, changes in the competitive situation could lead to reduced demand for SEK's products and pressure on margins. The product range therefore needs to be adapted and developed to meet growing competition. Further the risk appetite has to be evaluated whenever needed.

The impact of regulatory reforms on SEK is set out in a separate section, see section 12.

11.2.2 CAPITAL REQUIREMENT FOR STRATEGIC RISK UNDER PILLAR 2

SEK assesses that capital does not constitute adequate protection against the company's strategic risk; the company focuses, however, on the active management of risk.

12. NEW REGULATIONS

SEK is well-prepared for the regulatory changes (that are currently known) and will be able to meet the CRR and the CRD IV capital and liquidity requirements as well as EMIR-requirements for OTC-derivatives in due time.

Regulation of financial institutions continues to undergo significant change. In 2013, regulations increased further in complexity. During the year SEK continued to put much effort into preparing for the regulatory reforms. The following sections, 12.1-12.3, provide an overview of the new regulations with the greatest impact on SEK's operations. Section 12.4 contains a brief summary of how these regulations will affect SEK.

12.1 CRR AND CRD IV

In December 2010, the Basel Committee on Banking Supervision (BCBS) issued a new framework of regulations for banks known as the Basel III regulatory standard. The overall aim of Basel III is to strengthen banks' ability to absorb losses and to reduce the likelihood of new financial crises. Basel III requires banks to have more capital of better quality and it will result in the introduction of entirely new requirements regarding banks' liquidity. The Basel III regulations will be implemented in the EU via the Capital Requirements Directive IV package (CRD IV package), which consists of the Credit Institution Directive (CRD IV) and the Capital Requirements Regulation (CRR). The CRD IV package supersedes the current Credit Institution and Capital Requirement Directive 2006/48/EG and 2006/49/EG. The CRD IV package was adopted by the European Parliament and the European Council on June 26, 2013. The EU's CRR contains "supervisory requirements" that credit institutions and securities firms must fulfill. In particular, it refers to those requirements that credit institutions and securities firms must fulfill with regard to capital, liquidity, large exposures, leverage ratio and reporting. The CRR is directly applicable legislation in Sweden and all other Member States. It will be applied in principle from January 1, 2014 and will be reported to the Swedish FSA (within the framework of COREP[15], and for large exposures, the leverage ratio as well as the Long-term liquidity measure) for the first time on May 30, 2014, calculated based on information at March 31, 2014[16]. Monthly liquidity coverage must, however, be reported by April 30, 2014. The European Banking Authority (EBA) submitted its proposed implementing technical standards on supervisory reporting under Regulation (EU) No 575/2013 to the EU Commission on July 26, 2013. The EU Commission is expected to adopt these standards in the form of a regulation.

CRD IV covers requirements regarding the start of operations and the provision of services and requirements for regulatory supervision (pillar 2), sanctions and internal governance within companies. It contains new regulations regarding "capital buffers" (the capital conservation buffer, the countercyclical buffer, capital buffers for systemically important institutions and the system risk buffer) which enables Member States to require institutions to have a higher capital requirement than directly stipulated by the CRR. Since CRD IV requires transposition into national legislation, these regulations will start to be implemented once national laws have entered into force. It will be necessary to amend Swedish legislation, both by transposing the new directive into Swedish law and by adapting existing Swedish legislation to the new EU regulation. In April 2012, the government commissioned a review to analyze and propose changes to Swedish law as a result of the new regulations. The review's findings on strengthened capital adequacy rules (Swedish Government Official Report 2013:65) were presented on September 16, 2013. The changes to legislation are proposed to come into force on July 1, 2014.

12.2 EMIR

In September 2009, the leaders of the G20 group of countries reached agreement that by the end of 2012 all standardized OTC derivative contracts would be traded on an exchange or electronic trading platform, where appropriate, and cleared by a central counterparty. Derivative contracts would also be reported to central trade repositories. Derivative contracts that are not cleared centrally would be subject to higher capital requirements. The implementation of the agreement in the EU takes place in the form of the European Market Infrastructure Regulation (EMIR). EMIR, the regulation regarding OTC derivatives, central counterparties and trade repositories, came into effect on August 16, 2012. As an EU regulation it takes direct effect, i.e. it has not required any transposition into Swedish law to become applicable. EMIR has been strengthened with detailed rules in the form of technical standards, which have been drawn up by the European Securities and Markets Authority (ESMA). These standards have also been adopted in the form of a regulation, which means that they also take direct effect and will be directly applicable in Sweden. Implementation of the EMIR requirements has been postponed several times. Some of these requirements came into effect in 2013 and some are expected to come into effect in 2014 (see table 12.1).

12.3 BANK RECOVERY AND RESOLUTION DIRECTIVE

In June 2012, the EU Commission presented a draft of its Bank Recovery and Resolution Directive. This directive is intended to provide national supervisory authorities with the tools to prevent and manage banking crises. In mid-December 2013 the European Parliament, the Council of Ministers and the EU Commission agreed on a political agreement regarding the Bank Recovery and Resolution Directive. The directive shall apply to all 28 EU countries and provide the basis for those countries going ahead with a banking union. According to this political agreement, the directive will come into effect in January 2015. The wording of the legislation now needs to be established at a technical level before formal approval by the entire European Parliament and the Council of Ministers. The Swedish Financial Crisis Committee has been tasked with reviewing how the new rules should be introduced into Swedish law.

12.4 IMPLICATIONS FOR SEK

The new regulations will have an impact on SEK's capital adequacy. Capital adequacy is primarily affected by new or increased capital requirements and by changes to rules on calculating the capital base. A significant impact is expected from the price adjustments to be deducted from the capital base, although the rules for calculating these have not yet been fully established. The overall effect of these new regulations once they are fully implemented, based on current proposals where finalized rules are not yet in place, is a decrease of approximately three percentage points in the Core Tier-1 capital ratio. The table below provides a brief summary of the key changes to rules (described in sections 12.1-12.3) and how they affect SEK.

[15] COREP stands for Common Reporting and is a harmonized reporting format within the EU for capital adequacy reporting.
[16] This relates to reporting at solo level. Corresponding reporting at group level will take place on June 30, 2014.

TABLE 12.1: REGULATORY REFORMS AND THEIR IMPLICATIONS FOR SEK

Purpose	Method	Regulation	Implementation	Impact on SEK
Increased requirements for capital base				
The purpose is to improve the quality and size of banks' capital base. The new regulations also aim to increase transparency regarding the different components that make up the capital base.	Most of Tier-1 capital is to consist of equity.	CRR	Institutions must have a Core Tier-1 capital ratio of at least 4.5 percent and a Tier-1 capital ratio of at least 6 percent from January 1, 2014. The Basel III agreement on capital ratios is consequently implemented in Sweden without transitional rules.	In conjunction with its annual internal capital adequacy assessment, SEK conducts a number of analyses, which indicate SEK will amply meet the CRR requirements.
Valuation adjustment				
The CRR also contains requirements to calculate valuation adjustment for uncertainties in the valuation of contracts measured at fair value.	Deductions should be made from Core Tier-1 capital for uncertainties in valuation, including; uncertainties in market data, models, close-out costs and administrative expenses.	CRR	The CRR will start to apply from January 1, 2014. However, the technical standards that describe the calculation of valuation adjustment have not been established. The EBA is expected to present a final draft in June 2014.	The current draft technical proposals from the EBA will have a significant impact on Core Tier-1 capital. However, SEK will still meet the applicable and forthcoming capital requirements, even after a valuation adjustment, calculated in accordance with the draft technical standard.
Capital buffers				
Additional capital requirements in the form of "capital buffers", in addition to minimum requirements, will be introduced. The purpose of these buffers is to strengthen the financial system's ability to withstand financial crises and to mitigate procyclicality in the financial system.	The capital buffers, which will consist of Core Tier-1 capital, will apply in addition to the regulation's capital base requirements. The "capital conservation buffer" is a permanent increase and sets requirements for an additional 2.5 percent of Core Tier-1 capital. This means that financial institutions will hold at least 7 percent of Core Tier-1 capital. A raft of restrictions apply, if the buffer requirement is not met. For example, the ability to distribute profits to owners is restricted. In addition, individual countries can determine requirements regarding a contracyclical capital buffer in the event of signs of strong credit growth in the financial system. This buffer normally varies between 0 and 2.5 percent of risk-weighted assets. A buffer requirement for systemically important institutions is also being introduced. The size of this capital requirement varies depending on whether the case relates to a globally systemically important institution or some other systemically important institution. This also enables Member States to apply a system risk buffer to counteract a structural systemic risk that could result in serious consequences for the stability of the financial system and the real economy.	CRD IV	These capital buffers are regulated via CRD IV. CRD IV has still not been introduced into Swedish law. These changes to legislation are proposed to come into effect on July 1, 2014.	At the end of 2013 SEK had sufficient Core Tier-1 capital to fulfill a capital conservation buffer of 2.5 percent as well as a maximum contracyclical capital buffer of 2.5 percent. As these capital buffer requirements have not yet been introduced into Swedish law, it is unclear whether SEK needs to meet the requirements for systemically important institutions and/or a system risk buffer. However, at the end of 2013 SEK had sufficient Core Tier-1 capital to also fulfill these buffers.
Adjusted risk weighting for financial institutions				
The aim is for the Basel Formula to reflect the fact that the correlation between financial institutions is higher than expressed in current calculations according to the IRB approach under Basel II.	The correlation in the Basel formula, for all exposures to large financial sector entities and non-regulated financial institutions, is to increase by 25 percent. This will result in risk weighting increasing for these exposures.	CRR	These new regulations come into effect on January 1, 2014.	In conjunction with its annual internal capital adequacy assessment, SEK conducts a number of analyses, which indicate SEK will amply meet the CRR requirements.
Credit valuation adjustment (CVA)				
The CRR also includes requirements to calculate capital requirements for potential changes in the credit valuation of derivative counterparties (credit valuation adjustment risk).	Credit valuation adjustment risk is to be limited for all OTC derivative contracts, except for credit derivatives used as credit protection and transactions with a qualifying central counterparty.	CRR	These new regulations come into effect on January 1, 2014.	In conjunction with its annual internal capital adequacy assessment, SEK conducts a number of analyses, which indicate SEK will amply meet the CRR requirements.
Leverage ratio				
In addition to the risk-based capital adequacy requirements, a leverage ratio measure is to be introduced. Unlike traditional capital requirements, the leverage ratio does not take account of the differences in risk weighting between assets. The purpose is to limit the size of assets in relation to capital.	The leverage ratio measure means that banks must have Tier -1 capital of more than 3 percent of the sum of their assets and their off-balance-sheet commitments.	CRR	The aim is to introduce a mandatory leverage ratio measure from January 1, 2018. This measure is to be reported to the supervisory authority from 2014 to 2017. The leverage ratio level must be published from 2015.	In conjunction with its annual internal capital adequacy assessment, SEK conducts a number of analyses, which indicate SEK will amply meet the CRR requirements. As of December 31, 2013 SEK's leverage ratio was 4.20 percent.

Purpose	Method	Regulation	Implementation	Impact on SEK
Liquidity coverage ratio				
The purpose of this measure is to ensure that banks have sufficient liquid assets to cope with real and standardized simulated cash flows under a stressed period of 30 days.	Banks are being required to maintain sufficiently high-quality assets, which can be converted into cash in order to be sufficient for a 30-day stress scenario. This scenario has been defined by the supervisory authority.	CRR	At EU level this measure will be phased in over a four-year period from January 1, 2015, with an initial minimum requirement of 60 percent. Thereafter, the minimum requirement increases by 10 percentage points per year, to be fully implemented by 2019 (100 percent). This regulation has already been binding in Sweden since January 1, 2013. The liquidity coverage ratio shall then amount to no less than 100 percent for all currencies combined and separately for euro and US dollars.	SEK has fulfilled these requirements amply, as defined by the Swedish FSA, since January 1, 2013.
Long-term liquidity measure				
The purpose of this measure is to ensure that a financial institution funds its illiquid assets with long-term and stable financing in order to reduce liquidity risk.	Requirements for long-term illiquid assets to be funded by certain minimum levels of stable financing.	CRR	This long-term liquidity measure shall amount to at least 100 percent, but unlike the short-term liquidity measure it is not yet binding in Sweden. The proposed date for implementation in the EU is January 1, 2018.	SEK is well positioned to be able to fulfill this long-term liquidity measure, when eventually introduced. As a result of its conservative policy on liquidity and financing risk, SEK has no significant need to change the current financing structure. It is, however, worth noting that there is some uncertainty regarding the final format of this measure.
OTC derivatives				
As a result of the financial crisis, it was noted that there was a need for a regulation to require the central clearing, reporting and risk mitigation in relation to certain OTC derivatives, as the lack of regulation was considered to be a contributory factor to the crisis.	All standardized OTC derivative contracts are to be cleared by a central counterparty (CCP). Derivative contracts will also be reported to central trade repositories. Derivative contracts that are not cleared centrally will be subject to higher capital requirements. Robust risk management techniques must be applied to non-centrally cleared derivative transactions.	EMIR	Requirements that robust risk management techniques must be applied to non-centrally cleared derivative transactions came into effect in 2013. The requirement for reporting trades involving all asset classes, including exchange-traded derivatives applies from February 12, 2014 and the requirement for certain counterparties to report market value and collateral will begin to apply on August 12, 2014. Risk management techniques for the exchange of variation margins are expected to come into effect in 2015. Risk management techniques for the exchange of initial margin calls are expected to be phased in between 2015 and 2019. It is considered unlikely that the first clearing requirements will start to apply before the end of 2014.	Since SEK uses derivatives for hedging purposes, the EMIR regulations will have an impact on SEK's operations. SEK has introduced procedures for central clearing and procedures for risk management techniques for non-centrally cleared derivative transactions. These risk management techniques include the prompt establishment of transaction terms, portfolio compression, portfolio reconciliation and dispute resolution. Procedures for transaction reporting are currently being drawn up. In addition to there being some uncertainty over the reporting of trades relating to the entire market, it is assessed that SEK is well equipped to meet the requirements of the new rules on OTC derivatives.
Crisis management and bail-in				
The Bank Recovery and Resolution Directive aims to reduce the risk of financial instability and minimize the cost to society of managing banks in crisis.	The regulations place significant requirements on financial institutions to be well prepared for crisis situations. This includes the establishment of recovery plans. A key aim of this regulation is to reduce the risk that taxpayers will have to assume the cost, if a banking crisis were to occur, in part through the possibility of a bail-in being introduced. A bail-in involves shareholders and lenders bearing the costs as far as possible, if a bank were to get into difficulties. This bail-in tool also involves the responsible resolution authority first writing down the value of the shareholders capital corresponding to the losses and then writing down lenders' claims (or converting their claims into share capital).	Bank Recovery and Resolution Directive	In accordance with the political agreement between the European Parliament, the Council of Ministers and the EU Commission in mid-December 2013, the Bank Recovery and Resolution Directive will come into effect in January 2015. The debt write-down tool will come into effect in January 2016. In Sweden, the Financial Crisis Committee will review how the new rules should be introduced into Swedish law. The Financial Crisis Committee's period of review has been extended until June 30, 2014.	The introduction of the debt write-down tool may lead to debt instruments that could be written down or converted into share capital possibly being priced differently and the risk of a write-down being priced in. The effect of the introduction of this debt write-down tool on total capital and financing costs, however, is still difficult to assess.

12.5 OTHER REGULATIONS

There are also other regulations under consideration and implementation, which require close monitoring and impact assessment. SEK's accounting policies, which follow International Financial Reporting Standards, are undergoing significant change. SEK's assessment is that the most important changes for SEK are related to Financial Instruments (IFRS 9), although other changes might also have a significant impact on SEK. The finalization and implementation dates for IFRS 9 are still uncertain.

13. SEK'S REMUNERATION SYSTEM

SEK's remuneration system is designed to promote sound and efficient risk management and to restrict excessive risk-taking. As of 2011 the company has only one system for variable remuneration. This covers all employees with the exception of members of the Executive Committee, the Head of Risk Control and the Head of Financial Control.

13.1 INTRODUCTION

In 2011 the Swedish Financial Supervisory Authority decided on new regulations on remuneration systems at credit institutions, securities companies and fund management companies licensed for discretionary portfolio management (FFFS 2011:1). The purpose of the rules is to improve the relevant companies' management of risks in their remuneration systems by means of binding rules. The regulations stipulate specific requirements regarding adapting the structure of remuneration systems to risk, such as rules on performance assessment, risk adjustment and the deferment of variable remuneration.

13.2 REMUNERATION POLICY, COMPOSITION OF THE REMUNERATION COMMITTEE AND AUTHORITY

The remuneration committee discusses matters relating to remuneration of the company's executive management and overall policy issues relating to remuneration. The Board of Directors has drawn up instructions for the Remuneration Committee, as well as a Remuneration Policy. Minutes from meetings of the committee are submitted to the Board and examined during Board meetings. The Board has appointed three members to the Remuneration Committee. The President participated in meetings of the committee in matters that did not relate to the President's terms and conditions of employment. (The Board determines the President's terms and conditions of employment.) SEK's Human Resources Director also participated in the committee's meetings. Executive Director – Strategic Analysis acted as the secretary to the committee.

The Board has authorized the Remuneration Committee to prepare proposals for the Board regarding the remuneration of members of the Executive Committee, the Head of Risk Control, the Head of Compliance, the Head of Internal Control and the Chief Economist, to prepare proposals for the Board regarding the terms and conditions and outcome of the general incentive system and to handle overall issues relating to remuneration, as well as to issue such overarching instructions regarding SEK's remuneration issues as the Remuneration Committee deems necessary.

The remuneration system is based on the owner's rules and guidelines, promotes sound and efficient risk management and restricts excessive risk-taking. Remuneration should be reasonable and well-balanced. It should also be competitive, capped and suitable for the work undertaken, as well as contribute to good ethical principles and corporate culture. Compensation should not be higher than at comparable companies, and should instead be marked by moderation.

13.3 THE GENERAL INCENTIVE SYSTEM

As from 2011 the company has only one system for variable remuneration, the general incentive system. This covers all employees with the exception of members of the Executive Committee, the Head of Risk Control and the Head of Financial Control. Consequently, no form of variable remuneration is paid to members of the Executive Committee, the Head of Risk Control or the Head of Financial Control.

The reasons for SEK's incentive system are as follows: (i) Incentives are an instrument for attracting and retaining staff. (ii) Incentives promote the achievement of the company's long-term goals. (iii) Incentives encourage cooperation within the organization and progress towards common objectives.

If pre-tax profit (excluding unrealized changes in fair value and any expenses for the general incentive system but after reversing any items of a non-operational nature) exceeds base profit, those staff included in the general incentive system receive a share of the excess amount, but no more than the equivalent of two months' salary, including employer social security contributions. This is on condition, however, that IFRS-based operating profit, taking into account the costs of the general incentive system, is positive. The size of the base profit is determined by the Board. Risk adjustment takes place by considering the development of the company's total risks.

The final decision on the amount to be paid out under the general incentive system is taken by SEK's Board of Directors.

13.4 PRINCIPLES ON DEFERRED PAYMENT

The company's remuneration policy is designed in such a way that the company may decide that remuneration for which payment has been deferred may not apply in part or in full, if it subsequently transpires that the company has not fulfilled the performance criteria. The company may also refrain from paying deferred variable remuneration, if its financial position deteriorates significantly, particularly if the company can no longer be assumed to be able to continue its business operations or needs to receive state assistance in accordance with the Swedish Act (2008:814) on State Support for Credit Institutions.

All variable remuneration is deferred over a period of three years. One third of the payment is deferred for one year, one third for two years and one third for three years.

13.5 RISK ANALYSIS

In order to be able to identify, measure, manage, internally report and have control over the risks associated with the company's business, the company ensures that the remuneration system promotes and is consistent with effective risk management and does not encourage undesirable risk-taking. As part of its strategic analysis and planning the company therefore undertakes an annual process for internal risk and capital assessment (ICAAP). The aim of this process is for the company to identify, in a combined and comprehensive way, its risks and evaluate its risk management and capital requirement. The purpose of this process is to link risk appetite and strategy, enabling the company to take account of risk appetite when assessing strategic options, when

setting targets and developing mechanisms for managing relevant risks and when designing remuneration policy and reward systems. As part of this risk analysis, when designing reward systems the company especially analyzes the risk of negative effects. The company's risk analysis focuses primarily on credit risk and concentration risk that is attributable to credit risk. Using proactive risk management methods in the form of pricing models that take account of different types of risk and in the form of ongoing monitoring of risk and performance, the company ensures that it takes account of risk adjustment both in connection with the company entering into its credit commitments and on a regular basis over the tenor of these commitments.

13.6 REMUNERATION IN THE FORM OF SHARES, SHARE-BASED INSTRUMENTS OR OTHER FINANCIAL INSTRUMENTS

No form of remuneration that is linked to financial instruments takes place within the company.

13.7 PUBLICATION OF TOTAL EXPENDITURE ON REMUNERATION

Total expenditure on remuneration in 2013, excluding social security charges, amounted to Skr 218.8 mn, with Skr 105.5 mn allocated to the business area Funding and Lending and Skr 113.3 mn allocated to other business areas.

Table 13.1 sets out the total amounts expensed for remuneration, broken down by different categories of employees and different types of remuneration. This information is published in accordance with section 7, para. 1, Chapter 11 of FFFS 2007:5. The left-hand column provides an exact reference to the regulations.

TABLE 13.1: TOTAL EXPENDITURE ON REMUNERATION

Reference to para. 1, Chapter 11 of FFFS 2007:5		Executive Committee	Employees who may affect the company's level of risk (excluding members of the Executive Committee)	Other employees
7. a)	Earned fixed remuneration in 2013	23,812,618	70,717,617	117,845,574
7. a)	allocated across number of employees	7	65	230
7. a)	Earned variable remuneration in 2013	-	-	-
7. a)	allocated across number of employees	-	-	-
7. b)	Earned total variable remuneration in 2013 per variable remuneration component: cash	-	-	-
7. c)	Deferred remuneration in 2013	-	-	-
7. c)	proportion (%) of variable remuneration that employees may not have at their disposal	-	-	-
7. d)	Remuneration pledged in 2013	30,229,618	70,717,617	117,845,574
7. d)	Remuneration paid in 2013	23,812,618	76,689,585	131,273,061
7. d)	Adjusted remuneration in 2013	-	-	-
7. e)	Total severance pay in 2013	-	-	-
7. e)	allocated across number of employees	-	-	-
7. e)	Total guaranteed variable remuneration in connection with new hirings in 2013	-	-	-
7. e)	allocated across number of employees	-	-	-
7. f)	Total pledged severance pay in 2013	6,417,000	-	-
7. f)	Total number of employees covered	1	-	-
7. f)	highest individual pledged amounts	6,417,000	-	-

All amounts in the table are amounts expensed, excluding social security charges and are expressed in Skr. Social security charges amount to either 31.42, 15.49 or 10.21 percent, depending on the employee's age.

14. BASEL II AND SEK'S 2013 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

There are important differences between the group's financial statements and the information in this risk report. The Basel II disclosures are presented on the basis of a regulatory, rather than an accounting, consolidation. Therefore, disclosures in the Pillar 3 report may not always be directly comparable to the information in SEK's 2013 Consolidated Statement of Financial Position.

This section describes the link between the credit risk exposure defined in accordance with Basel II and SEK's interest-bearing assets in the Consolidated Statement of Financial Positions in accordance with accounting standards. The major differences are as follows:

1. Credit risk exposures presented in this report are divided into exposure classes in accordance with the Basel II rules. Items presented in the Consolidated Statement of Financial Position are divided into different financial statement categories in accordance with International Financial Reporting Standards (IFRS).
2. The exposure amount in this report is generally determined as the nominal amount, in accordance with the loan agreements. Interest-bearing assets are presented in the Consolidated Statement of Financial Positions at book value.
3. Derivatives in this report are presented in accordance with Basel II rules based on the sum of current exposures and potential future exposures. In addition, the derivative exposure is determined net of collateral value. In accordance with accounting standards, derivatives in SEK's Consolidated Statement of Financial Position are presented without netting.
4. SEK's binding offers and agreed but undisbursed credits are included in the credit risk exposures presented in this report, in accordance with Basel II rules. Binding offers and agreed but undisbursed credits are not included in SEK's Consolidated Statement of Financial Position. However, they are disclosed as "commitments" in connection with the Consolidated Statements of Financial Positions.

Table 14.1 below illustrates the link between the categories in the Statements of Financial Positions and exposures according to Basel II rules as of December 31, 2013. Reduction in derivative exposures from applying netting under current ISDA Master Agreements according to Basel II regulations regarding counterparty risk in derivative transactions amounts to Skr 7.9 billion (2012: Skr 12.9 billion). For further information regarding counterparty risk in derivative transactions under Basel II, see section 6.9.

TABLE 14.1: CREDIT RISK EXPOSURES IN ACCORDANCE WITH BASEL II AND SEK'S 2013 CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2013

Skr bn	Book value		Adjustment from Book value to Exposure		Adjustment to exposure class		Amendment for undisbursed loans and counterparty exposure		Exposure		Exposure class
Treasuries/government bonds	4.6	(5.1)	–	(–)	10.1	(3.9)	0.2	(0.8)	14.9	(9.8)	Central governments
Other interest-bearing securities except loans	64.2	(77.7)	0.1	(–)	42.8	(29.3)	52.9	(55.0)	160.0	(162.0)	Government export credit agencies
Loans in the form of interest-bearing securities	61.0	(57.9)	–0.5	(–0.8)	–40.7	(–33.7)	–	(0.2)	19.8	(23.6)	Regional governments
Loans to credit institutions including cash and cash equivalents[1]	33.1	(24.4)	–14.4	(–2.8)	–18.1	(–21.2)	0.2	(–)	0.8	(0.4)	Multilateral development banks
Loans to the public	125.6	(115.5)	–0.4	(–0.8)	–64.1	(–48.4)	6.4	(10.9)	67.5	(77.2)	Financial institutions
	–	(–)	–	(–)	71.8	(60.1)	1.5	(3.5)	73.3	(63.6)	Corporates
Derivatives	14.2	(25.7)	–7.9	(–12.9)	–6.3	(–12.8)	–	(–)	–	(–)	
	–	(–)	–	(–)	7.8	(10.0)	–	(–)	7.8	(10.0)	Securitization positions
Total financial assets	302.7	(306.3)	–23.1	(–17.3)	3.3	(12.8)	61.2	(70.4)	344.1	(346.6)	

[1] At the end of 2013 SEK had provided credit support under Credit Support Annex with different counterparties amounting to Skr 6.9 billion (year-end 2012: Skr 2.5 billion).

15. DETERMINING FAIR VALUE OF FINANCIAL INSTRUMENTS

Market valuation and market data are included in the processes that are subject to testing within the scope of SEK's SOX regulations. The company has established a number of controls to ensure the quality of market valuation.

15.1 FAIR VALUE

Fair value is defined by IAS 39 as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value measurements are categorized using a fair value hierarchy. The financial instruments carried at fair value have been categorized under the three levels of the IFRS fair value hierarchy that reflects the significance of inputs. The categorization of these instruments is based on the lowest level input that is significant to the fair value measurement in its entirety.

The Board's Finance Committee has delegated to SEK's Asset and Liability Committee, to act as SEK's decision-making body regarding methodology and policies regarding fair values, including approval of valuation models. The use of a valuation model demands a validation and thereafter an approval. The validation is conducted by Risk Control to ensure an independent control. The Asset and Liability Committee makes decisions regarding the approval (or changes to) the valuation model.

15.2 FAIR VALUE HIERARCHY

SEK uses the following hierarchy for determining and disclosing the fair value of financial instruments based on valuation techniques:

1. Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
2. Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
3. Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

Level 1

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.

Level 2

For all classes of financial instruments (assets and liabilities) fair value is established by using internally established valuation models, externally established valuation models, quotations furnished by external parties and dealers in such instruments or market quotations. If the market for a financial instrument is not active, fair value is established by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Periodically, the valuation techniques are calibrated and tested for validity using prices from observable current market transactions in the same instruments or based on any available observable market data. In calculating fair value, SEK seeks to use observable market quotes (market data), to best reflect the market's view on prices. These market quotes are used, directly or indirectly, in quantitative models for the calculation of fair value. Examples of the indirect use of market data are:

- the derivation of discount curves from observable market data, which is interpolated to calculate the non-observable data points, and
- quantitative models which are used to calculate fair value on a financial instrument, where the model is calibrated so that one can use available market data to recreate observable market prices on similar instruments.

In some cases, due to low liquidity in the market, there is no access to observable market data. In these cases, SEK follows market practice by basing its valuations on:

- Historically observed market data. One example is when there are no observable market data as of today, instead yesterday's market data is used in the valuation.
- Similar observable market data. One example is if there are no observable market prices for a bond it can be valued through a credit curve based on observable prices on instruments with similar credit risk.

For observable market data SEK uses third-party information based on purchased contracts (such as Reuters and Bloomberg). This type of information can be divided into the following two groups:

i. directly observable prices
   Examples from this group are, for various currencies and maturities, currency rates, stock prices, share index levels, swap prices, future prices, basis spreads and bond prices. The discount curves SEK uses, which are a cornerstone for valuation at fair value, are constructed from observable market data.
ii. market data calculated from the observed prices
   Examples from this group are the standard quote forms, such as call options in the foreign exchange market quoted through volatility which is calculated so that the so-called Black-Scholes model recreates observable prices. Further examples from this group are, for various currencies and maturities, currency volatility, swap volatility, cap/floor volatilities, stock volatility, and dividend schedules for equity and CDS spreads.

Level 3
For transactions that cannot be valued based on observable market data, the use of non-observable market data is necessary. Examples of non-observable market data are discount curves created using observable market data that are extrapolated to calculate non-observable interest rates, correlations between different underlying market parameters and volatilities at long maturities. Correlations that are non-observable market data are calculated from time-series of observable market data. When extrapolated market data as interest rates are used they are calculated by setting the last observable node as a constant for longer maturities.

Tables 15.1 and 15.2 describe SEK's financial assets and liabilities in fair value hierarchy as of December 31, 2013 (and 2012).

TABLE 15.1 FINANCIAL ASSETS IN FAIR VALUE HIERARCHY

	Financial assets at fair value through profit or loss or through other comprehensive income								Available-for-sale							
Skr mn	Level 1		Level 2		Level 3		Total		Level 1		Level 2		Level 3		Total	
Cash and cash equivalents	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)
Treasuries/governments bonds	–	(–)	–	(–)	–	(–)	–	(–)	4,560.2	(–)	–	(4,261.1)	–	(–)	4,560.2	(4,261.1)
Other interest-bearing securities except loans	1,923.7	(–)	156.2	(2,476.2)	261.8	(520.6)	2,341.7	(2,996.8)	5,318.3	(–)	37,482.4	(13,118.2)	–	(–)	42,800.7	(13,118.2)
Loans in the form of interest-bearing securities	832.9	(–)	491.6	(1,630.1)	–	(506.3)	1,324.5	(2,136.4)	–	(–)	–	(–)	–	(–)	–	(–)
Loans to credit institutions	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)
Loans to the public	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)
Derivatives	–	(–)	10,597.2	(16,706.4)	3,630.7	(9,004.8)	14,227.9	(25,711.2)	–	(–)	–	(–)	–	(–)	–	(–)
Total financial assets in fair value hierarchy	**2,756.6**	**(–)**	**11,245.0**	**(20,812.7)**	**3,892.5**	**(10,031.7)**	**17,894.1**	**(30,844.4)**	**9,878.5**	**(–)**	**37,482.4**	**(17,379.3)**	**–**	**(–)**	**47,360.9**	**(17,379.3)**

TABLE 15.2 FINANCIAL LIABILITIES IN FAIR VALUE HIERARCHY

Skr mn	Level 1		Level 2		Level 3		Total	
Borrowing from credit institutions	–	(–)	–	(–)	–	(–)	–	(–)
Borrowing from the public	–	(–)	–	(–)	–	(–)	–	(–)
Senior securities issued	–	(–)	25,934.2	(27,271.2)	55,392.7	(89,207.5)	81,326.9	(116,478.7)
Derivatives	52.9	(–)	13,227.3	(11,308.5)	3,507.8	(5,112.5)	16,788.0	(16,421.0)
Subordinated securities issued	–	(–)	–	(–)	–	(–)	–	(–)
Total financial liabilities in fair value hiearchy	**52.9**	**(–)**	**39,161.5**	**(38,579.7)**	**58,900.5**	**(94,320.0)**	**98,114.9**	**(132,899.7)**

15.3 SOX TESTING AND STEERING DOCUMENTS

SEK is a registered issuer with the Securities and Exchange Commission (SEC) and is compliant with the Sarbanes Oxley Act Section 404 (SOX). The company's management assesses and expresses its opinion on the effectiveness of the company's internal controls relating to financial reporting on an annual basis. This assessment is reported to SEC. The management's opinion is based on testing the internal controls. Market valuation and market data are included in the processes that are subject to testing within the scope of SEK's SOX regulations. The company has established a number of controls to ensure the quality of market valuation.

SEK's Internal Control Committee is a preparatory and decision-making body for matters such as SOX-related issues within SEK and comprises a decision-making body for new products. The Internal Control Committee consists of senior representatives with leading positions within Administration, Risk and Lending & Funding.

In order to regulate the allocation of responsibility for market valuation and to stipulate the principles that apply for the valuation of instruments, SEK's Asset and Liability Committee has issued instructions on market valuation, and steering documents set out the allocation of responsibility for market valuation, the principles for market valuation and how market parameters are to be chosen.

These instructions are to ensure that the company:

a. provides good-quality market valuations in its financial reporting;
b. complies with applicable regulation concerning the market valuation of financial instruments;
c. regulates the principles that apply for the valuation of financial instruments;
d. has procedures and control systems for market valuation corresponding to the company's requirements for adequate internal control; and
e. has allocation of responsibility for market valuation that ensures controls are independent.

The instructions are revised and established by the Asset and Liability Committee on an annual basis. SEK's Asset and Liability Committee consists of senior representatives with leading positions within Administration, Risk and Lending & Funding.

GLOSSARY

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

SEK

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