SEK

SWEDISH EXPORT
CREDIT CORPORATION

CAPITAL ADEQUACY AND RISK MANAGEMENT REPORT 2014
PILLAR 3

2.

CONTENTS

1. 2014 IN BRIEF

In 2014, the level of risk in SEK's total net exposures, defined as the average risk weight, rose slightly and the total risk exposure amount (REA) increased. Minor changes occurred with regard to the composition of SEK's total net exposures. The percentage of exposures to corporates increased slightly, while the percentage of exposures to financial institutions declined in 2014. In 2014, SEK closed fixed-rate positions in Swedish kronor intended to match the risk-free rate in SEK's profitability target. The closure of these interest rate positions resulted in a significant reduction in the interest rate risk in Swedish kronor, while SEK's net interest income risk in Swedish kronor increased. In 2014, SEK adjusted the company's risk framework so that it is a cohesive framework covering all types of risk. This included the establishment of an overarching risk policy, as well as the updating of the company's risk appetite and risk strategy for all significant risk types. SEK has also included sustainability risk as a separate risk type in the risk framework.

Over the year, the level of operational risk decreased as a result of long-term work focusing on continuous improvement, well-documented procedures and high awareness of the importance of managing operational risk.The Basel III rules were introduced in the EU via the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD IV), which came into force on January 1, 2014. This has affected SEK in a number of respects. Of particular significance are the stricter requirements on the size of own funds as a result of increased risk weighting for exposure to financial institutions, the new own funds requirement for credit valuation adjustment (CVA) risk and the capital conservation buffer that was introduced. The stipulation that a larger proportion of own funds requirements must be met with Common Equity Tier 1 capital has, in itself, not had any significant impact on SEK as its own funds already mainly consists of Common Equity Tier 1 capital. The European Market Infrastructure Regulation (EMIR), which covers over-the-counter (OTC) derivatives, central counterparties and trade repositories, came into force in 2012, but is being gradually phased in. In 2014, this regulation started being applied to aspects relating to reporting to central trade repositories and SEK is conducting daily reporting in accordance with this.

SEK carried out a reorganization in December 2014 that applies from January 1, 2015. As part of this reorganization, two of the company's internal committees – the Asset and Liability Committee and the Internal Control Committee – were removed. The ongoing matters that were previously dealt with by these committees have been delegated to certain managers within the organization to decide on, and from January 1, 2005 company-wide issues and strategic matters are handled by the executive management or the newly established Risk and Compliance Committee. This report, however, reflects the organisation as of December 31, 2014.

2. INTRODUCTION

2.1 BACKGROUND

SEK is required to fulfill the requirements of the current revision of the Basel accord, Basel III, which came into force within the EU as of January 1, 2014, through a package of measures consisting of the CRR[1] and the CRD IV[2]. The CRR is directly applicable in Sweden and contains detailed requirements with respect to, among other things, capital, liquidity, large exposures, disclosure and supervisory reporting. CRD IV was incorporated in Swedish legislation as of August 2, 2014 and covers areas such as principles for prudential supervision, internal assessments of risk and capital, corporate governance, capital buffers, sanctions and remuneration.

The current regulations introduced by the CRR and CRD IV replace the previous revision of the Basel accord, Basel II as it was incorporated into EU and Swedish legislation. On several topics, however Basel II rules are still partially or fully in force, due to transitional periods in the Basel III accord.

The regulations of the CRR and CRD IV reflect the main structure of Basel III, a structure that was maintained from Basel II. The regulation is therefore considered to consist of three "Pillars". Pillar 1 deals with minimum capital requirements for credit and market risks as well as for operational risks, based on explicit calculation rules. 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. Furthermore, 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. 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 comply with the requirements of the CRR, CRD IV and other supplementing regulations issued by the Swedish Financial Supervisory Authority or the European Commission.

Under Pillar 1, an institution must at all times have a own funds that at least cover the minimum capital requirements according to the CRR. In addition certain capital buffer requirements must be fulfilled. In calculation of the minimum capital requirements, for each risk category institutions may choose between at least one simple and one advanced method. For some risk categories there are intermediate methods alongside the simple and the advanced methods, and for there may also be different methods to choose from for subcategories. In order to apply an advanced method, the institution must obtain the consent of the supervisory authority. Brief information on the various methods for capital requirements calculation under Pillar 1 follows:

- For credit risks, the standardized approach is the simplest approach. The risk weights are established by the CRR. In the standardized approach risk weights for specific exposures may reflect 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 has a permit for and consequently uses the Foundation IRB approach to calculate its capital requirement for credit risk. For some exposures, most notably for exposures to central governments and exposures guaranteed by Export Credit Agencies within the OECD, SEK has received a waiver and instead applies the standardized approach. In order to determine the capital requirements for counterparty credit risk arising from derivatives transactions, SEK uses the mark to market method.
- For calculation of capital requirements for Credit Valuation Adjustment risk, arising from derivatives positions, may a standardised method or an advanced method may be used. SEK applies the standardized method.
- In regard to market risks, institutions are allowed to choose between a standardized approach or an internal model based method. SEK do not have any trading book positions and hence no capital requirements for markets risk from such positions. Under Pillar 1, SEK's only market risks exists in the form of foreign exchange risk and commodities risk and capital requirements are calculated according to the standardized approach
- When measuring operational risks there are three alternatives: the basic indicator approach, the standardized approach, and the advanced measurement approach. For operational risk, SEK has qualified for and chosen the standardized method.

For further details on each of the above risk categories, please see the section relating to that category.

2.2 SEK'S OPERATIONS

SEK is a credit market 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. 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 Swedish Krona (Skr), but there is a gradually increasing trend for companies to borrow in local currencies.

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 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 can be assumed by one or several commercial banks (with SEK acting as a funding partner) or the risks can be shared by SEK (with SEK acting as a co-arranging partner). Another business area within End-customer

[1] Regulation (EU) no 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) no 648/2012.

[2] Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing directives 2006/48/EC and 2006/49/EC.

Finance is Project Finance, cash flow-based financing 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. 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.
Lending working capital to Swedish exporters and theirs 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. Corporate Lending can also be provided to buyers of Swedish goods and services with the purpose of increasing a buyer's purchases of Swedish goods and services. 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.

2.3 SEK GROUP

The information in this report refers to the consolidated group of SEK. AB Svensk Exportkredit ("SEK" or "the Parent Company") is a company domiciled in Sweden. The address of the company's registered office is Klarabergsviadukten 61–63, P.O. Box 194, SE-101 23 Stockholm, Sweden. The Consolidated Group as of December 31, 2014 encompass SEK and its wholly owned subsidiary Venantius AB, including the latter's wholly owned subsidiary VF Finans AB ("the Subsidiaries"). These are together referred to as the "Consolidated Group" or "the Group". The wholly owned subsidiary AB SEK Securities was merged into SEK on December 5, 2014. The merger results in SEK taking on the assets and debts of AB SEK Securities. AB SEK Securities has been licensed by the Swedish Financial Supervisory Authority to conduct securities trading. Its operations are being transferred to the parent company since SEK from June 12, 2014 is licensed to conduct this type of business. 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 this Report relates to both the Consolidated Group and the Parent company.

The consolidated situation with regard to prudential requirements, among others the capital requirements according to CRR, does not differ from the consolidation for accounting purposes. No subsidiary is an institute according to the definition of the CRR, thus the prudential regulations do not apply on subsidiaries on an individual basis. No current or foreseen material impediments to prompt transfer of own funds or repayment of liabilities among the parent undertaking or its subsidiaries have been identified.

TABLE 2.1: SPECIFICATION OF SUBSIDIARIES INCLUDED IN THE FINANCIAL GROUP AS OF DECEMBER 31, 2014

Subsidiaries	Corporate registration number	Number of shares	Book value (Skr mn)	Voting power of holding (%)	Domicile	Consolidation method
Venantius AB (publ)	556449-5116	5,000,500	17	100%	Stockholm	Purchase method
Total			**17**			

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 (CRR).

The figures reported in this report refer to the SEK Group on a consolidated basis as of December 31, 2014. 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 as of December 31, 2013. Regarding capital adequacy related data the comparative data are calculated according to Basel II, Pillar 1, which was the relevant standard a that time.

The information is not required to be subject to external audit. However, the information in this disclosure document has been subject to internal quality assurance by the Board of Directors. The company's Risk and Compliance Committee has established instructions that set out (i) how SEK should fulfill requirements regarding the publication of information under the CRR 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 risk appetite, and how risk categories are defined. In addition, the chapter provides a description of how the internal control environment has been organized. This chapter also describes SEK's capital targets and risk capacity.

Chapter 4 (Own funds and capital adequacy) provides information about the terms and conditions that apply to the items included in SEK's own funds. This chapter also provides a capital adequacy analysis, information about capital buffers, leverage ratio and about SEK's compliance with the CRR rules regarding restrictions on large exposures.

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 6–12 present information about how SEK identifies and analyzes, in order, credit risk (including capital buffers, counterparty risk in derivative transactions and credit valuation adjustment risk), market risk, operational risk, liquidity and funding risk, reputational risk, business and strategic risk, and sustainability risk. The various approaches used to calculate capital requirements for these risks are also described in these chapters. Please note that the perspective applied in this report in generally, and in particular for credit risks, is the exposure perspective of the CRR. For more information on the risks from a financial reporting perspective, see note 28 in the Annual Report.

Chapter 13 (New regulations) describes how future regulations will affect SEK.

Chapter 14 (SEK's remuneration system) describes SEK's remuneration system.

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

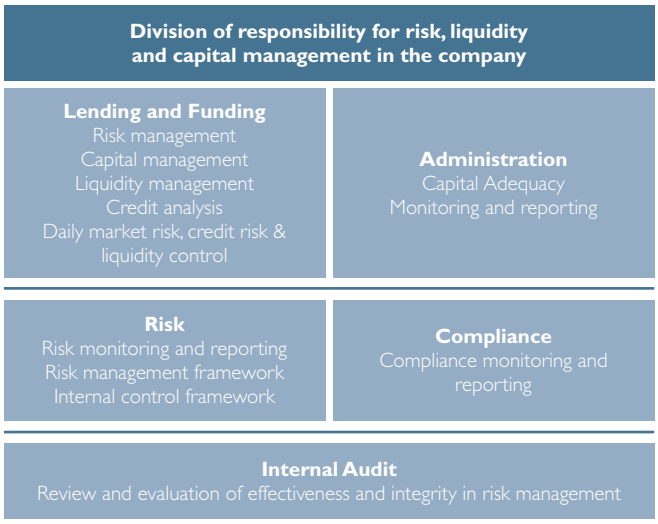
The Board of Directors has ultimate responsibility for the company's organizational structure and administration of the company's affairs, including overseeing and monitoring risk exposure, risk management and compliance, and for ensuring satisfactory internal control of the company's compliance with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

The Board has established the Finance and Risk Committee, which assists the Board in overall issues regarding governance and monitoring of risk-taking, risk management and use of capital. The Finance and Risk Committee also determines certain limits, chiefly within market risk. The Credit Committee assists the Board in matters relating to loans and credit decisions within SEK and matters that are of fundamental significance or generally of great importance to the company. The Board's Audit Committee assists the Board with financial reporting and internal control matters such as the corporate governance report. The Audit Committee also monitors operational risk. For a detailed description of the work of the Board, please refer to the Corporate Governance Report in SEK's Annual Report.

SEK's President is responsible for day-to-day management of business operations. The President assigns various authorizations to the executive management committees to take decisions regarding different types of risk. The Executive Management Credit Committee is responsible for matters regarding lending and credit risk management within SEK. Under its mandate and on the basis of the delegation of authority established by the Board, the Executive Management Credit Committee and the Credit Committee are authorized to take credit decisions. The Asset and Liability Committee manages issues including matters relating to SEK's overall level of risk, proposes market risk limits and establishes methods for measuring risk and allocating internal capital. With regard to risk capacity, the Asset and Liability Committee develops policy documents regarding the division of responsibility and management of SEK's risk types and regarding the link between risk and capital. The Internal Control Committee is responsible for matters such as the management and monitoring of operational risks and assists with preparing and making decisions on new products. The newly established Risk and Compliance Committee that from January 1, 2015 replaced the Asset and Liability Committee and the Internal Control Committee manages issues that earlier was managed by the Asset and Liability Committee and the Internal Control Committee

Day-to-day market and credit risk management, and liquidity management are carried out by the business and support functions that are also responsible for capital management. The company's business and support functions also perform day-to-day control and monitoring of risks and limits. The business is also responsible for credit analysis, lending and credit risk in lending, as well as for managing sustainability risk in lending to ensure it remains within SEK's low sustainability risk appetite. The Administration function is responsible for monitoring and reporting the capital requirement and own funds. Each function within the company is responsible for operational risk.

Independent risk control is carried out by the Risk function, under the management of the Head of Risk. The Risk function is responsible for monitoring, control and analysis of risks and risk management, and for reporting risks to the President and the Board. The function validates models and methods for calculating risk. The function also monitors compliance with the risk framework, assesses the effectiveness of risk management and follows up internal control within the company. Together with the Compliance function, the Risk function also monitors compliance with regulatory requirements relating to risk. The independent Compliance function is directly accountable to the President, but also reports to the Board. This function helps ensure that operations within SEK conform to applicable rules and also monitors compliance within the company Internal Audit, which is independent and reports directly to the Board, reviews and evaluates the effectiveness and integrity of risk management. Internal Audit conducts auditing activities in accordance with the prevailing audit plan approved by the Board.

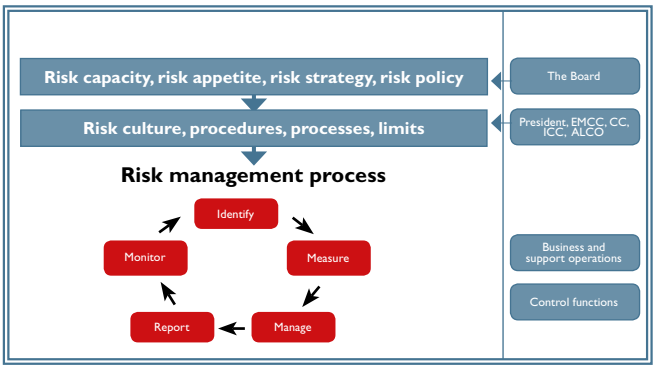


3.2 SEK'S RISK FRAMEWORK

Effective management and control of risk in SEK is based on a sound risk culture, a common approach and an effective control environment. The company emphasizes the importance of broad risk awareness among staff and understanding the importance of preventive risk management in order to keep risk exposure within the determined level. In addition, SEK has a risk framework (see figure below) that encompasses all of SEK's operations, all its risks and all relevant personnel.

The structure of the risk framework is ultimately governed by SEK's mission from its owner, the Swedish government, and SEK's business model. The risk capacity sets the overall constraint for SEK's strategy and is expressed through capital targets and additional limiting factors. As part of the risk capacity, risk appetite is expressed as the risk to which the Board is prepared to expose the company in order to achieve its strategic objectives. Risk governance is specified in the form of a risk policy, the company's risk culture, procedures, processes and limits. These policy docu-

ments describe the risk management process and define what activities and operations are included in the process and how they should be performed. These policy documents also indicate how responsibility is structured for the execution and monitoring of and compliance with risk management.



3.3 RISK MANAGEMENT PROCESS

The company must identify, measure, manage, report and have control over those risks with which the business is associated and, to this end, must ensure it has satisfactory internal control. SEK's risk management process consists of the following key elements:

- Identify. At any given time, SEK must be aware of the risks to which the company is exposed. Risks are identified principally in new transactions, no less than once a year, in external changes in SEK's operating environment or internally in, for example, products, processes, systems and through annual risk analyses encompassing all aspects of the company. Both forward-looking and historical analyses and testing are carried out.
- Measure. The size of the risks are measured on a daily basis for those significant measurable risks or are assessed qualitatively as frequently as is necessary. For those risks that are not directly measurable, SEK evaluates the risk according to models that are based on the company's risk appetite for the respective risk type, specified according to appropriate scales for probability and consequence.
- Manage. SEK aims to oversee the development of the business and make active use of risk-reduction capabilities and have control of the development of risks over time to ensure that the business is kept within the established limits, risk appetite and risk capacity. In addition, the company carries out planning and draws up documentation to ensure the continuity of business-critical processes and systems and to ensure planning is carried out for crisis management, in case a crisis occurs. Exercises and training are continually performed regarding the management of situations that require crisis and/or continuity planning.
- Report. Reporting must take place regarding significant risks and deficiencies in risk management that exist, or can be expected to arise, in the business and their development over time. The company reports on the current risk situation and follows up on previously reported risks and deficiencies to the Board, the Finance and Risk Committee and in the company itself to the various committees and to the President.
- Monitor. The company must review, control and monitor compliance with limits, risk appetite, risk capacity, risk strategy, risk management and internal and external regulations in order to ensure that risk exposures are kept at an acceptable level for the company and that risk management is effective and appropriate.

3.4 RISK DECLARATION

Regulatory oversight requires that a risk declaration be established by the Board and published. Below is SEK's risk declaration.

- The Board hereby declares that the SEK Group has overall satisfactory risk management arrangements in relation to the company´s profile and strategy. Improvements are in progress regarding processes and methods for market risk.

3.5 RISK PROFILE

SEK's mission is to provide lending, on commercial and sustainable terms, in order to support Swedish exports. The company is consequently exposed mainly to credit risk. The company has low tolerance of market risk resulting from unmatched cash flows. SEK may, however, accept a significant impact on earnings as a result of unrealized changes in market value. See the table below for a more detailed risk statement.

Risk class	Risk profile	Risk appetite	Risk management
Credit risk Credit risk is the risk of the loss that could occur if a borrower or party in another agreement cannot meet its obligations under the agreement's terms and conditions. Credit risk also includes Counterparty Risk, Concentration Risk and Settlement Risk.	SEK's credit risk portfolio maintains high credit quality. The portfolio has significant concentration risk as a result of the company's mission. The net risk is principally limited to highly creditworthy counterparties, such as export credit agencies (ECAs), major Swedish exporters and banks and insurers. SEK invests its liquidity in high-credit-quality securities, primarily with short maturities. At Dec. 31, 2014, the expected risk of loss over a 1-year horizon was 1 percent of Common Equity Tier 1 capital, and over the maturity of the entire portfolio it was 6 percent of Common Equity Tier 1 capital. The capital requirement for credit risk and other risks is 74 percent of Common Equity Tier 1 capital.	SEK's mission means that its appetite for credit risk is significantly greater than its appetite for other risks. The company limits 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 Common Equity Tier 1 over a one-year horizon and up to 8 percent of Common Equity Tier 1 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 Common Equity Tier 1 capital.	Lending must be responsible and based on in-depth knowledge of SEK's counterparties. Lending must also take place in accordance with SEK's mission based on its owner instruction, which includes: (i) Swedish interests, (ii) a link to exports, (iii) commercial terms financial attractiveness (iv) a complementary role in the market and (v) sustainable business. Lending must be based on a counterparty's repayment capacity. SEK's credit risks are limited through a risk-based selection of derivative counterparties and managed through, for example, the use of guarantees and credit derivatives (CDSs), which also include collateral agreements. Furthermore, transaction risk must be limited through SEK's use of a standard lending policy, specifying guiding principles for lending terms. All things being equal, SEK must endeavor to have a diversified lending portfolio. Concentrations that occur naturally as a result of the company's mission are accepted, but concentration risk is reduced using risk mitigation solutions.
Market risk Market risk is the risk of losses due to changes in price and/or volatility on financial markets. Market risk occurs when the terms of an agreement result in the size of payments linked to the agreement or the value of the agreement varying according to some market variable, such as an interest rate or exchange rate.	SEK's business model leads to exposure mainly to spread risks, interest rate risk and foreign exchange risk. The company's largest net exposures are to changes in spread risks, mainly to credit spreads in assets and liabilities and cross currency basis swap spreads. The capital requirement for market risk is 10.6 percent of Common Equity capital.	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, since this effect mainly evens out over time as SEK generally holds assets and liabilities to maturity. SEK should not actively take currency positions. SEK may accept a capital requirement attributable to market risk amounting to a maximum of 20 percent of Common Equity Tier 1 capital.	The core of SEK's market risk strategy is to borrow funds in the form of bonds which, regardless of the market risk exposures in the bonds, are hedged by being swapped to a floating interest rate. Borrowed funds are used either immediately for lending, mainly at a floating rate of interest, or swapped to a floating rate, or to ensure that SEK has sufficient liquidity. The aim is to hold assets and liabilities to maturity. Derivatives used to hedge market risks result in market risk-related counterparty risk in respect of counterparties in derivative transactions. The permitted size of market risks is governed by limits established by the Board's Finance and Risk Committee. Exposures are measured, controlled and reported, which keeps them at an acceptable level for the company.
Liquidity and refinancing risk Liquidity and refinancing risk is the risk, within a defined period of time, of the company not being able to refinance its existing assets or being unable to meet increased demands for liquid funds. Liquidity risk also includes the risk of the company having to lend at an unfavorable interest rate or needing to sell assets at unfavorable prices in order to be able to meet its payment commitments.	SEK has secured funding for all its credit commitments, including those agreed but not yet disbursed. In addition, the size of SEK's liquidity placements allow new lending to continue at the normal pace, even during times of stress. As a consequence of SEK having secured funding for all its credit commitments the remaining term to maturity for borrowing is longer than the remaining term to maturity for lending. At Dec. 31, 2014, the remaining term to maturity for borrowing was 4.9 years, while for lending it was 3.8 years. At Dec. 31, 2014, the company's liquidity capacity for new lending was 16 months.	The company assumes no refinancing risk. For all credit commitments – both outstanding credits and credits agreed but not yet disbursed – financing must be available to maturity (known as positive availability). In addition, SEK maintains a liquidity buffer for potential payments under collateral agreements, which is made possible by SEK's funding. SEK's funding must also cover agreed but undisbursed credits. SEK must also maintain capacity for maturing funding and for new lending, the size of which must also ensure the company's new lending capacity, even during a period of difficulty for companies to raise new financing.	SEK must have diversified funding to ensure that funding must be available through maturity for all credit commitments – outstanding credits as well as agreed but undisbursed credits. The size of SEK's liquidity placements must ensure that new lending can take place even during times of financial stress.
Operational risk Operational risk is the risk of losses resulting from inadequate or faulty internal processes, systems, human error or from external events. Operational risk also includes legal and compliance risk. SEK divides operational risk into four subgroups: Process, Personnel, Information Technology and External Risk.	Operational risks, of course, arise in all parts of the business. Improvements are in progress regarding processes and methods for market risk. The vast majority of incidents are minor events that are rectified promptly within respective functions. Overall risk is is low as a result of effective internal control measures and a focus on continuous improvement. Total losses resulting from incidents amounted to Skr 0.4 million for the full year in 2014.	SEK's appetite for operational risk is low (on a three-tier scale). Operational risks that are assessed to be at medium level and if risks assessed at high level exist, they should be mitigated. The risk appetite for losses resulting from incidents is Skr 10 mn for individual erroneous transactions regarding business transactions for which specific limits are assigned and provided that such limits are not exceeded, and a total of Skr 3 mn each quarter for other activities. Total losses resulting from incidents may not exceed Skr 25 mn per calendar year.	Operational risk is actively prevented and mitigated to an acceptable level so that the implementation of the company's strategy and business plan is not jeopardized. Costs to reduce risk exposures must be in proportion to the effect that such measures have.
Business risk Business risk is the risk of an unexpected decline in revenues as a result of a decrease in volumes and/or falling margins.	SEK›s earnings tend to increase in stressed situations when the financial sector›s overall lending capacity declines. It is also in these situations that it is considered most likely that SEK could potentially encounter substantial loan losses. The negative earnings effect of increased loan losses tends to be compensated by increased earnings over time. The level of risk is assessed to be low.	SEK's appetite for business risk is low (on a three-tier scale)	Business risk is identified through risk analyses and is monitored and prevented as deemed necessary. Costs to reduce risk exposures must be in proportion to the effect that such measures have.

Risk class	Risk profile	Risk appetite	Risk management
Strategic risk (business environment risk) Strategic risk is 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. Strategic risk focuses on large-scale and structural risk factors.	SEK›s strategic risks mainly arise through changes in the external operating environment, such as market conditions, which could result in limited lending opportunities for SEK, and regulatory reforms from two perspectives; (1) the impact of these reforms on SEK's business model and (2) the requirements on the organization resulting from the increased regulatory complexity. The level of risk is assessed to be low.	SEK accepts conscious strategic risks that correspond with the company's strategy. Tolerance is low for other strategic risks.	Strategic risk is identified through risk analyses and is monitored and prevented as deemed necessary. Costs to reduce risk exposures must be in proportion to the effect that such measures have.
Reputational risk Reputational risk is the risk of a negative reputation and/or reduced revenues as a result of external reports about the company or about the sector in general.	Factors considered to affect the reputation of the SEK brand are mainly loan losses, transactions that could be perceived to lack Swedish interests or the perception that the company has breached applicable regulations, for example with regard to sustainability. The level of risk is assessed to be low.	SEK's appetite for reputational risk is low (on a three-tier scale).	Reputational risk is actively prevented and mitigated to an acceptable level so that the implementation of the company's strategy and business plan is not jeopardized. Costs to reduce risk exposures must be in proportion to the effect that such measures have. The company's communication plan describes the principles for both long-term and short-term management of reputational risk.
Sustainability risk Sustainability risk is the risk of SEK directly or indirectly contributing to violations of human rights, insufficient business ethics, bribery or other corrupt behavior, money laundering or financing of terrorism, environmental negligence or crimes or unacceptable labor conditions.	SEK is indirectly exposed to sustainability risks primarily in connection with financing of Swedish sales to countries and projects with high social and environmental risk.	The risk appetite for sustainability risk is low; SEK must not enter into agreements or participate in transactions deemed to result in an unacceptable in compliance with applicable regulation.	SEK complies with international guidelines for management of sustainability risks in connection with lending. Risk management comprises procedures, controls and requirements to close channels used by money launderers and to protect the company from being used for money laundering and terrorist financing, to comply with the OECD convention on combating bribery, Swedish laws and the Swedish Corporate Governance Code, as well as the UN's guiding principles for companies and human rights and OECD recommendations and Common Approaches on social and environmental due diligence in officially supported export credits.
Pension risk The risk that the company needs to make further contributions to defined benefit pension plans to cover pension obligations for current and previous employees.	The company's obligations may increase if the actuarial outcome or the actual return on investment is worse than expected. SEK's pension risk is low.	SEK's appetite for pension risk is low. (on a three-tier scale).	Employees at SEK have a collectively bargained pension through the BTP plan, which is the most significant pension plan for salaried bank employees in Sweden. The BTP plan is funded by means of insurance with the insurance company SPP.

3.6 RISK CAPACITY

SEK's risk capacity is expressed in the form of capital targets and additional limiting factors. 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:
The target level for the Common Equity Tier 1 ratio is 16 percent under normal circumstances, and no less than 14 percent under adverse conditions and the company's capital requirement under Pillar 2 should not exceed Common Equity Tier 1 capital.

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:
The leverage ratio consists of the ratio between Tier 1 capital and exposures and may not be less than 4.0 percent, which corresponds to maximum leverage of 25.

The target for SEK's external rating is 'AA+', or one notch below the owner's sovereign rating.

[3] The Common Equity Tier 1 ratio is the ratio of Common Equity Tier 1 capital to Risk exposure amount (REA) calculated in accordance with applicable regulations, without regard to any Basel I-based additional requirements.

[4] Calculated in accordance with the CRR. The leverage ratio must be reported to supervisory authorities and will from 2015 be subject to disclosure requirements. Explicit minimum requirements on the leverage ratio are expected to be introduced in 2018.

4. OWN FUNDS AND CAPITAL ADEQUACY

4.1 OWN FUNDS

CRR defines own funds as the sum of Common Equity Tier 1 capital, additional Tier 1 capital and Tier 2 capital. Own funds are intended to act as a buffer against the risks to which SEK is exposed. In short, own funds consist of equity after various adjustments plus subordinated debt or hybrid capital that meets the conditions to be included as additional Tier 1 capital or Tier 2 capital.

SEK's Common Equity Tier 1 capital consists of equity and retained earnings. The total number of shares is 3,990,000 with a quota value of Skr 1,000. SEK's stock is not publicly listed, and the entire equity is attributable to the shareholder of the Parent Company, that is the Swedish government. As of January 1, 2014 SEK deducts positions in securitizations with a risk weight of 1,250 percent from Common Equity as an alternative to calculating capital requirements for these positions. The method for calculating the adjustments to Common Equity Tier 1 capital due to prudent valuation has changed as of December 31, 2014, and the calculation is henceforth in accordance with the CRR, using the core approach of the Regulatory Technical Standards on prudent valuation (EBA/RTS/2014/06/rev1), as proposed by European Banking Authority (EBA). SEK's Common Equity Tier 1 capital increased to Skr 14,786 million as of December 31, 2014(year-end 2013: Skr 14,640 million).

The CRR introduces stricter requirements for additional Tier 1 that partially under the transitional rules now apply, and hence instruments conforming only to the previous rules are to be phased out from Tier 1 capital. Such stricter requirements have no impact on SEK in 2014, since the company as of December 31, 2014 did not have any capital that can be classified as additional Tier 1 capital under neither the previous rules, nor the rules of the CRR.

SEK's USD 250 millions Fixed Rate Resettable Dated Subordinated Instruments due November 14, 2023 (the dated subordinated instruments) were issued by SEK, 556084-0315, under the regulatory framework in effect on November 14th, 2013 (the issue date) at the price of 99.456 percent of the aggregate nominal amount and are classified as Tier 2 eligible subordinated debt in accordance with CRR. 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 in arrears on May 14 and November 14 in each year commencing on May 14, 2014 and ending on 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 USD 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 in each year commencing on May 14, 2019 and ending on the maturity date. Unless previously redeemed or purchased and cancelled, SEK's dated subordinated instruments will be redeemed at their principal amount on the maturity date. Subject to certain conditions as provided in the applicable terms and conditions, the dated subordinated instruments may be redeemed at the option of SEK in whole, but not in part, (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 date of redemption. Redemption is subject to the prior consent of the Swedish Financial Supervisory Authority.

TABLE 4.1: OWN FUNDS AS OF DECEMBER 31, 2014 (AND 2013)

Skr mn		
Share capital	3,990	(3,990)
Retained earnings	10,522	(9,759)
Accumulated other comprehensive income and other reserves	385	(151)
Independently reviewed interim profit net of any forseeable charge of dividend	882	(763)
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**15,779**	**(14,663)**
Additional value adjustments due to prudent valuation	–560	(–19)
Intangible assets	–135	(–119)
Fair value reserves related to gains or losses on cash flow hedges	–386	(–152)
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	366	(251)
Exposure amount of securitization positions which qualify for a risk-weight of 1,250%	–216	(–)
Regulatory adjustments relating to unrealized gains pursuant to Article 468 CRR	–62	(16)
Total regulatory adjustments	**–993**	**(–23)**
Total Common Equity Tier-1 capital	**14,786**	**(14,640)**
Additional Tier 1 capital	–	(–)
Total Tier-1 capital	**14,786**	**(14,640)**
Tier 2-eligible subordinated debt	1,953	(1,627)
Credit risk adjustments[1]	51	(65)
Total Tier 2 capital	**2,004**	**(1,692)**
Total Own funds	**16,790**	**(16,332)**

[1] Expected loss amount calculated according to the IRB-approach is a gross deduction from own funds. The gross deduction is decreased by impairments related to exposures for which expected loss is calculated. Excess amounts of such impairments will increase own funds. This increase is limited to 0.6 percent of SEK's risk exposure amount according to the IRB-approach related to exposures to corporates and financial institutions. As of December 31, 2014, the limitation rule had no effect (year-end 2013: no effect).

TABLE 4.2: CAPITAL REQUIREMENTS (PILLAR 1), AS OF DECEMBER 31, 2014 (AND 2013)

Skr mn	EAD[1]		Risk exposure amount		Capital requirement	
Credit risk standardized method						
Central governments[2]	158,666	(150,373)	736	(1,016)	59	(82)
Regional governments	20,891	19,816)	–	(–)	–	(–)
Multilateral development banks	319	(723)	–	(–)	–	(–)
Corporates	1,207	(628)	1,207	(628)	96	(50)
Household exposures	–	(1)	–	(1)	–	(0)
Total credit risk standardized method	*181,083*	*(171,541)*	*1,943*	*(1,645)*	*155*	*(132)*
Credit risk IRB method						
Financial institutions[3]	67,293	(67,352)	24,186	(17,305)	1,935	(1,384)
Corporates[4]	79,344	(71,227)	49,042	(42,054)	3,923	(3,364)
Securitization positions	6,308	(7,804)	3,643	(8,744)	291	(700)
Assets without counterparty	134	(150)	134	(150)	11	(12)
Total credit risk IRB method	*153,079*	*(146,533)*	*77,005*	*(68,253)*	*6,160*	*(5,460)*
Credit valuation adjustment risk	**n.a.**	**(n.a.)**	**3,339**	**(n.a)**	**267**	**(n.a.)**
Foreign exchange risks	**n.a.**	**(n.a.)**	**1,530**	**(1,404)**	**123**	**(112)**
Commodities risk	**n.a.**	**(n.a.)**	**27**	**67)**	**2**	**(5)**
Operational risk	**n.a.**	**(n.a.)**	**3,473**	**(3,660)**	**278**	**(293)**
Total	**334,162**	**(318,074)**	**87,317**	**(75,029)**	**6,985**	**(6,002)**
Adjustment according to transitional rules[5]	n.a.	(n.a.)	–	(–)	–	(–)
Total incl. transitional rules	**334,162**	**(318,074)**	**87,317**	**(75,029)**	**6,985**	**(6,002)**
Total Basel I[5]	**n.a.**	**(n.a.)**	**99,973**	**(90,629)**	**7,998**	**(7,250)**

[1] Exposure at default (EAD) shows the size of the outstanding exposure at default.
[2] In accordance with CRR, SEK treats exposures to Government export credit agencies as exposures to central government. Figures related to year-end 2013 have been reclassified accordingly.
[3] Of which counterparty risk in derivatives: EAD Skr 5,699 million (year-end 2013: Skr 5,656 million), Risk exposure amount of Skr 2,844 million (year-end 2013: Skr 2,098 million) and Required capital of Skr 228 million (year-end 2013: Skr 168 million).
[4] Of which related to specialized lending: EAD Skr 2,834 million (year-end 2013: 2,701 million), risk exposure amount Skr 1,984 million (year-end 2013: 2,335 million) and required capital Skr 159 million (year-end 2013: 187 million)
[5] Relates to the so-called Basel I-floor. The item "Adjustment according to transitional rules" is those additional requirements that results in a "Total incl. transitional rules" that is at least 80 percent of "Total Basel.

4.2 CAPITAL REQUIREMENTS AND CAPITAL BUFFERS PILLAR 1

A detailed calculation of SEK's risk exposure amount and capital requirements is shown in Table 4.2. Risk exposure amount and capital requirements as of December 31, 2014 are calculated in accordance with the CRR. As of December 31, 2014, the transitional rules related to Basel I do not require an increase in the capital requirement (year-end 2013: no increase). The comparative figures as of December 31, 2013 set out below are presented in accordance with Basel II, Pillar 1, which was the relevant standard at the time.

As a result of regulatory changes introduced by the CRR, the risk exposure amount for exposures to financial institutions as of December 31, 2014 has increased compared to December 31, 2013. This is due to an increase in the correlation parameter of the risk weight function (the Basel formula) that applies for exposures to financial institutions. The introduction of a capital charge for credit valuation adjustment risk has also increased SEK's capital requirements.

In Sweden the new minimum capital requirements of the CRR were implemented in 2014 without any transitional period. Swedish Financial institutions are required at all times have own funds that results in at least capital ratios of 4.5 percent, 6.0 percent and 8.0 percent respectively relating to Common Equity Tier 1 capital, Tier 1 Capital and own funds.

These capital ratios are calculated as the quotient of the related capital measure and the total risk exposure amount, which is further described in the Chapter 6.

CRD IV also introduces a number of capital buffer requirements to be phased in from 2016, with full effect from 2019. These capital buffer requirements are expressed as a percentage of the total risk exposure amount (the buffer rate) and must be met with Common Equity Tier 1 capital in accordance with the Swedish Capital Buffers ACT (SFS 2014:966) on capital buffers of August 2, 2014. Failure to meet the capital buffer requirements among other things triggers restrictions on distributions to shareholders. The Swedish government opted for an earlier introduction than required by CRD IV of the Capital Conservation buffer, the Countercyclical Capital buffer and the Systemic Risk buffer in Sweden.

As illustrated below in Table 4.3 only the Capital Conservation Buffer of 2.5 percent is applicable to SEK in 2014. The regulation regarding buffers for systemically important institutions will not apply until January 1, 2016, and SEK will not be subject to those requirements.

A Countercyclical Capital Buffer between 0 percent and 2.5 percent, to be determined at national level, will be activated in Sweden in 2015. Current countercyclical capital buffer rate for Sweden is 0 percent, but will increase to 1 percent from September 15th, 2015. Countercyclical capital buffer rate for Norway will increase to 1 percent from June 30, 2015. Currently, no other countries where SEK has relevant exposures except for Sweden and Norway have introduced national capital buffer rates. As of December 31, 2014 the capital requirement related to relevant exposures in Sweden was 61 percent of the total relevant capital requirement regardless of location. The rest of SEK's exposure is well spread geographically in such way that capital requirement related to relevant credit exposures for any other country than Sweden does not exceed 5 percent of the total relevant capital requirement. Consequently, introduction of a countercyclical capital buffer rate for any individual country will have a very limited impact on SEK's total buffer requirement. If the Swedish countercyclical buffer rate has already been applied, the additional buffer requirement would be 0.6 percentage points as of December 31, 2014. The Norwegian buffer would in the same way increase SEK's total buffer requirement by less than a hundredth of a percentage point.

As of January 1st, 2015 the four major Swedish banks must hold a systemic risk buffer of 3 percent. However, according to the current position of the Swedish Financial Supervisory Authority SEK is not required to hold a systemic risk buffer. Systemic risk buffer rates activated in other countries might affect SEK, given that the Swedish Financial Supervisory Authority will recognize them. For the same reasons as for the countercyclical buffer the potential impact of individual countries' systemic buffer rates on SEK's total buffer requirements is limited.

TABLE 4.3: CAPITAL ADEQUACY ANALYSIS (PILLAR 1) AS OF DECEMBER 31, 2014 (AND 2013)

Capital ratios excl. of buffer requirements[1]		
Common Equity Tier 1 capital ratio	16.9%	(19.5%)
Tier 1 capital ratio	16.9%	(19.5%)
Total capital ratio	19.2%	(21.8%)
Institution specific Common Equity Tier 1 capital requirement incl. of buffers[2]	**7.0%**	**(n.a.)**
of which Capital conservation buffer	*2.5%*	*(n.a.)*
of which Countercyclical buffer	–	*(n.a.)*
of which Systemic risk buffer	–	*(n.a.)*
Common Equity Tier 1 capital available to meet institution specific requirement3	**15.4%**	**(n.a.)**
Total capital ratio according to transitional rules[4]	**19.2%**	**(21.8%)**

[1] Capital ratios excl. of buffer requirements are the quotients of the relevant capital measure and the total risk exposure amount.
[2] Inclusive of the minimum requirement of 4.5 percent, expressed as a percentage of total risk exposure amount.
[3] Common Equity Tier 1 capital, as a percentage of the total risk exposure amount, available to meet the institution specific Common Equity Tier 1 capital requirement. SEK does not have any additional Tier 1 capital, hence Common Equity Tier 1 capital is required to meet the difference between the minimum requirements on Tier 1 capital and Common Equity Tier 1 capital with the result that this indicator is 1.5 percentage points less than the Common Equity Tier 1 capital ratio.
[4] Refers to the so called Basel I floor. The minimum requirement is 8.0 percent.

4.3 CAPITAL ADEQUACY ANALYSIS

As shown in the Table 4.3 above, SEK's capital ratios as of December 31, 2014 are well in excess of the regulatory minimum. SEK's Common Equity Tier 1 capital ratio was 17.5 percent as of December 31, 2014 (year end 2013 19.5 percent). Tier 1 capital ratio was 17.5 percent as of December 31, 2014 (year end 2013 19.5 percent). SEK's total capital ratio calculated according to CRR as of December 31,2014 was 19.8 percent (year end 2013 calculated according to Basel II, Pilar I 21.8 percent). The reduction of all capital ratios in 2014 was due to the regulatory changes regarding the calculation of SEK's risk exposure amount as specified in the Section 4.2.

4.4 LEVERAGE RATIO

A measurement on leverage was introduced by the CRR with the leverage ratio. Institutions must calculate and report the leverage ratio and its components to the supervisory authorities from 2014, and publicly disclose it from 2015. An indicative benchmark for the least required leverage ratio is that 3.0 percent is to be applied from 2018, the exact level might however be adjusted during the evaluation period preceding the final decision. The purpose of introducing a minimum leverage ratio requirement is to complement the risk-weighted capital requirements with a measure that is not as sensitive to risk measurement and model errors.

The leverage ratio is calculated as SEK's reported Tier 1 capital divided by the institution's total exposure measure, including total assets and off-balance exposures with some special treatments for some items, including derivatives. Currently the leverage ratio is calculated as the average of the closing balances over the three months preceding and including the report month. As of December 31, 2014 SEK's leverage ratio was 4.4 percent, calculated in accordance with prevailing regulations.

4.5 LARGE EXPOSURES

According to the CRR, a large exposure is defined as an aggregated exposure to a single counterparty or group of interconnected counterparties that accounts for at least 10 percent of an institution's eligible capital. The restrictions on eligible capital are relevant for institutions with a large proportion Tier 2 capital and thus do not affect SEK, with the result that SEK's eligible capital is equivalent with own funds. The value of such exposures to a single counterparty or a group may not exceed 25 percent of the institution's eligible capital. For these purposes credit risk mitigation may be considered and some exposures, most notably certain exposures to central governments may be excluded and for Swedish institutions overnight exposures to other institutions denominated in Swedish, Danish or Norwegian krona. 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. Identification of possible connections between a group of counterparties from a risk perspective forms an integral part of SEK's credit process, and SEK has developed guidelines that regulate the identification of connected counterparties.

TABLE 4.4: SEK'S LARGE EXPOSURES AS OF DECEMBER 31, 2014 (AND 2013)

The aggregate amount of SEK's large exposures as a percentage of SEK's total regulatory own funds:	342% (year end 2013: 351%)
Exoposures between 10% and 20% of own funds:	25 exposures totaling Skr 57,347 million (year end 2013: 27 exposures totaling Skr 57,301 million)
Exposure > 20% of own funds:	None (year end 2013: none)
Breaches of 25% large exposure:	None (year end 2013: none)

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)

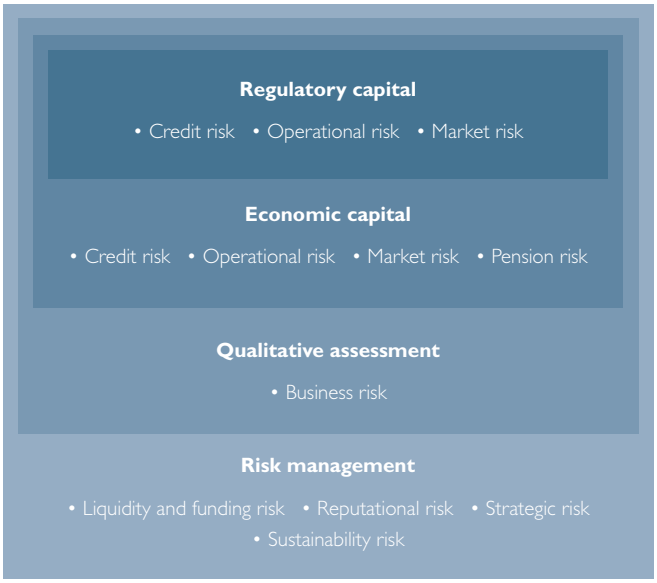
The internal capital adequacy assessment process (ICAAP) requires SEK to comprehensively identify the company's risks and assess the suitability of the risk management and, in light of this, assess its capital requirement. Assessing the capital requirement is done using assumptions about its ability to cover the requirement both in a normal economic downturn and under severe financial strain. To assess the requirement in the event of severe financial strain, a stress test is performed of the capital requirement, including an analysis of how much the total capital requirement is affected in stressed global financial markets and other global and local factors affecting SEK's business model. Finally, the assessed capital requirement is compared with SEK's own funds and a conclusion is made about capitalization for the planning period. This conclusion also takes account of external factors that are deemed to have an effect during the planning period, such as the impact of forthcoming regulations.

As part of its strategy planning process, SEK's Board of Directors establish the company's risk capacity and 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 capacity, risk appetite and strategy. SEK's Board of Directors and Executive Management considers SEK's risk capacity and 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, Executive 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 and assessed effects from new regulations allows the Executive Management to effectively assess overall capital needs and enhance capital allocation.

Besides the risks subject to capital coverage under Pillar 1, SEK also analyzes concentration risk, additional market risks and pension risk in the internal capital adequacy assessment. To calculate capital requirements in accordance with Pillar 2, SEK uses other methods than those used to calculate the capital requirements under Pillar 1. SEK's assessment is based on the company's internal calculation of economic capital. 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

Economic capital (EC), is considered by SEK 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 used by SEK. 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 using what is referred to as decomposition, whereby 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 what parameters are used. Table 5.1 shows parameters that are essential for the quantification of credit risk and how they are set

for the Foundation IRB approach, used by SEK, as well as for the Advanced IRB approach and for 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

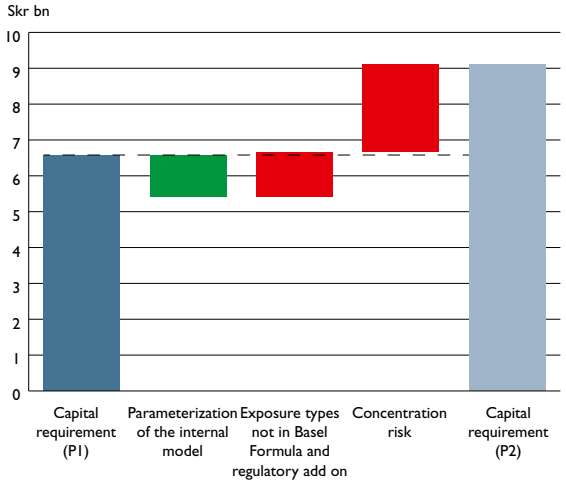
[1] Risk parameters according to CRR.
[2] 45% and 2.5 years are normally applicable.

Two central components that characterize a portfolio credit risk model are (i) a model for correlations between 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, in which the correlation model takes account of each counterparty's industry and domicile through a multi-factor model. In addition, the correlation model continually takes market data into consideration and the correlations are updated weekly.

The counterparties' probability of default is based on the same 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 migrations 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 it possible to quantify the credit risk for the portfolio and, thereby, an estimation of the 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.

The factors in SEK's internal approach under Pillar 2 that differs from SEK's Pillar 1 approach can be categorized into three types: (i) Parameterization of the internal model (ii) Exposure types where the IRB- formula is not used under Pillar 1, and (iii) Concentration risk.

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 Pillar 1 to Pillar 2. The green column represents the decrease in the capital requirement due to SEK's estimates in the parameterization (see below), and the red columns represent increase due to Exposures types where the IRB-formula is not used and Concentration risks. The left (dark blue) column represents the Pillar 1 capital requirement for credit risk including CVA (Skr 6,583 million) and the right (light blue) column represent the total Pillar 2 capital requirement for credit risk (Skr 9,099 million). The total additional capital required under Pillar 2 is Skr 2,516 million.

1. Parameterization of the internal model
The IRB-formula under Pillar 1 consists of essentially the parameters given in Table 5.1. In the internal model under Pillar 2 SEK estimates these parameters. The internally estimated parameter that most significantly effects the capital requirement under Pillar 2 is maturity. Under the IRB-formula this parameter is fixed at 2.5 years regardless of the exposures' true maturity, whereas the internal model under Pillar 2 measures the credit risk based on the true maturity.

2. Exposure types for where the IRB-formula is not used
For exposures to governments in Pillar 1, SEK uses the standardized approach, yielding a low (typically zero) capital requirement for exposures to governments with a high credit rating. The internal model under Pillar 2 treats these exposures in a similar way to other exposures. An important exception: exposures to the Kingdom of Sweden are treated according to a standard rule. Due to SEK's high exposure to highly credit rated governments, including the Kingdom of Sweden, the impact of these exposures the overall capital requirement is significant.

3. Concentration risk
In a credit portfolio there are essentially two types of concentration risk: Name concentration and Geography- and sector-specific risk. Name concentration risk arises when a credit portfolio consists of a relatively small number of counterparties, and geographic and sector-specific concentration risk arises when counterparties within the credit portfolio are highly correlated to each other. Owing to these factors, SEK's concentration risks under Pillar 2 add to (Skr 2,427 million).

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 56 scenario analysis. The capital requirement is based on the largest negative impact on own funds in these 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. Also a buffer of model risk is added to the capital requirement.

5.2.3 OPERATIONAL RISK MODELING

SEK quantifies economic capital for operational risk based on an assesment of consequence and probability for the identified operational risks in the company. Operational risk economic capital forms the basis for the assessment of the capital requirement for operational risk under Pillar 2.

5.2.4 PENSION RISK MODELING

SEK employees have a collectively bargained pension through the BTP plan, which is the most significant pension plan for salaried bank employees in Sweden. The BTP plan is funded by means of insurance with the insurance company SPP.

The measurement of pension risk under Pillar 2[1] is calculated using stressed risk assumptions and stress tests on the assets and liabilities in the pension portfolio. The most significant risk parameters that are stressed are: discount rates, mortality assumptions and credit spreads. Under IAS19 SEK recognize a provision for the Net Defined Benefit Liability in the Consolidated Statement of Financial Position. The provisions for the Net Defined Benefit Liability are measured against the stressed scenarios.

[1] CRR does not prescribe any capital requirement for Pension risk under Pillar 1.

5.3 CAPITAL PLANNING

5.3.1 BUSINESS PLAN AND SCENARIO ANALYSES

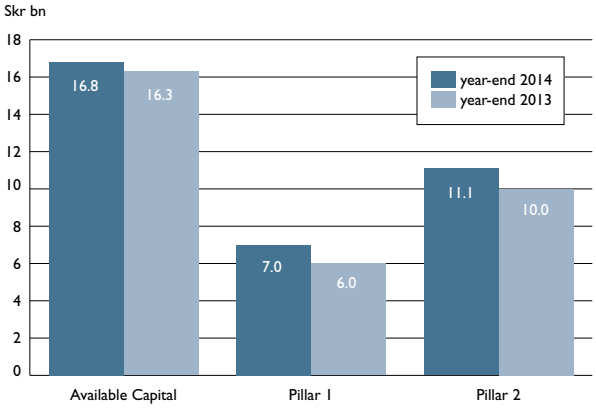
SEK annually assesses the development of its future capital requirements and available capital, primarily in connection with the annual business planning process. The business plan covers the forthcoming three years. One purpose behind the capital assessment is to ensure that the size of SEK's capital is sufficient for the risks SEK faces and to support a strong level of creditworthiness.

Scenario analyses are an important element of SEK's capital planning. 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 2014 ICAAP process, carried out a scenario analysis which consists of an unfavorable business environment development, i.e. a significant economic downturn, which can be expected to occur approximately every 25 year. SEK's management has analyzed how the stress scenario affects the business plan. This analysis also includes the actions that would be taken, if the stress scenario were to become 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, 2014 (AND 2013)



SEK's assessment is that expected available capital amply 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 unforeseen negative development.

As of December 31, 2014, the total capital requirement under Pillar 2 was Skr 11,107 million, of which Skr 9,099 million was due to credit risk, Skr 315 million was due to operational risk and Skr 1,693 million was due to market risk. The own funds amounted to Skr 16,790 million, of which Skr 14,786 million was Common Equity Tier 1 capital and Skr 2,004 million was Tier 2 capital.

5.3.3 CREDIT RISKS IN SEK'S CREDIT PORTFOLIO AS OF DECEMBER 31, 2014

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. In accordance with the CRR, SEK treats exposures to government export credit agencies as exposures to central government which is the reason for a large exposure to central governments 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, 2014 (EXCLUDING ASSETS WITHOUT COUNTERPARTIES)

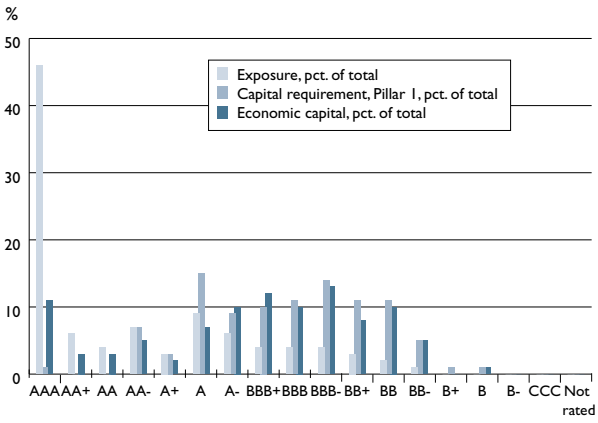


Table 5.2 shows exposures and capital measures by geographic region. The concentration in respect of Sweden is reflected primarily in the fact that the economic capital represented by exposures to counterparties domiciled in Sweden is significantly higher than the minimum capital requirement under Pillar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

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, 2014 (AND 2013)

	Exposure				Credit risk capital requirement, Pillar 1[1]				Credit risk economic capital			
Region	Skr mn		in %		Skr mn		in %		Skr mn		in %	
Sweden	242,220	(223,710)	65%	(65%)	3,045	(2,477)	48%	(44%)	6,214	(4,414)	68%	(55%)
Western Europe except Sweden	80,671	(81,287)	22%	(23%)	1,939	(2,042)	31%	(37%)	1,933	(2,791)	21%	(35%)
North America	22,532	(15,512)	6%	(5%)	564	(411)	9%	(7%)	382	(211)	4%	(3%)
Asia except Japan	7,683	(3,232)	2%	(1%)	159	(82)	2%	(2%)	124	(14)	1%	(0%)
Australia	5,263	(5,640)	1%	(2%)	115	(83)	2%	(1%)	32	(306)	1%	(4%)
Latin America	3,717	(4,055)	1%	(1%)	228	(196)	4%	(4%)	177	(109)	2%	(1%)
East and Central Europe	3,544	(3,359)	1%	(1%)	46	(75)	1%	(1%)	100	(52)	1%	(1%)
Japan	2,580	(4,756)	1%	(1%)	119	(127)	2%	(2%)	67	(23)	1%	(0%)
Middle East/Africa/Turkey	2,120	(2,547)	1%	(1%)	90	(87)	1%	(2%)	70	(60)	1%	(1%)
Grand Total	**370,330**	**(344,098)**	**100%**	**(100%)**	**6,305**	**(5,580)**	**100%**	**(100%)**	**9,099**	**(7,980)**	**100%**	**(100%)**

[1] Related to total own funds without regard to buffer requirements, that is calculated as 8 percent of risk exposure amounts according to Pillar 1.

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, 2014 (AND 2013)

	Exposure				Credit risk capital requirement, Pillar 1[1]				Credit risk economic capital			
Sector	Skr mn		in %		Skr mn		in %		Skr mn		in %	
Central governments	190,923	(174,860)	52%	(51%)	59	(82)	1%	(1%)	1,422	(1,243)	15%	(16%)
Corporates	84,385	(73,309)	23%	(21%)	4,020	(3,414)	64%	(61%)	6,244	(5,214)	69%	(65%)
Financial institutions	67,504	(67,534)	18%	(20%)	1,935	(1,384)	31%	(25%)	1,034	(990)	11%	(12%)
Regional governments	20,891	(19,816)	6%	(6%)	–	(–)	0%	(–)	260	(234)	3%	(3%)
Securitization positions	6,308	(7,805)	1%	(2%)	291	(700)	4%	(13%)	137	(293)	2%	(4%)
Multilateral development banks	319	(773)	0%	(0%)	–	(–)	0%	(–)	2	(6)	0%	(0%)
Retail	0	(1)	0%	(0%)	–	(0)	0%	(0%)	0	(–)	0%	(–)
Grand Total	**370,330**	**(344,098)**	**100%**	**(100%)**	**6,305**	**(5,580)**	**100%**	**(100%)**	**9,099**	**(7,980)**	**100%**	**(100%)**

[1] Related to total own funds without regard to buffer requirements, that is calculated as 8 percent of risk exposure amounts according to Pillar 1.

6. CREDIT RISK

Credit risks are SEK's most important 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 Risk Policy and the Credit Instruction, 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 function is responsible for developing and updating the Credit Instruction. Credit analysts, which are part of Credit, are responsible for ongoing analysis of a counterparty and, where necessary, prepare rating proposals 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 asses credit proposals.

Overall responsibility for the relationship with all of SEK's counterparties lies with Lending 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 ensuring that limits are reviewed continually, at least on an annual basis. Credit Control is a part of the Credit function that ensures control of compliance by limit and credit decisions and administers limit and credit decisions.

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

1. The Board of Directors
   Issues relating to credits and credit decisions that are of fundamental importance or of great significance to SEK.
2. The Board's Credit Committee
   Limit or credit decisions that exceed the Executive Management Credit Committee's mandate, new country limits, country limits outside the Standard.
3. Executive Management Credit Committee
   Limit or credit decisions outside the Standard but within the Executive Management Credit Committee´s mandate. Annual reviews of country limits within the Standard.
4. Credit Committee
   Limit and credit proposals within the Standard and within the Executive Management Credit Committee´s mandate.
5. 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 any other 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, predominantly by means of cash transfers.

SEK uses limits to constrain risks to a defined extent. Limits express the highest permitted amounts of exposure towards a risk counterparty for specific maturities. For example, SEK has sub-limits that constrain exposures resulting from derivative contracts in respect of a risk counterparty. A limit entitles SEK's commercial units, together with the Credit function, 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 five sub-areas:

1. Operational criteria
2. Risk level standard
3. Credit terms standard
4. Know your customer (KYC)
5. 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. 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, Executive Management Credit Committee and to the Board's Credit Committee.

6.1.3 MEASUREMENT

Two measures are key to the measurement of credit risk: (1) Expected Loss, EL and (2) Unexpected Loss, UL. 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

[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.

component in the calculation of the price of a credit. In addition, the amount of the expected loss is deducted from the own funds. 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 for credit risk, under Pillar 2. Section 5.2.1. 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 under Pillar 1.

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 in the provisioning report used for decision-making.

The assessed provisioning requirement and the noted loan losses are minuted in the Credit Committee and the 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.

6.1.5 NOTE ON REPORTED AMOUNTS

The following applies to all the tables relating to credit risk presented in this section. The amount for gross exposure is reported before taking into account credit risk mitigation (guarantees and credit derivatives) while net exposures are reported after taking into account guarantees and credit derivatives. Exposure amounts (gross and net amounts) are reported on the basis of volumes without regard to conversion factors, if not stated otherwise in cases where Exposure at default is displayed. The conversion factor describes that portion of e.g. an off-balance sheet commitment that must be risk-weighted and covered by capital according to the regulations. Also, since CRR has come into force, the exposures to Export Credit Agencies have been treated and classified as exposures to central governments, and previously disclosed figures regarding 31 December 2013 have in this report also been reclassified accordingly.

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 procedures 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 made by SEK's Rating Committee. The Rating Committee's task is to use analyses and credit assessments that are carried out according to established methods and rating proposals from SEK's credit function 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 any other 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. SEK:s 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 even during the worst phases of an economic cycle. When assessments are made through-the-cycle, 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. The established rating agencies intend their credit ratings to reflect credit risk through-the-cycle.

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, insurance companies 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 SEK's counterparties. For example, of the 706 counterparties that SEK has allocated an internal rating to, 306 counterparties have an external rating from Standard & Poor's.

TABLE 6.1: EXTERNAL RATING AGENCIES' COVERAGE OF SEK'S COUNTERPARTIES AS OF DECEMBER 31, 2014

SEK rating	S&P	Moodys	Fitch
706	306	309	240

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 it is also 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.

Responsibility for all exposure classifications within SEK is held by the credit analysis function, Credit.

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 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. (valid until December, 2015)
- Exposures to central governments (valid until December, 2015).
- Exposures in the Customer Finance business area. (valid as long as these exposures are of lesser significance in terms of size and risk profile)
- Guarantees issued in favor of small and medium sized companies (valid as long as these exposures are of lesser significance in terms of size and risk profile).

6.2.5 RATING METHODOLOGY

6.2.5.1 Financial institutions

The three driving factors in SEK's internal credit risk assessment for financial institutions are systemic risk, bank specific risk, and government support. In brief, systemic risk assesses the financial sector's structure and operating environment in a country. Bank specific risk is assessed on the basis of an analysis of the counterparty's business, capital position and profitability, risk position, funding and liquidity.

The assessment of government support is used to adjust the financial institution's rating in the case that extraordinary government support can shown. 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 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 (i.e. Project Finance) are separately identified. For such exposures, SEK calculates risk weights based on "slotting." According to the Basel II regulations, there are five categories for corporate exposures that constitute specialized lending. Categories 1–4 represent non-defaulted exposures, and category 5 represents defaulted exposures. The breakdown among categories 1–4 is based on the increased risk levels for the exposures (where category 1 represents the lowest risk and therefore the strongest creditworthiness). All of SEK's exposures are currently attributable to categories 1–3.

After taking into account credit-risk mitigation and conversion factors, the total exposure in the specialized lending category amounted to Skr 2,834 million as of December 31, 2014.

TABLE 6.2: SPECIALIZED LENDING AS OF DECEMBER 31, 2014 (AND 2013)

Skr mn

Category	EAD*	
1	2,418	(1,919)
2	374	(409)
3	42	(229)
4	–	–
5	–	(144)
Total	**2,834**	**(2,701)**

* 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 exposure 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.

TABLE 6.3: NET SECURITIZATION POSITIONS[1], PER RISK WEIGHT, AS OF DECEMBER 31, 2014 (AND 2013

	Risk Weight															
Skr mn	7–10%		12–18%		20–35%		40–75%		100%		425%		1250%[2]		Total exposure	
Synthetic securitizations	–	(–)	–	(4)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(4)
Traditional securitizations	1,816	(2,592)	419	(–)	306	(327)	–	(145)	424	(726)	537	(656)	174	(173)	3,676	(4,619)
Resecuritizations	–	(–)	–	(–)	2,400	(2,600)	–	(–)	–	(–)	–	(–)	230	(582)	2,630	(3,182)
Total	**1,816**	**(2,592)**	**419**	**(4)**	**2,706**	**(2,927)**	**–**	**(145)**	**424**	**(726)**	**537**	**(656)**	**404**	**(755)**	**6,306**	**(7,805)**

[1] Exposures before impairments.
[2] From January 2014 SEK deduct the exposures coming from positions with risk weight 1250% from the own funds instead of as before calculating risk exposure amount

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 2014, but SEK continues to receive ongoing amortizations.

Asset-backed securities held

The tables below contain 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, 2014 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, 2014

Net exposures	December 31, 2014								
Exposure[1] Skr mn	Australia	Ireland	Netherlands	Portugal	Spain	United Kingdom	United States	Total 2014	Total 2013
RMBS[2]	1,162	842	233	300	710	362	–	3,609	(4,408)
Auto loans	–	–	–	–	–	–	–	–	(5)
CMBS[2]	–	–	–	–	–	–	–	–	(66)
Consumer loans	–	–	–	–	–	–	–	–	(8)
CDO[2]	–	–	–	–	–	–	33	33	(114)
CLO[2]	–	1,555	–	–	68	–	846	2,469	(2,738)
Total	1,162	2,397	233	300	778	362	879	6,111	(7,339)
... of which rated 'AAA'	1,110	1,555	233	–	–	–	846	3,744	(4,978)
... of which rated 'AA+'	–	–	–	–	–	4	–	4	(–)
... of which rated 'AA'	–	–	–	–	–	206	–	206	(200)
... of which rated 'AA-'	–	–	–	–	–	152	–	152	(13)
... of which rated 'A+'	43	–	–	–	68	–	–	111	(69)
... of which rated 'A'	–	419	–	–	–	–	–	419	(4)
... of which rated 'A-'	–	–	–	5	138	–	–	143	(77)
... of which rated 'BBB+'	9	–	–	–	154	–	–	163	(186)
... of which rated 'BBB'	–	–	–	–	–	–	–		(145)
... of which rated 'BBB-'	–	249	–	145	31	–	–	425	(725)
... of which rated 'BB+'	–	–	–	150	–	–	–	150	(–)
... of which rated 'BB'	–	–	–	–	387	–	–	387	(655)
... of which rated 'B+'	–	174	–	–	–	–	–	174	(173)
... of which CDO rated 'CCC'[3]	–	–	–	–	–	–	33	33	(114)

[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] This asset consists of one CDO (Collateralized Debt Obligations) with end-exposure to the U.S market. There have been no delays with payments under the tranche. However, the rating of the asset has 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 asset and has recorded related impairment. The impairment amounted to Skr 189 million in total as of December 31, 2014, which means that the total net exposure before impairment related to asset-backed securities held amounted to Skr 222 million. The other CDO, previously reported on this line, has been liquidated and SEK has received final payment, which resulted in a small, positive effect after reversal of the provision.

6.3 CALCULATION OF RISK EXPOSURE AMOUNTS

6.3.1 CALCULATION OF RISK EXPOSURE AMOUNTS IN ACCORDANCE WITH THE IRB APPROACH

Exposure at default (EAD) is the basis for the calculation of risk exposure amount (REA), and constitutes a measure of the amount that is assumed to be the full exposure to the counterparty at the time of a default. For on-balance sheet exposures, 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 unutilized amounts. By using the so-called Basel formula, the risk exposure amount 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. Within the Foundation IRB

model, only the probability of default (PD) is estimated by SEK. The other parameters of the Basel formula are set by the CRR. A significant change in these parameters was introduced by the CRR, as the correlation factor of the Basel formula for exposures to financial institutions was increased with a factor of 1.25, with an increase of the corresponding risk weights for such exposures. For an investment grade exposure to an financial institution, given the same PD, this change increased the risk weight according to the Basel formula with roughly a factor 1.35 (the Basel formula is not linear in the correlation factor).

6.3.2 CALCULATION OF RISK EXPOSURE AMOUNTS IN ACCORDANCE WITH THE STANDARDIZED APPROACH

Under the standardized approach calculation of EAD in general is conducted in the same fashion as under the IRB approach, credit conversion factors may however differ and specific provisions are deducted from the exposure. 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. External credit assessments may be used to determine to which credit quality level an exposure corresponds, and prescribed risk weights for each credit quality follow. To determine this, financial institutions must utilize correspondence tables between credit rating companies' different credit ratings and the steps in the credit quality scales which are set by supervisory authorities. See table 6.8 for how these rules apply for SEK. The majority of the exposures for which SEK 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.

The table below shows SEK's credit exposure, EAD, risk exposure amount (REA), capital requirement for credit risk and average risk-weight by exposure type as of December 31, 2014 (and 2013). 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, REA AND CAPITAL REQUIREMENTS BY EXPOSURE TYPE AS OF DECEMBER 31, 2014 (AND 2013)

Skr bn	On-balance sheet items		Off-balance sheet items		Derivatives		Total	
Original Exposure	293.4	(280.5)	71.2	(57.9)	5.7	(5.7)	370.3	(344.1)
EAD	293.4	(280.5)	34.9	(31.9)	5.7	(5.7)	334.0	(318.1)
Risk exposure amounts	74.0	(66.3)	1.9	(1.5)	2.8	(2.1)	78.8	(69.9)
Capital requirements	5.9	(5.3)	0.2	(0.1)	0.2	(0.2)	6.3	(5.6)
Average risk weight	25.2%	(23.6%)	5.5%	(4.7%)	49.9%	(36.8%)	23.6%	(22.0%)

The table below shows average credit conversion factor and off-balance exposure split by exposure class as of December 31, 2014 (and 2013).

TABLE 6.7: CREDIT CONVERSION FACTOR (CCF) FOR OFF-BALANCE EXPOSURES BY EXPOSURE CLASS AS OF DECEMBER 31, 2014 (AND 2013)

Skr bn	Exposure after risk mitigation		EAD		CCF	
Standardized approach						
Central governments	64.5	(53.3)	32.3	(28.9)	59.9%	(54.1%)
Multilateral development banks	–	(0.2)	–	(0.2)	–	(75.0%)
Corporate	0.1	(0.1)	0.0	(0.1)	55.9%	(50.0%)
IRB method						
Institutions	0.8	(0.7)	0.6	(0.5)	75.0%	(75.0%)
Corporate	5.8	(3.5)	2.0	(2.2)	34.3%	(61.1%)

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, 2014 (AND 2013)

Skr bn	1		2		3–6		Not rated		Total	
Central governments	186.2	(170.3)	2.7	(3.3)	2.1	(1.3)	–	(–)	190.9	(174.9)
Regional governments	20.9	(19.8)	–	(–)	–	(–)	–	(–)	20.9	(19.8)
Multilateral development banks	0.3	(0.8)	–	(–)	–	(–)	–	(–)	0.3	(0.8)
Corporates	–	–	–	(–)	–	(–)	1.2	(0.7)	1.2	(0.7)
Total	**207.4**	**(190.9)**	**2.7**	**(3.3)**	**2.1**	**(1.3)**	**1.2**	**(0.7)**	**213.4**	**(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 functioning 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 Board's Credit Committee and the Executive Management Credit Committee received regular information from the independent Risk Control function until December 31, 2014.

Due to organizational changes, this information is reported to the Risk and Compliance Committee as from January 1, 2015.

The 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, the Asset and Liability Committee[7] and the Executive Management Credit Committee[8]. 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.

[7] As from January 1, 2015, the Asset and Liability Committee is replaced by the Risk and Compliance Committee.
[8] As from January 1, 2015, the Executive Management Credit Committee is called as the Credit Committee.

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 theindustry.

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 function is responsible for this.

6.4.2 INFORMATION ABOUT MIGRATION BETWEEN RISK CLASSES

The tables below show the rating distribution as of December 31, 2014 based on rating levels as of December 31, 2013. 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 including the effect of new regulations, 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 2014

SEK's internal rating as per 2013-12-31 is printed vertically and the internal rating as per 2014-12-31 is printed horizontally. The grayed diagonal line displays the share of unchanged ratings as of year-end 2014 as compared to year-end 2013. Please note that the table is read line by line.

	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+	BB	BB-	B+	B	B-	CCC/C	D	
AAA	95%	5%																	42
AA+		64%	32%	4%															47
AA	5%	24%	43%	29%															21
AA-			3%	88%	9%														65
A+			8%	8%	72%	12%													25
A					7%	74%	15%	4%											68
A-						26%	68%	4%		2%									50
BBB+						5%	19%	70%	6%										63
BBB					3%		1%	10%	69%	17%									70
BBB-									16%	81%	2%								43
BB+									3%	6%	88%	3%							33
BB										10%	19%	62%	10%						21
BB-												13%	83%	3%					30
B+														71%	14%		14%		7
B															86%	14%			7
B-																100%			1
CCC/C																	100%		2
D																		100%	0

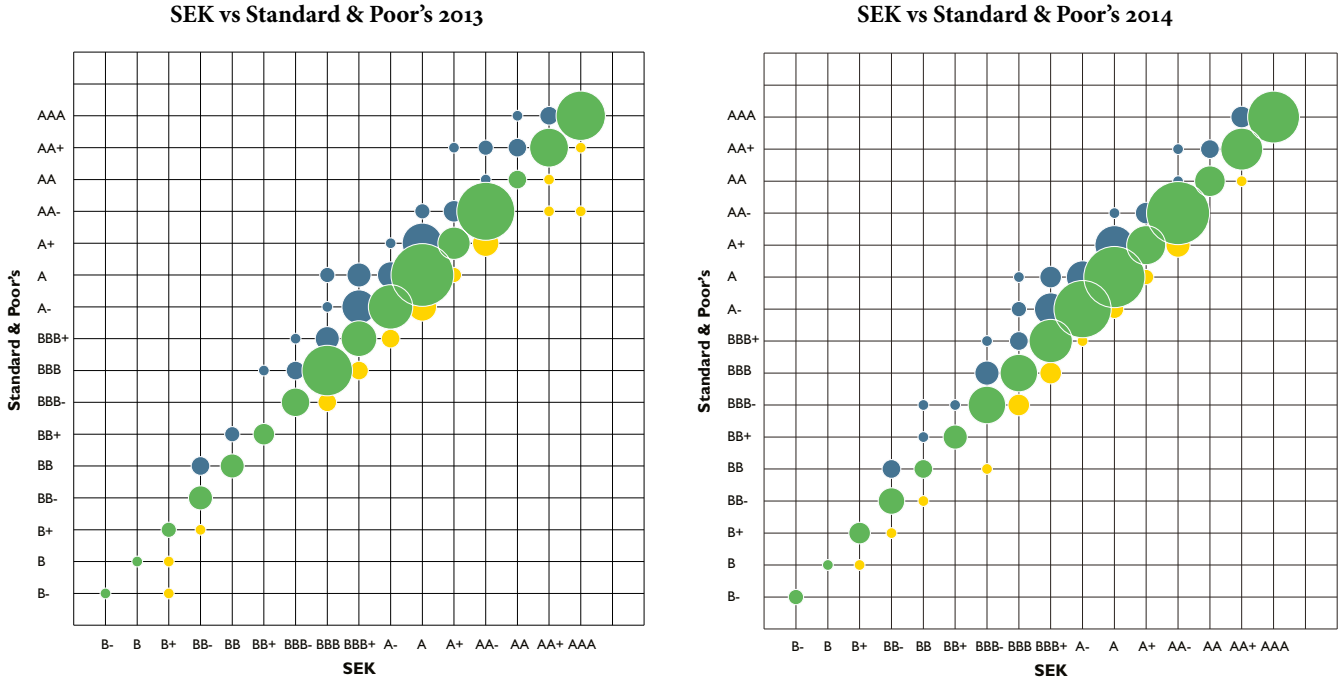
Table 6.10 should be read row by row. The first row shows the percentage breakdown as of December 31, 2014 for those counterparties that as of December 31, 2013 were rated 'AAA'. The second row displays the percentage breakdown as of December 31, 2014 for those counterparties that as of December 31, 2013 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, 2014, compared with December 31, 2013. The last column shows, row by row, the number of rated counterparties in each rating slot by December 31, 2013 that was also rated by December 31, 2014.

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 chart below display a summary of SEK's outcome analysis showing the correlation between ratings assigned by SEK's internal rating based approach and Standard & Poor's credit ratings. 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 Standard & Poor's is the same.

CHART 6.6: CORRELATION BETWEEN SEK'S INTERNAL RATINGS-BASED APPROACH AND STANDARD & POOR'S AT THE END OF 2013 AND 2014, RESPECTIVELY



6.5 INFORMATION ABOUT THE CREDIT PORTFOLIO

In 2014, the level of risk in SEK's total net exposures, defined as the average risk weight, increased and the total volume of risk exposure amount (REA) also increased. This increase is primarily due to the regulatory change where risk weights for financial institutions have increased under the IRB approach. There have been not been any major changes in the composition of SEK's total net exposures.

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, 2014 (AND 2013)

Skr bn	Total				Loans and interest-bearing securities				Undisbursed loans, derivatives, etc			
Classified by type of exposure class	**Amount**		**%**		**Amount**		**%**		**Amount**		**%**	
Central Governments	190.9	(174.9)	51.6	(50.8)	126.5	(121.8)	42.5	(43.1)	64.4	(53.1)	88.8	(86.7)
Regional governments	20.9	(19.8)	5.6	(5.8)	20.9	(19.8)	7.0	(7.0)	–	(–)	–	(–)
Multilateral development banks	0.3	(0.8)	0.1	(0.2)	0.3	(0.6)	0.1	(0.2)	–	(0.2)	–	(0.3)
Financial institutions	67.5	(67.5)	18.2	(19.6)	61,0	(61.1)	20.5	(21.6)	6.5	(6.4)	9.0	(10.5)
Corporates	84.4	(73.3)	22.8	(21.3)	82.8	(71.8)	27.8	(25.4)	1.6	(1.5)	2.2	(2.5)
Securitization positions	6.3	(7.8)	1.7	(2.3)	6.3	(7.8)	2.1	(2.7)	–	(–)	–	(–)
Total	**370.3**	**(344.1)**	**100.0**	**100.0**	**297.8**	**(282.9)**	**100.0**	**(100.0)**	**72.5**	**(61.2)**	**100.0**	**(100.0)**

6.5.1 EXPOSURES BY RISK CLASS

Table 6.14 illustrates, by risk class (internal rating), the net 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, that is financial institution and corporate exposures. Note that the PD estimates shown are based on the company's internal estimates. CRR stipulates that for exposures to institutions and corporates, 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. The capital requirement calculations for exposures in these risk classes are based on the stated PD estimates For other exposures, the capital requirement calculations are according to the standardized approach.

TABLE 6.14: EAD, AVERAGE PD, LGD AND RISK WEIGHT BY PD GRADE AS OF DECEMBER 31, 2014 (AND 2013)

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	–	(–)	62,101	(64,017)	4,964	(3,334)	228	(1)	–	(–)
Average PD in %	–	(–)	0.09	(0.09)	0.33	(0.28)	0.79	(0.79)	–	(–)
Average LGD in %	–	(–)	42.0	(41.9)	45.0	(45.0)	45.0	(45.0)	–	(–)
Average risk weight in %	–	(–)	32.5	(24.3)	75.3	(52.9)	115.19	(89.4)	–	(–)
Corporates										
EAD	862	(888)	20,810	(22,408)	35,200	(32,789)	19,588	(14,922)	50	(222)
Average PD in %	0.02	(0.02)	0.12	(0.11)	0.31	(0.31)	1.06	(1.08)	28.98	(33.2)
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)	34.5	(33.6)	58.1	(58.3)	97.94	(98.9)	263.72	(238.8)

6.5.2 EXPOSURES BY REGION

Tables 6.15 and 6.16 illustrate SEK's gross and net exposures as of December 31, 2014 (and 2013) 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 AS OF DECEMBER 31, 2014 (AND 2013)

Skr bn	Middle East/Africa/ Turkey		Asia excl. Japan		Japan		North America		Oceania		Latin America		Sweden		West European countries excl. Sweden		Central– East European countries		Total	
Central governments	2.2	(1.5)	8.4	(6.4)	–	(–)	0.4	(–)	–	(–)	43.1	(30.1)	7.9	(8.5)	4.8	(2.5)	0.0	(0.1)	66.7	(48.8)
Regional governments	0.7	(0.6)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	11.9	(10.1)	0.5	(2.5)	–	(–)	13.0	(13.2)
Multilateral development banks	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	0.3	(0.1)	–	(–)	0.3	(0.1)
Institutions	1.5	(0.9)	3.6	(0.8)	0.2	(2.7)	12.5	(5.2)	4.0	(3.8)	2.0	(0.2)	14.2	(19.2)	23.5	(25.6)	0.4	(0.4)	62.0	(58.8)
Corporates	17.6	(13.4)	22.5	(24.4)	14.0	(7.7)	27.0	(23.0)	0.5	(0.6)	12.1	(12.9)	70.2	(75.6)	45.2	(44.4)	12.9	(13.2)	222.0	(215.3)
Securitizations	–	(–)	–	(–)	–	(–)	1.1	(1.8)	1.2	(1.7)	–	(–)	–	(–)	4.1	(4.3)	–	(–)	6.3	(7.8)
Total	**22.0**	**(16.4)**	**34.5**	**(31.6)**	**14.2**	**(10.4)**	**41.0**	**(30.0)**	**5.7**	**(6.1)**	**57.1**	**(43.2)**	**104.2**	**(113.4)**	**78.4**	**(79.3)**	**13.3**	**(13.6)**	**370.3**	**(344.1)**

TABLE 6.16: NET EXPOSURE BY EXPOSURE CLASS AND REGION AS OF DECEMBER 31, 2014 (AND 2013)

Skr bn	Middle East/Africa/ Turkey		Asia excl. Japan		Japan		North America		Oceania		Latin America		Sweden		West European countries excl. Sweden		Central– East European countries		Total	
IRB method																				
Financial institutions	1.4	(1.3)	3.3	(0.9)	0.3	(2.9)	11.5	(5.5)	4.0	(3.8)	2.0	(0.2)	9.1	(14.5)	35.6	(37.9)	0.4	(0.4)	67.5	(67.5)
Corporates	0.7	(1.2)	0.7	(1.3)	2.3	(1.8)	5.5	(3.7)	0.1	(0.1)	0.5	(3.6)	58.6	(46.9)	14.2	(13.6)	0.4	(0.4)	83.2	(72.6)
Securitizations	–	(–)	–	(–)	–	(–)	1.1	(1.8)	1.2	(1.7)	–	(–)	–	(–)	4.1	(4.3)	–	(–)	6.3	(7.8)
Standardized method																				
Central governments	–	(–)	3.5	(0.8)	–	(–)	4.4	(4.5)	–	(–)	0.8	(–)	155.8	(145.1)	23.9	(21.9)	2.7	(2.5)	190.9	(174.9)
Regional governments	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	18.5	(17.0)	2.4	(2.8)	–	(–)	20.9	(19.8)
Multilateral development banks	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	0.3	(0.8)	–	(–)	0.3	(0.8)
Corporates	0.0	(0.1)	0.2	(0.3)	–	(–)	0.0	(–)	–	(–)	0.5	(0.3)	0.2	(0.1)	0.2	(–)	0.1	(–)	1.2	(0.7)
Total	**2.1**	**(2.6)**	**7.7**	**(3.2)**	**2.6**	**(4.8)**	**22.5**	**(15.5)**	**5.3**	**(5.6)**	**3.7**	**(4.1)**	**242.2**	**(223.7)**	**80.7**	**(81.3)**	**3.5**	**(3.4)**	**370.3**	**(344.1)**

Table 6.17 and 6.18 illustrate SEK's gross and net exposures as of December 31, 2014 (and 2013) by European countries, excluding Sweden. The amount for gross exposure is reported before taking into account credit risk mitigation (guarantees and credit derivatives) while net exposures are reported after taking into account guarantees and credit derivatives.

TABLE 6.17: GROSS EXPOSURES BY EUROPEAN COUNTRIES, EXCLUDING SWEDEN, AND EXPOSURE CLASS AS OF DECEMBER 31, 2014 (AND 2013)

Skr bn	Central governments		Regional governments		Multilateral development banks		Financial institutions		Corporates		Securitization positions		Total	
Spain	–	(–)	–	(–)	–	(–)	0.2	(0.1)	13.4	(13.4)	0.8	(0.9)	14.4	(14.6)
United Kingdom	–	(–)	–	(–)	–	(–)	5.4	(4.8)	6.0	(5.6)	0.4	(0.5)	11.8	(10.9)
The Netherlands	–	(–)	–	(–)	–	(–)	5.8	(7.7)	3.7	(4.2)	0.2	(0.3)	9.7	(12.2)
Finland	–	(–)	0.5	(0.7)	–	(–)	1.6	(0.5)	7.4	(10.1)	–	(–)	9.5	(11.3)
Russian Federation	–	(–)	–	(–)	–	(–)	–	(–)	9.6	(10.0)	–	(–)	9.6	(10.0)
France	1.2	(0.7)	–	(–)	–	(–)	1.9	(2.6)	4.1	(1.5)	–	(–)	7.2	(4.8)
Denmark	0.2	(–)	–	(0.7)	–	(–)	1.8	(3.1)	2.7	(2.1)	–	(–)	4.7	(5.9)
Ireland	–	(–)	–	(–)	–	(–)	0.3	(0.4)	1.5	(1.6)	2.5	(2.5)	4.3	(4.5)
Germany	2.4	(0.1)	–	(1.1)	–	(–)	0.9	(0.3)	0.1	(0.3)	–	(–)	3.5	(1.9)
Luxembourg	1.0	(1.5)	–	(–)	0.3	(0.1)	0.0	(0.0)	1.9	(0.2)	–	(–)	3.2	(1.8)
Norway	–	(–)	–	(–)	–	(–)	2.2	(4.0)	0.9	(1.0)	–	(–)	3.2	(5.0)
Poland	–	(–)	–	(–)	–	(–)	–	(–)	2.7	(2.5)	–	(–)	2.7	(2.5)
Switzerland	–	(–)	–	(–)	–	(–)	1.7	(1.1)	0.4	(0.3)	–	(–)	2.1	(1.3)
Italy	–	(–)	–	(–)	–	(–)	–	(–)	1.4	(2.2)	–	(–)	1.4	(2.2)
Austria	–	(–)	–	(–)	–	(–)	1.3	(0.6)	0.0	(0.0)	–	(–)	1.3	(0.7)
Iceland	–	(–)	–	(–)	–	(–)	–	(–)	1.1	(1.0)	–	(–)	1.1	(1.0)
Latvia	–	(0.0)	–	(–)	–	(–)	0.2	(0.2)	0.3	(0.4)	–	(–)	0.6	(0.6)
Portugal	–	(–)	–	(–)	–	(–)	–	(–)	0.2	(0.3)	0.2	(0.2)	0.4	(0.5)
Cyprus	–	(–)	–	(–)	–	(–)	–	(–)	0.4	(0.4)	–	(–)	0.4	(0.4)
Ukraine	–	(–)	–	(–)	–	(–)	–	(–)	0.1	(–)	–	(–)	0.1	(–)
Greece	–	(–)	–	(–)	–	(–)	–	(–)	0.1	(0.1)	–	(–)	0.1	(0.1)
Other Countries	0.0	(0.0)	–	(–)	–	(–)	0.2	(0.4)	0.2	(0.4)	–	(–)	0.4	(0.8)
Total	**4.8**	**(2.5)**	**0.5**	**(2.5)**	**0.3**	**(0.1)**	**23.6**	**(26.0)**	**58.4**	**(57.6)**	**4.1**	**(4.3)**	**91.7**	**(93.0)**

TABLE 6.18: NET EXPOSURE BY EUROPEAN COUNTRIES, EXCLUDING SWEDEN, AND EXPOSURE CLASS AS OF DECEMBER 31, 2014 (AND 2013)

Skr bn	Central governments		Regional governments		Multilateral development banks		Financial institutions		Corporates		Securitization positions		Total	
France	12.6	(10.0)	–	(–)	–	(–)	6.0	(6.2)	–	(–)	–	(–)	18.7	(16.2)
United Kingdom	1.8	(2.2)	–	(–)	–	(–)	8.6	(8.6)	2.7	(1.9)	0.4	(0.5)	13.5	(13.2)
Germany	4.7	(4.3)	1.7	(1.2)	–	(–)	2.2	(1.6)	1.1	(1.4)	–	(–)	9.7	(8.6)
Finland	1.4	(1.6)	0.7	(0.9)	–	(–)	2.1	(1.2)	4.9	(5.2)	–	(–)	9.1	(8.9)
Netherlands	–	(–)	–	(–)	–	(–)	5.8	(7.7)	1.1	(0.9)	0.2	(0.3)	7.1	(8.9)
Denmark	0.4	(0.2)	–	(0.7)	–	(–)	3.3	(4.9)	2.3	(1.8)	–	(–)	6.0	(7.5)
Norway	0.6	(0.6)	–	(–)	–	(–)	3.5	(5.2)	0.3	(0.1)	–	(–)	4.5	(5.9)
Ireland	–	(–)	–	(–)	–	(–)	–	(–)	0.4	(0.4)	2.5	(2.5)	3.0	(2.9)
Poland	2.7	(2.5)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	2.7	(2.5)
Switzerland	–	(–)	–	(–)	–	(–)	2.0	(1.5)	0.4	(0.2)	–	(–)	2.4	(1.7)
Spain	–	(–)	–	(–)	–	(–)	0.4	(0.2)	1.0	(1.2)	0.8	(0.9)	2.1	(2.2)
Austria	–	(0.2)	–	(–)	–	(–)	1.4	(0.7)	–	(–)	–	(–)	1.4	(0.8)
Luxembourg	1.0	(1.5)	–	(–)	0.3	(0.8)	0.0	(0.0)	0.0	(0.2)	–	(–)	1.3	(2.5)
Iceland	0.6	(0.5)	–	(–)	–	(–)	–	(–)	0.2	(0.2)	–	(–)	0.8	(0.7)
Latvia	–	(–)	–	(–)	–	(–)	0.2	(–)	0.3	(–)	–	(–)	0.6	(–)
Portugal	0.2	(0.3)	–	(–)	–	(–)	–	(–)	–	(–)	0.2	(0.2)	0.4	(0.5)
Italy	0.4	(0.5)	–	(–)	–	(–)	–	(–)	0.0	(0.0)	–	(–)	0.4	(0.5)
Belgium	–	(–)	–	(–)	–	(–)	0.3	(0.2)	–	(0.2)	–	(–)	0.3	(0.3)
Greece	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)
Ukraine	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)
Other countries	–	(–)	–	(–)	–	(–)	0.1	(0.4)	0.2	(0.4)	–	(–)	0.3	(0.8)
Total	**26.5**	**(24.4)**	**2.4**	**(2.8)**	**0.3**	**(0.8)**	**36.0**	**(38.3)**	**14.9**	**(14.0)**	**4.1**	**(4.3)**	**84.2**	**(84.6)**

6.5.3 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, 2014 (and 2013). The average maturity for SEK's exposures as of December 31, 2014, including binding offers was 4.0 years (year-end 2013: 2.5 years), and excluding binding offers 2.8 years (year-end 2013: 2.8 years). Remaining maturities are with respect to contractual amortizations for on-balance sheet items. This has changed since last year's report where the full remaining maturity of the whole exposure was considered. Comparison figures have been recalculated. Off-balance sheet items, e.g. commitments, have the total remaining maturity for the contract, and counterparty risk exposures are considered to have a maturity not exceeding one year.

TABLE 6.19: GROSS EXPOSURE BY EXPOSURE CLASS AND MATURITY (M) AS OF DECEMBER 31, 2014 (AND 2013)

Skr bn	M≤ 1 year		1 year<M ≤ 3 years		3 years <M ≤ 5 years		M> 5 years		Total	
Central government	14.6	(40.3)	3.3	(2.6)	2.2	(1.8)	46.7	(4.2)	66.7	(48.9)
Regional governments	11.1	(10.2)	1.8	(2.6)	0.1	(0.3)	0.1	(0.1)	13.0	(13.2)
Multilateral banks	0.3	(0.1)	0.0	(0.0)	–	(0.0)	–	(0.0)	0.3	(0.1)
Financial institutions	37.0	(38.6)	14.8	(10.1)	3.8	(3.2)	6.3	(6.9)	61.9	(58.8)
Corporates	49.6	(57.2)	87.6	(80.0)	40.3	(45.0)	44.5	(33.1)	222.0	(215.2)
Securitization positions	0.9	(1.7)	1.2	(1.7)	1.0	(0.8)	3.2	(3.6)	6.4	(7.8)
Total	**113.5**	**(148.1)**	**108.7**	**(97.0)**	**47.3**	**(51.2)**	**100.8**	**(47.8)**	**370.3**	**(344.1)**

TABLE 6.20: NET EXPOSURE BY EXPOSURE CLASS AND MATURITY (M) AS OF DECEMBER 31, 2014 (AND 2013)

Skr bn	M≤ 1 year		1 year<M ≤ 3 years		3 years <M ≤ 5 years		M> 5 years		Total	
IRB method										
Financial institutions	40.4	(43.4)	20.0	(15.7)	5.2	(6.6)	1.9	(1.8)	67.5	(67.5)
Corporates	15.7	(20.2)	27.4	(18.4)	17.9	(18.9)	22.2	(15.0)	83.2	(72.6)
Securitization positions	0.9	(1.7)	1.2	(1.7)	1.0	(0.8)	3.2	(3.5)	6.3	(7.8)
Standardized method										
Central government	43.3	(71.7)	57.1	(58.3)	22.1	(23.1)	68.4	(21.9)	190.9	(174.9)
Regional governments	12.5	(10.7)	2.5	(2.7)	0.9	(1.1)	5.0	(5.3)	20.9	(19.8)
Multilateral banks	0.3	(0.3)	0.0	(0.0)	–	(0.5)	–	(–)	0.3	(0.8)
Corporates	0.3	(0.2)	0.5	(0.2)	0.3	(0.2)	0.1	(0.2)	1.2	(0.7)
Total	**113.5**	**(148.1)**	**108.7**	**(97.0)**	**47.3**	**(51.2)**	**100.8**	**(47.8)**	**370.3**	**(344.1)**

6.5.4 EXPOSURES BY INDUSTRY

Table 6.21 below summarizes the distribution of SEK's exposures to corporates by industry as of December 31, 2014 (and 2013).

TABLE 6.21: CORPORATE EXPOSURE BY INDUSTRY (GICS) AS OF DECEMBER 31, 2014 (AND 2013)

Skr bn	Gross exposure		Net exposure	
IT and telecom	83.1	(78.3)	9.4	(7.6)
Industrials	46.1	(37.4)	32.9	(18.3)
Financials	23.7	(29.0)	5.7	(13.5)
Materials	27.0	(28.9)	12.8	(11.1)
Consumer goods	16.4	(15.3)	12.5	(12.6)
Utilities	13.7	(14.2)	5	(6.1)
Health Care	5.9	(7.4)	5.1	(2.8)
Energy	5.7	(4.3)	1	(1.2)
Other	0.4	(0.4)	0	(0.1)
Total	**222.0**	**(215.2)**	**84.4**	**(73.3)**

6.5.5 NUMBER OF EXPOSURES BY INDUSTRY AND RISK CLASS

Table 6.24 on page 34 describes the number of internally risk classified (rated) counterparts to which SEK have exposures by industry and rating. All exposures related to these counterparts are in the financial institution or the corporate exposure classes under the IRB approach.

TABLE 6.24: NUMBER OF EXPOSURES TO INSTITUTIONS OR CORPORATES BY INDUSTRY AND RISK CLASS AS OF DECEMBER 31, 2014

	AAA	AA+ through AA-	A+ through A-	BBB+ through BBB-	Below investment grade
Materials	–	–	1	8	9
Financials	2	22	62	35	9
Consumer goods	–	3	3	7	3
Energy	–	–	–	3	2
Health Care	–		1	5	2
Industrials	1	–	10	18	14
IT and telecom	–	–	2	12	6
Utilities	–	2	3	3	2
Others	–	–	2	1	–
Total	**3**	**27**	**84**	**92**	**47**

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, 2014 totaled Skr 198.6 million, of which Skr 172.8 million was attributable to exposures to corporates and Skr 25.8 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 2015.

The table below provides a comparison for the years 2008–2014, 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[9] 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 2008–2014. 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 953 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 probability of default estimates used by SEK.

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	–	–	–
2014			
Expected loss amount	167	24	191
Actual loss	–	–	–

6.7 IMPAIRMENTS AND PAST-DUE EXPOSURES

Provisions for incurred impairment losses, mainly in the category loans and receivables, are recorded if and when SEK determines it is probable that the counterparty to a loan or another financial asset held by SEK, along with existing guarantees and collateral, will fail to cover SEK's full claim. Such determinations are made for each individual loan or other financial asset. Objective evidence consists of the issuer or debtor suffering significant financial difficulties, outstanding or delayed payments or other observable facts which suggest a measurable decrease in expected future cash flow. SEK reports as past-due credits those claims for which principal or interest is more than 90 days past due.

Net credit losses for 2014 amounted to Skr 73 million (year-end 2013: Skr –39 million). The positive result effect was due to reversed reserves applicable to both a previously impaired debt that had been sold during the period and the two Collateralized Debt Obligations ("CDOs") which were impaired previously due to a dramatically downgraded rating. One of these CDOs has been liquidated, with SEK having received final settlement while for the other CDO a reserve has been reversed in connection with an amortization that was received in the fourth quarter (see Note 4 and 28 to the Annual Report). During 2014, an additional provision of Skr –30 million was made to the portfolio based reserve (i.e. the reserve not attributable to a specific counterparty) (year-end 2013: Skr –10 million). After this provision, the reserve amounts to Skr 240 million (year-end 2013: Skr 210 million). The increase of the reserve is mainly attributable to corporate exposures with lower ratings. The reserve not attributable to a specific counterparty relates to deterioration in credit quality related to assets not individually reserved for. SEK has established the reserve according to a methodology based on both quantitative and qualitative analysis of all exposures accounted for at amortized cost.

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

TABLE 6.26: EXPOSURES WITH A NEED FOR WRITE-DOWN AND PAST-DUE EXPOSURES, BY EXPOSURE CLASS AS OF DECEMBER 31, 2014 (AND 2013)

Skr mn	Past-due exposures		Exposures with a need for write-down		Accumulated individual write-downs	
Government export credit agencies	0	(15)	–	(–)	–	(–)
Financial institutions	–	(–)	–	(–)	–	(–)
Corporates	16	(–)	47	(219)	189	(95)
Securitization positions	–	(–)	222	(583)	27	(456)
Total	**16**	**(15)**	**269**	**(802)**	**216**	**(551)**

TABLE 6.27: EXPOSURES WITH A NEED FOR WRITE-DOWN AND PAST-DUE EXPOSURES, BY REGION AS OF DECEMBER 31, 2014 (AND 2013)

Skr mn	Past-due exposures		Exposures with a need for write-down		Accumulated individual write-downs	
North America	–	(–)	222	(583)	189	(456)
Latin America	13	(–)	–	(–)	–	(–)
Sweden	–	(15)	47	(63)	27	(45)
Central-East European countries	–	(–)	–	(14)	–	(7)
West European countries excl. Sweden	4	(–)	–	(142)	–	(43)
Total	**16**	**(15)**	**269**	**(802)**	**216**	**(551)**

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").

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, 2014, government export credit agencies guaranteed a total of Skr 173.4 billion (year-end 2013: Skr 160.0 billion), which was equivalent to 46.8 percent (year-end 2013: 46.8 percent) of total credit exposures. Skr 118.8 billion (year-end 2013: Skr 120.0 billion) covered corporate exposures, Skr 2.6 billion (year-end 2013: Skr 1.5 billion) covered exposures to financial institutions, and Skr 51.5 billion (year-end 2013: 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, 2014 (AND 2013)

Skr bn	Guaranteed exposure		%	
The Swedish Export Credits Guarantee Board	147.9	(136.6)	85%	85%
Compagnie Française d'Assurance pour le Commerce Extérieur (COFACE)	11.5	(9.3)	7%	6%
Export-Import Bank of the United States	4.0	(4.5)	2%	3%
Euler Hermes Kreditversicherungs AG	4.0	(4.3)	2%	3%
UK Export Finance	1.8	(2.2)	1%	1%
Other	4.3	(3.1)	3%	2%
Total	**173.4**	**(160.0)**	**100%**	**100%**

6.8.2 EXPOSURES MITIGATED BY GUARANTEES AND CREDIT DERIVATIVES

TABLE 6.30: EXPOSURES MITIGATED BY GUARANTEES OR CREDIT DERIVATIVES, BY EXPOSURE CLASS AS OF DECEMBER 31, 2014 (AND 2013)

Skr bn		Exposures after risk mitigation(Net)											
Exposure class before mitigation (Gross)	Type of mitigation	Institutions		Corporates		Local governments		Multilateral development banks		Central governments and central banks		Total	
Institutions	Guarantee	6.0	(0.9)	0.4	(0.8)	6.6	(6.9)	–	(–)	1.1	(1.5)	14.2	(10.1)
Corporates	CDS	5.8	(9.4)	–	(–)	–	(–)	–	(–)	–	(–)	5.8	(9.4)
Corporates	Guarantee	9.3	(8.5)	20.2	(6.0)	0.2	(0.2)	–	(0.7)	122.8	(124.0)	152.5	(139.4)
Local governments	Guarantee	–	(–)	0.1	(0.1)	0.0	(0.0)	–	(–)	0.6	(0.6)	0.7	(0.7)
Central governments and central banks	Guarantee	0.1	(0.1)	–	(–)	1.7	(0.1)	–	(–)	51.7	(38.1)	53.5	(38.3)
Total		**21.2**	**(18.9)**	**20.7**	**(6.9)**	**8.6**	**(7.2)**	**–**	**(0.7)**	**176.2**	**(164.2)**	**226.7**	**(197.9)**

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. Since then nine insurance companies have been assigned an internal rating and limit. At the end of 2014 Skr 0.9 billion (year-end 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.

6.9 COUNTERPARTY RISK IN DERIVATIVES TRANSACTIONS

Counterparty risk arises when SEK enters into derivative transactions, such as swaps or options, with a counterparty. Exposures from counterparty risk in derivatives transactions is measured by current market value to SEK of the transactions with a given counterparty and an add-on factor which reflects the potential future exposure due to replacement costs in the case of counterparty default.

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. SEK 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 (CSA:s), providing for the regular transfer and re-transfer of credit support. In some cases, ISDA Master Agreements are supported exclusively by recouponing/repricing provisions.The structure of SEK's CSA:s is such that there is no significant need for SEK to post additional collateral in the case that any rating agency would lower SEK's rating.

A large portion 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. During 2013 and 2014 the buildup of the regulatory framework continued.

SEK will be further affected by any rules of EMIR not yet phased in. EMIR also supplements continuously with detailed rules in the form of technical standards. As a result of the first central counterparty in accordance with EMIR was approved in 2014 the countdown started for the introduction of the mandatory clearing of OTC derivatives. In 2015, the mandatory clearing of certain standardized instruments are introduced and the circle of stakeholders will gradually widen in the coming years. SEK is well prepared to meet future regulations regarding mandatory clearing and constantly monitors the developments taking place in the not yet implemented parts of the regulatory framework.

6.9.1 INFORMATION ABOUT COUNTERPARTY RISK IN DERIVATIVE TRANSACTIONS

SEK's net counterparty exposure in derivatives transactions was equal to Skr 7.2 billion (year-end 2013: Skr 6.3 billion), i.e. Skr 8.8 billion (year-end 2013: Skr 7.9 billion) less than the gross exposure. As of December 31, 2014, SEK's counterparties had provided credit support of Skr 8.3 billion (year-end 2013: Skr 8.2 billion). Due to a time lag (two business days) in the handling of the financial collateral, the value of collateral received may exceed the netted market value. As of December 31, 2014, SEK held collateral amounting to Skr 9.7 billion (2012: Skr 16.8 billion). Table 6.34 shows current a breakdown of the exposure amount from counterparty risk.

TABLE 6.34: TOTAL COUNTERPARTY RISK EXPOSURE AS OF DECEMBER 31, 2014 (AND 2013)

Skr mn	Exposure	
Positive market value of derivative contracts	16,017	(14,228)
Exposure reduction from netting agreements	–8,804	(–7,896)
Exposure after netting	**7,213**	**(6,332)**
Exposure reduction from collaterals received	–6,719	(–6,145)
Exposure after netting and collaterals	**494**	**(187)**
Regulatory add-on for potential future credit exposure	5,205	(5,469)
Total exposure amount from counterparty risk	**5,699**	**(5,656)**

6.9.2 COUNTERPARTY RISK IN CREDIT DERIVATIVE TRANSACTIONS

SEK predominant use of credit default swaps (CDS) is to protect SEK from net credit losses. The exposure amount relative to counterparty credit risk for bought credit derivatives that mitigates credit risk exposure shall for capital adequacy purposes be zero according to CRR, and hence such CDS contracts does not contribute to capital requirements. Table 6.30 displays the exposure amount for different types of risk mitigation, and the nominal amount of credit derivatives in this respect is Skr 5.7 billion. For maturity reasons there might from time to time be bought positions where the protected asset has matured and those CDS positions under a

short period contributes to the counterparty risk exposure. As of December 31, 2014 SEK did not hold any such positions.

Apart from the already mentioned credit derivative exposures SEK also, as of December 31, 2014 held three issued credit linked bonds in its portfolio. As a consequence of SEK's risk mitigation strategy the portfolio subsequently also comprised of three credit linked asset swaps. When considering the impact on capital requirement these derivatives contribute only marginally, the nominal amount for these three derivatives adds up to Skr 78 million in total.

6.9.3 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, 2014, the capital requirement for counterparty risk in derivative transactions under Pillar 1 totaled Skr 228 million (2013: Skr 168 million).

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 EXPOSURE AMOUNT AND CAPITAL REQUIREMENT CREDIT RISK AS OF DECEMBER 31, 2014 (AND 2013)

Skr mn **Credit risk standardized method**	**Risk exposure amount**		**Required capital**	
Central governments[1]	736	(1,016)	59	(82)
Regional governments	–	(–)	–	(–)
Multilateral development banks	–	(–)	–	(–)
Corporates	1,207	(628)	96	(50)
Householdexposures	–	(1)	–	(0)
Total credit risk standardized method	**1,943**	**(1,645)**	**155**	**(132)**
Credit risk IRB method				
Financial institutions[2,3]	24,186	(17,305)	1,935	(1,384)
Corporates[4]	49,042	(42,054)	3,923	(3,364)
Securitization positions	3,643	(8,744)	291	(700)
Assets without counterparty	134	(150)	11	(12)
Total credit risk IRB method	**77,005**	**(68,253)**	**6,160**	**(5,460)**
Total credit risk	**78,948**	**(69,898)**	**6,315**	**(5,592)**

[1] In accordance with CRR, SEK treats exposures to Government export credit agencies as exposures to central government.
[2] Of which counterparty risk in derivatives: risk exposure amount of Skr 2,844 million (year-end 2013: Skr 2,098 million) and required capital of Skr 228 million (year-end 2013: Skr 168 million).
[3] The risk exposure amount for financial institutions has increased due to an increase by 25 percent of the correlation in the formula for calculating the risk exposure amount, for all exposures to large financial sector entities and non-regulated financial institutions, all in accordance with CRR.
[4] Of which related to specialized lending: risk exposure amount Skr 1,984 million (year-end 2013: 2,335 million) and required capital Skr 159 million (year-end 2013: 187 million).

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.

6.11 CREDIT VALUATION ADJUSTMENT RISK

When the CRR entered into force a capital requirement for credit valuation adjustment risk (CVA) was introduced, which shall be calculated for all OTC derivative contracts, except for credit derivatives used as credit protection and transactions with a qualifying central counterparty. SEK calculates this capital requirement according to the standardized method. As of December 31, 2014 the risk exposure amount relating to CVA was Skr 3,339 million (year-end 2013: not applicable) and the capital requirement was Skr 267 million (year-end 2013: not applicable).

7. OPERATIONAL RISK

The Operational risk has decreased during 2014. Operational risk in SEK arises mainly in the day-to-day business due to inadequate procedures, systems not working as intended or from human error. SEK's employees are well aware of the importance of proactively managing the operational risk.

7.1 HIGHLIGHTS IN 2014

Over the year, the level of operational risk decreased as a result of long-term work focusing on continuous improvement, well-documented procedures and higher awareness of the importance of managing operational risk. The number of incidents increased slightly in the year, while total losses decreased to a low level, well within the risk appetite. 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 2014, 177 incidents were reported (year-end 2013: 153) incidents. The vast majority of these incidents are minor events that are rectified promptly within respective functions. No major incident occurred during the year. The loss resulting from reported incidents was Skr 0.4 million (year-end 2013: Skr 4.4 million). Only a small percentage of incidents result in a loss.

Further development of the risk framework regarding operational risk has been carried out, including SEK updating its Information Security framework to more closely connect with the operational risk framework, and to conform with FFFS 2014:5 requirements regarding Information Security Management Systems for financial institutions. A dedicated Chief Security Officer (CSO) has been hired, reporting to the Head of Administration, with explicit responsibilities and mandates pertaining to information security for all of SEK.

7.2 INTERNAL GOVERNANCE

Operational risk exists in potentially all activities within SEK. Each function is therefore responsible for operational risks that occur within their own function and for the efficient management of the operational risk. To support the management of operational risk, the company works according to policy documents based on SEK's risk framework regarding operational risk. The Administration function undertakes ongoing monitoring of incidents and actions resulting from incidents, while responsibility for monitoring, analyzing and reporting operational risk lies with the independent control function Risk Control. Risk Control is also responsible for monitoring the suitability and effectiveness of the management of operational risk. The Internal Control Committee is the company committee that is responsible for managing and monitoring operational risk.

7.3 RISK MANAGEMENT

Some of the main activities used to manage the operational risk are mentioned below.

Risk self-assessments
The company conducts annual risk analyses using a self-assessment model that covers all of the company's units and its executive management. Action plans were developed for proactive management of those identified risks that, based on the risk appetite, it has been decided must be mitigated. Respective Heads of function are responsible for the follow-up of these action plans. The Risk Control function carries out an aggregated analysis and monitoring of the risks and action plans; the highest valued risks are then analyzed and monitored individually. The annual risk analyses are conducted in coordination with business planning and the internal capital adequacy assessment as part of strategic planning.

Risk analysis of significant changes
When significant changes are made to operations, a risk analysis is carried out of the change in order to identify and manage operational risks before the change is rolled out. This prevents uncontrolled changes to the company's risk exposure. Ongoing analysis of changes is carried out, at minimum, when a new or significant amendment to a product, IT system or process is introduced and in the event of other significant changes to the business or organizational structure.

Incident management
When an operational risk event – an incident – occurs, the focus is on resolving the direct event in order to minimize damage. An analysis of the root cause is then performed to understand why it occurred, and remedial action is determined and followed up in order to prevent a repeat of the event. SEK views incident reports as an important part of its continuous improvement measures and are an important source of information. The company encourages staff to report incidents and applies no materiality criteria for reporting incidents.

Key risk indicators
SEK follows a selection of indicators with the purpose to give an early warning of increased level of operational risk. If an increased level is indicated the Risk Control function analyses the reason behind the increase and suggests mitigating action if needed.

Information Security
The objective of security activities at SEK is to assure management that Information Security (IS) risks in the logical, technical and physical domains are properly identified and correctly ranked and that IS control processes are effective and in line with the defined risk appetite and relevant legislation. SEK has adopted a standardised threat profile that is extended on demand by more detailed IS threat assessments. Together these provide baseline for the annual IS risk assessment, with which risk treatment plans are supplemented.

The IS internal control system supplements the SEK framework for operational risk, allowing compliance with regulatory requirements and alignment with other internationally recognized reference frameworks such as ISO 27001 and the Information Technology Infrastructure Library (ITIL).

Business Continuity
To ensure continuous availability of business critical processes, SEK annually conducts a careful review of its use of technology, buildings and staff in the operational processes every year. The requirements for this are part of the IS framework.

SEK runs two geographically separated IT centres between which critical servers are duplicated and data is mirrored. In addition, SEK has access to separate backup office facilities outside the city centre with enough capacity for staff to run all critical business processes, including IT operations and maintenance. The effectiveness of data centres and recovery procedures is assured through disaster recovery exercises at least once a year.

7.4 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.

7.5 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:

- The number of existing identified risks assessed as "high risk",
- The amount of losses from reported incidents during the last four quarters,
- 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,
- Whether management has assessed that efficient internal controls relating to financial reporting, in accordance with SOX Section 404, exists or not.

7.6 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 beta 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.

As of December 31, 2014, the capital requirement under Pillar 1 for operational risk totaled Skr 278 million.

SEK quantifies the capital requirement under Pillar 2 for operational risk based on the actual identified operational risks in the company and considers an assessment of the consequence and probability that events were to occur. As of December 31, 2014, the capital requirement under Pillar 2 for operational risk totaled Skr 316 million.

8. MARKET RISK

Market risk arises from changes in prices and volatilities in financial markets. SEK's business model includes 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 therefore has only market risk in the banking book.

8.1 RISK MANAGEMENT AND REPORTING

SEK's debt is raised in the form of bonds which, regardless of conditions to debt investors, are swapped so that SEK pays 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 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, since this effect mainly evens out over time as SEK generally holds assets and liabilities to maturity. 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 own funds and earnings.

The Board of directors defines the market risk appetite and strategy of SEK. In addition instructions established by the Board's Finance and Risk Committee regulate SEK's management of market risks. These instructions set clearly defined restrictions for the permitted net market risk exposures (limits). SEK also has further instructions clarifying the management of market risks and defining the methodology for calculation of market risk. All instructions are reviewed at least annually. Market risk exposures are reported to the Head of Lending and Funding, the Head of Risk, the Head of Risk Control, as well as to the Asset and Liability Committee and the Board's Finance and Risk Committee.

In 2014 SEK closed fixed interest rate positions in Swedish kronor related to equity. The purpose of the positions was to give a smoother return on equity over time, but because of today´s low interest rate environment the fixed interest rate positions related to equity partly lost its purpose. Through the closing of these positions the interest rate risk in Swedish krona has decreased considerably, while SEK's risk to net interest income in Swedish krona has increased.

SEK's significant risk measures are shown in table 8.1. The state-supported system ("S-system") has been excluded, since the Swedish government reimburses SEK for all interest differentials, financing costs and net foreign exchange losses under the S-system.

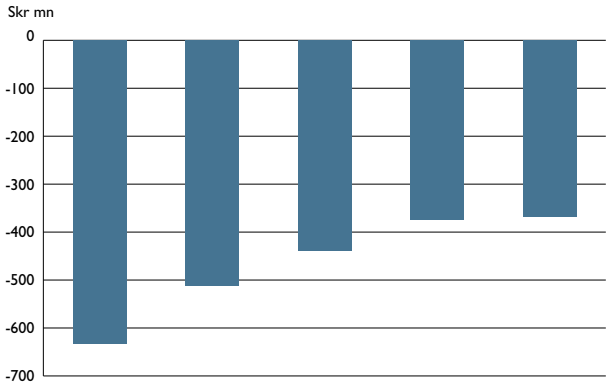
TABLE 8.1: SEK'S SIGNIFICANT RISK MEASURES AND LIMITS AS OF DECEMBER 31, 2014 (AND 2013)

	Limit		Risk	
Skr mn	2014	2013	2014	2013
Risk measure				
Aggregated risk measure	1,300	(2,300)	633	(1,252)
Interest rate risk in the banking book				
Interest rate price risk	250	(–)	108	(531)
Net interest income risk, within one year	275	(75)	194	(38)
Spread risks				
Credit spread risk in assets	700	(700)	479	(412)
Credit spread risk in own debt	1,200	(1,300)	645	(835)
Cross currency basis swap price risk	550	(750)	372	(371)
Risk to NII from cross currency basis swaps	200	(250)	72	(113)
Other risks				
Foreign exchange risk (excl. market value adjustments)	15	(15)	2	(1)

8.2 AGGREGATED RISK MEASURE

The aggregated risk measure is based on the analyses of 56 scenarios that each has a three-month time horizon. The scenarios consist of historical movements from all quarters since 2008 through 2014 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 for interest rate risk, cross currency basis swap risk, credit spread risk in assets, credit spread risk in own debt and foreign exchange risk. The risk limit is measured against the worst scenario which, for SEK at the end of 2014, was the scenario based on antithetical market movements from the first quarter in 2012. The decrease in the risk level is mainly explained by the closing of SEK's fixed interest rate positions in Swedish kronor, as described above, as well as a decrease in credit spread risk in SEK's own debt.

CHART 8.1: RESULT OF THE FIVE WORST SCENARIOS AS OF DECEMBER 31, 2014



8.3 INTEREST RATE RISK MEASUREMENT

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

- Interest rate risk regarding changes in fair value (interest rate price risk) and
- interest rate risk for net interest income (net interest income risk)

Both exposures are calculated and reported on a daily basis.

8.3.1 INTEREST RATE PRICE RISK

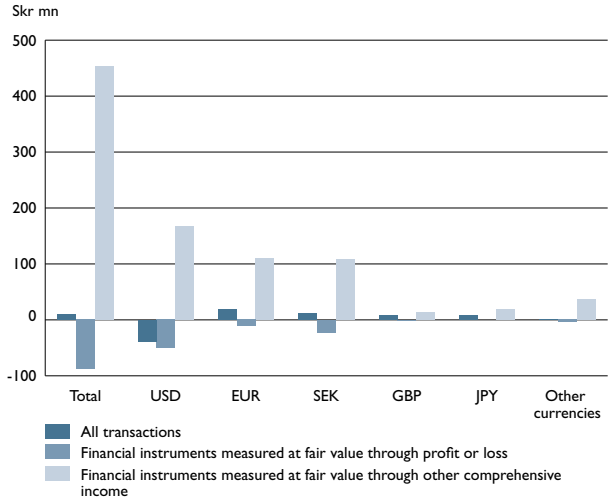
The interest rate price risk is calculated, by means of stress tests, as the change in present value from a one-percentage-point upward parallel shift in the yield curve and as a half-percentage-point rotation of the yield curve. The risk, for each stress test, is totaled as the sum of the absolute value of the risk in each currency. The decrease in the risk level is mainly explained by the closing of SEK's fixed interest rate positions related to equity, as described above.

8.3.2 INTEREST RATE PRICE RISK BY CURRENCY

SEK's interest rate price risk to changes in market values is shown in chart 8.2. Total interest rate price risk[10] amounted to Skr 10 million (-414) at year-end 2014. The total interest rate price risk in Skr amounted at year-end 2014 to Skr 12 million (-453). The decrease in total interest rate price risk is mainly explained by the closing of SEK's fixed interest rate positions related to equity.

SEK hedges interest rate price risk for all positions in order to minimize volatility to NII regardless of accounting classification.

CHART 8.2: INTEREST RATE PRICE RISK BY CURRENCY, +100 BP, AS OF DECEMBER 31, 2014



8.3.3 NET INTEREST INCOME RISK WITHIN ONE YEAR

Net interest income risk within one year is calculated as the effect on net interest income for the next year if new financing and investment must take place after an interest rate change of one percentage-point. The increase in the risk level is mainly explained by the closing of SEK's fixed interest rate positions related to equity.

8.4 SPREAD RISKS

SEK is exposed to spread risks, which may result in significant impact on both earnings and own funds. 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. Credit spread risk in assets is calculated as the change in present value after a one percentage point increase in the credit spreads.

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 decrease in credit spread risk in own debt during 2014 is mainly due to a decrease in expected average duration 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).

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, using sensitivities, 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.

In cases where borrowing and lending are not matched in terms of currency, the future cost of converting borrowing to the desired lending currency is dependent on cross currency basis spreads. Changes in cross currency basis spreads consequently may have an effect on SEK's future NII and this risk is calculated by the measure for calculating risk to NII from cross currency basis swaps. The risk to NII from cross currency basis swaps is measured as the impact on SEK's future earnings resulting from an assumed cost increase (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.

[10] The risk is netted over currencies, in contrast to the measure "interest rate risk to change in market values" in Table 8.1.

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 OTHER RISKS

SEK's equity and commodities risks, as well as FX volatility risk, only arise from structured borrowing. The structured borrowing is hedged by being swapped to floating interest rates. 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, and also because changes in expected maturity for the structured borrowing[11].

Interest rate volatility risk also arises from other transactions with early redemption options.

Commodities and equity risk as well as volatility risks are calculated using a variety of stress tests. These risks were small at the year-end 2014.

8.7 CAPITAL REQUIREMENT FOR MARKET RISK

SEK has market risks under Pillar 1 in the form of foreign exchange risk and commodities risk. The capital requirement under Pillar 1 for Foreign exchange risk amounts to Skr 122 million at the end of 2014 (112) and the capital requirements for commodities risk under Pillar 1 amounts to Skr 2 million at the end of 2014 (5).

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 56 scenarios. The capital requirement is based on the largest negative impact on own funds in these 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. Also a buffer of model risk is added to the capital requirement. SEK's capital requirement for market risk under Pillar 2 for year end 2014 amounted to Skr 1,693 million (1,663). This constitutes 11 percent of Common Equity 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 Common Equity Tier-1 capital.

[11] In the case the bond has an early redemption option, the hedging swap will have a matching option.

9. LIQUIDITY AND FUNDING RISK

The contents of this section conform to the Swedish Financial Supervisory Authority's regulation FFFS 2010:7. The SEK policy concerning liquidity and funding risks 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. 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 Risk and 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 lifespan of the credit portfolio. Responsibility for ensuring that short-term and long-term liquidity risk limits are adhered to lies within the Asset and Liability Committee. The function Financial Risk Analytics is responsible for the analysis and reporting of liquidity risks, while Risk Control is responsible for the control of liquidity risk.

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 funding is defined as equity and borrowing. For CIRR credits, which SEK manages on behalf of the Swedish government, the company also counts its loan facility with the Swedish National Debt Office as available funding. The Loan facility, granted by the government via the National Swedish Debt Office, amounts to Skr 80 billion (80) and may only be used to finance CIRR credits. The credit facility is valid through Dec. 31, 2015 and entitles SEK to receive financing over the maturities that the underlying CIRR credits have. No funds have been drawn under this credit facility. Credit commitments are defined as outstanding credits and agreed but undisbursed credits.

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.

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

9.2.1 LIQUIDITY RISK FROM A SHORT-TERM PERSPECTIVE

Short-term liquidity risk is managed by a combination of a large portfolio of liquid assets[12], strict rules on funding needs and a back-up facility with the Swedish National Debt Office.
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. SEK also has a swing line that functions as back up-facility for the commercial paper programs and 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 overnight investments (deposits) to further ensure access to liquid funds in the short term. The average volume, which was deposited overnight, during 2014 amounted to Skr 6.2 billion.

SEK also performs stress tests of cash flows for different exceptional, but possible, scenarios. Chart 9.1 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:

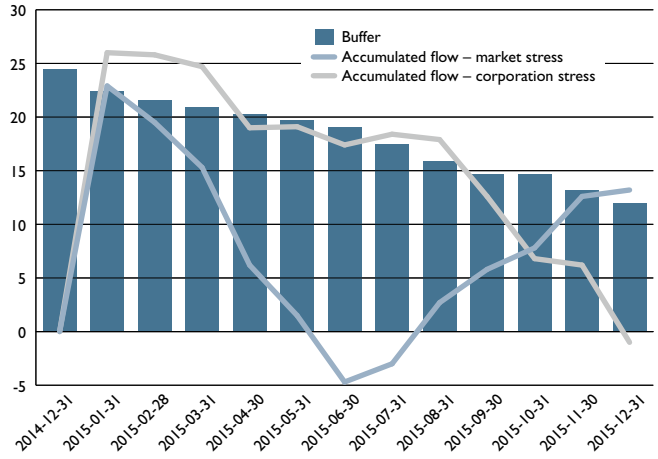
Market stress: not all funding that matures can be refinanced and cash needs to be paid out under collateral agreements.

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. Analysis shows that the deficit emerging in the market stress scenario in June 2015 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. See section 9.4 "Stress testing" for more information on these tests.

[12] 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 short maturity profile of the liquidity placements is matched against funds expected to be disbursed. See section 9.2.3.

CHART 9.1: 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 to 'A+' from 'AA+' was Skr 0.0 billion at December 31, 2014 (Skr 0.0 billion at year-end 2013).

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 0.9 billion plus EUR 0.3 billion (year-end 2013: USD 0.0 billion) had been utilized, as of December 31, 2014.

TABLE 9.1: SHORT-TERM FUNDING PROGRAMS

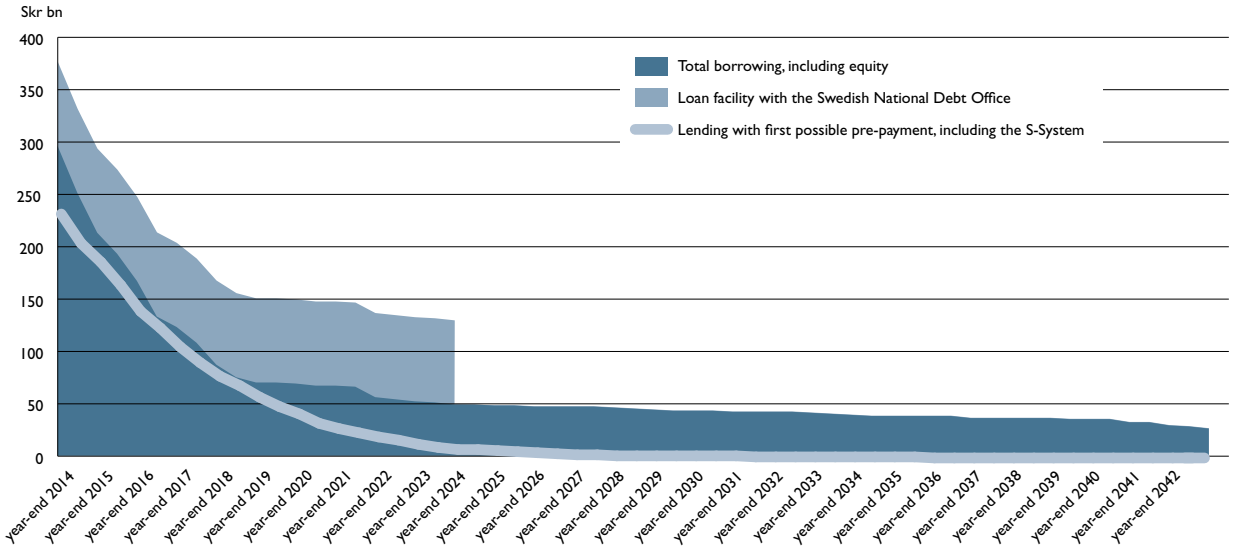
Program type	UCP	ECP
Currency	USD	Multiple currencies
Number of dealers	4	4
"Dealer of the day facility"	No	Yes
Program size	USD 3,000 mn	USD 4,000 mn
Usage as of Dec. 31, 2014	USD 610 mn	EUR 320 mn USD 300 mn
Maturity	Maximum 270 days	Maximum 364 days

9.2.2 LIQUIDITY RISK FROM A LONG-TERM PERSPECTIVE

For all of 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, no additional funding is 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 9.2.

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 9.2 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 9.2: DEVELOPMENT OVER TIME OF SEK'S AVAILABLE FUNDS AS OF DECEMBER 31, 2014



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.

SEK's liquidity placements can be divided into four subcomponents in terms of their size. One of these subcomponents consists of agreed but undisbursed credits. At year-end 2014, the volume of agreed but undisbursed credits amounted to Skr 16.0 billion (20.5). In addition, SEK's liquidity placements include a liquidity buffer of Skr 15.0 billion (15.0), which is intended to

cover any outflows under the company's collateral agreements with its derivative counterparties in order to reciprocally regulate counterparty risks. Liquidity placements should also include a pre-financing buffer. This pre-financing buffer takes account of funding transactions amounting at least to an equivalent of USD 500 million and maturing within six months. At year-end 2014, the pre-financing buffer amounted to Skr 3.9 billion (7.8). Finally, liquidity placements include capacity for SEK's estimated new lending requirements. The aim is for this capacity to provide at least four months' (six) normal new lending. The method for measuring new lending capacity was amended in 2014 and the comparative figures below are based on the new method. At year-end 2014, new lending capacity amounted to Skr 40.6 billion (35.9), which corresponds to 16 months' (9) normal new lending.

9.2.4 DETAILS OF LIQUIDITY PLACEMENTS

To meet the financing requirements for long-term lending, liquid assets surpluses are 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, 2014, the size of SEK's liquidity placements was Skr 86.6 billion (year-end 2013: Skr 86.9 billion), only a small change from year-end 2013. The charts and tables below provide a breakdown of SEK's liquidity placements by exposure class/type, maturity, rating and country as of December 31, 2014.

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 with the Riksbank (the Central Bank of Sweden) and/or confirmed to be eligible as collateral with the ECB. The composition of SEK's liquidity reserve is presented in table 9.4. 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. A portion of the liquidity reserve qualify as high quality assets under the quantitative liquidity ratio, Liquidity Coverage Ratio (LCR), which is binding in Sweden. As of December 31, 2014, the volume LCR eligible assets was Skr 16.7 billion and SEK complied with these rules by having a LCR ratio at an aggregate level of 250 percent, a ratio for euro of 771 percent and a ratio for US dollar of 197 percent.

CHART 9.3: SEK'S LIQUIDITY PLACEMENTS AS OF DECEMBER 31, 2014 (AND 2013), BY EXPOSURE CLASS/TYPE

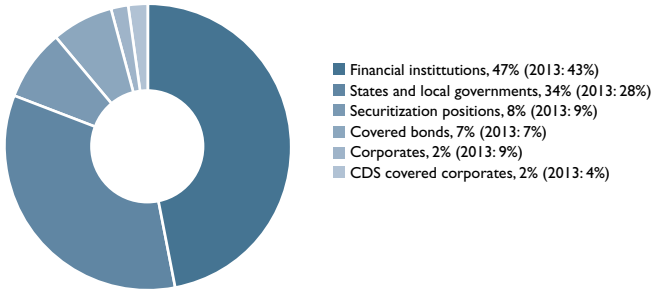


CHART 9.4: REMAINING MATURITY (M) IN SEK'S LIQUIDITY PLACEMENTS AS OF DECEMBER 31, 2014 (AND 2013)

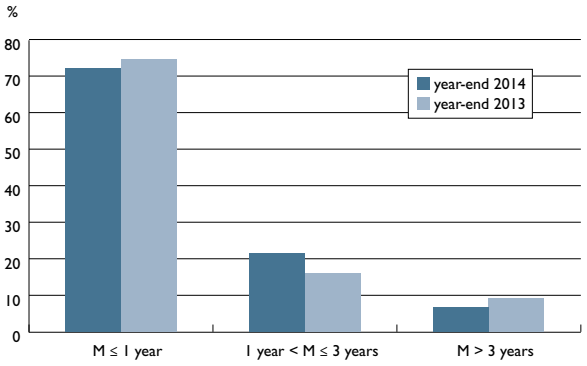


CHART 9.5: SEK'S LIQUIDITY PLACEMENTS AS OF DECEMBER 31, 2014 (AND 2013), BY RATING

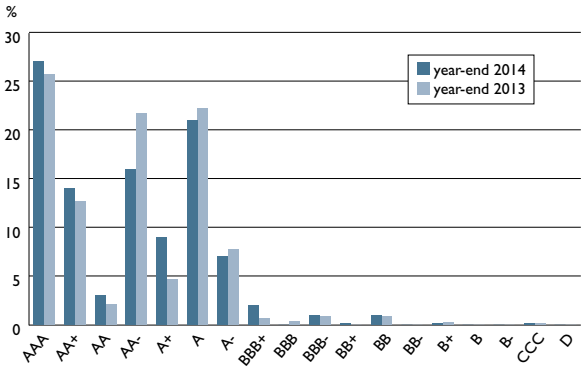


TABLE 9.2: LIQUIDITY PLACEMENTS AS OF DECEMBER 31, 2014 (AND 2013), BY COUNTRY AND EXPOSURE CLASS/TYPE

Net Exposures

Skr bn Country	Financial institutions		States		Regional/Local Governments		Securitization positions		Covered bonds		Corporates		CDS covered corporates		Multilateral development banks		Total[1]	
Sweden	0.0	(3.8)	7.9	(8.5)	10.8	(8.9)	–	(–)	4.4	(5.0)	0.8	(3.3)	0.1	(0.2)	–	(–)	24.1	(29.7)
Canada	9.7	(3.3)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	9.7	(3.3)
Netherlands	5.6	(7.2)	–	(–)	–	(–)	0.2	(0.3)	–	(–)	–	(–)	–	(–)	–	(–)	5.9	(7.5)
Australia	3.9	(3.7)	–	(–)	–	(–)	1.2	(1.7)	–	(–)	–	(–)	–	(–)	–	(–)	5.1	(5.4)
United Kingdom	2.7	(1.8)	–	(–)	–	(–)	0.4	(0.5)	–	(–)	–	(–)	0.4	(0.6)	–	(–)	3.4	(2.9)
Korea, Republic Of	1.8	(0.4)	1.4	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	3.1	(0.4)
France	1.2	(1.5)	1.2	(0.7)	–	(–)	–	(–)	–	(–)	–	(–)	0.7	(1.5)	–	(–)	3.1	(3.7)
Germany	0.5	(–)	0.7	(–)	1.7	(1.2)	–	(0.1)	–	(–)	0.2	(1.2)	–	(–)	–	(–)	3.1	(2.5)
Ireland	–	(–)	–	(–)	–	(–)	2.4	(2.3)	–	(–)	–	(–)	–	(–)	–	(–)	2.4	(2.3)
Norway	2.2	(4.0)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	2.2	(4.0)
United States	0.7	(0.1)	0.4	(–)	–	(–)	0.9	(1.3)	–	(–)	–	(1.8)	–	(0.1)	–	(–)	2.0	(3.4)
Finland	1.2	(0.1)	–	(–)	–	(–)	–	(–)	–	(–)	0.5	(0.2)	0.3	(0.3)	–	(–)	2.0	(0.5)
Denmark	1.7	(2.2)	0.2	(–)	–	(0.7)	–	(–)	–	(0.9)	–	(–)	–	(–)	–	(–)	1.9	(3.7)
Switzerland	1.0	(1.1)	–	(–)	–	(–)	–	(–)	0.6	(–)	–	(–)	–	(–)	–	(–)	1.7	(1.1)
Austria	1.3	(0.6)	–	(0.2)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	1.3	(0.8)
Luxembourg	–	(–)	1.0	(1.5)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	0.3	(0.1)	1.2	(1.5)
Qatar	1.2	(0.7)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	1.2	(0.7)
Spain	–	(–)	–	(–)	–	(–)	0.8	(0.9)	–	(–)	–	(–)	–	(–)	–	(–)	0.8	(0.9)
China	0.6	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	0.6	(–)
Singapore	0.4	(0.3)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	0.4	(0.3)
Portugal	–	(–)	–	(–)	–	(–)	0.3	(0.3)	–	(–)	–	(–)	–	(–)	–	(–)	0.3	(0.3)
Malaysia	0.3	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	0.3	(–)
Japan	0.0	(2.7)	–	(–)	–	(–)	–	(–)	–	(–)	–	(0.7)	–	(–)	–	(–)	0.0	(3.4)
Total	**36.1**	**(34.1)**	**12.7**	**(10.9)**	**12.6**	**(10.8)**	**6.1**	**(7.3)**	**5.1**	**(5.9)**	**1.5**	**(7.2)**	**1.5**	**(2.7)**	**0.3**	**(0.1)**	**75.7**	**(79.0)**

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

TABLE 9.3: LIQUIDITY PLACEMENTS AS OF DECEMBER 31, 2014 (AND 2013), BY COUNTRY AND RATING

Net Exposures

Skr bn Country	AAA		AA+		AA		AA-		A+		A		A-		BBB+		BBB		BBB-		BB+		BB		B+		CCC		Grand Total	
Sweden	13.1	(13.5)	8.6	(6.6)	0.1	(1.4)	1.5	(4.2)	–	(1.2)	0.1	(0.6)	0.6	(2.0)	0.2	(0.2)	–	(0.0)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	24.1	(29.7)
Canada	–	(–)	–	(–)	–	(–)	2.5	(0.7)	2.7	(1.6)	4.5	(1.0)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	9.7	(3.3)
Netherlands	0.2	(0.3)	0.4	(0.1)	–	(–)	2.2	(2.9)	–	(–)	3.1	(4.2)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	5.9	(7.5)
Australia	1.1	(1.7)	–	(–)	–	(–)	3.6	(3.7)	0.0	(0.0)	–	(–)	–	(–)	0.4	(0.0)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	5.1	(5.4)
United Kingdom	–	(0.4)	0.0	(–)	0.2	(0.1)	0.2	(1.2)	1.3	(–)	–	(1.0)	1.2	(0.1)	0.5	(–)	–	(0.1)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	3.4	(2.9)
Korea, Republic Of	–	(–)	–	(–)	–	(–)	–	(–)	1.4	(–)	0.7	(0.4)	0.7	(–)	0.4	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	3.1	(0.4)
France	–	(–)	–	(0.7)	1.2	(–)	–	(–)	0.4	(–)	1.5	(3.0)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	3.1	(3.7)
Germany	2.4	(0.1)	–	(1.1)	–	(0.1)	–	(–)	–	(–)	0.7	(–)	–	(1.2)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	3.1	(2.5)
Ireland	1.6	(1.5)	–	(–)	–	(–)	–	(–)	–	(–)	0.4	(–)	–	(–)	–	(–)	–	(–)	0.2	(0.4)	–	(–)	–	(0.3)	0.2	(0.2)	–	(–)	2.4	(2.3)
Norway	–	(–)	–	(–)	–	(–)	–	(1.4)	–	(–)	0.6	(0.9)	1.6	(1.7)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	2.2	(4.0)
United States	0.8	(1.2)	0.4	(–)	0.7	(–)	–	(1.8)	–	(0.2)	0.0	(–)	–	(–)	–	(0.1)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	0.0	(0.1)	2.0	(3.4)
Finland	–	(–)	–	(–)	–	(0.1)	1.5	(0.3)	–	(–)	0.5	(0.2)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	2.0	(0.5)
Denmark	0.2	(1.5)	–	(–)	–	(–)	–	(–)	–	(–)	1.7	(1.0)	–	(1.1)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	1.9	(3.7)
Switzerland	0.6	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(1.1)	1.0	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	1.7	(1.1)
Austria	–	(0.2)	–	(–)	–	(–)	–	(–)	–	(–)	1.3	(0.6)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	1.3	(0.8)
Luxembourg	0.3	(0.1)	1.0	(1.5)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	1.2	(1.5)
Qatar	–	(–)	–	(–)	–	(–)	–	(–)	1.2	(0.7)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	1.2	(0.7)
Spain	–	(–)	–	(–)	–	(–)	–	(0.0)	0.1	(0.0)	–	(–)	0.1	(0.1)	0.2	(0.2)	–	(0.1)	0.0	(0.0)	–	(–)	0.4	(0.4)	–	(–)	–	(–)	0.8	(0.9)
China	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	0.6	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	0.6	(–)
Singapore	–	(–)	–	(–)	–	(–)	0.4	(0.3)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	0.4	(0.3)
Portugal	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	0.0	(0.0)	–	(–)	–	(–)	0.1	(0.3)	0.1	(–)	–	(–)	–	(–)	–	(–)	0.3	(0.3)
Malaysia	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	0.3	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	0.3	(–)
Japan	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(3.4)	0.0	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	0.0	(3.4)
Total	**20.4**	**(20.3)**	**10.3**	**(10.0)**	**2.2**	**(1.7)**	**11.8**	**(17.1)**	**7.0**	**(3.7)**	**15.7**	**(17.5)**	**5.6**	**(6.1)**	**1.6**	**(0.5)**	**–**	**(0.3)**	**0.4**	**(0.7)**	**0.1**	**(–)**	**0.4**	**(0.7)**	**0.2**	**(0.2)**	**0.0**	**(0.1)**	**75.7**	**(79.0)**

TABLE 9.4: LIQUIDITY RESERVE[1] AS OF DECEMBER 31, 2014

Skr mn Market values	Total	SKR	EUR	USD	Other
Balances with other banks and National Debt Office, overnight	7,099	6,263	604	140	92
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	6,181	–	2,665	3,516	–
Securities issued or guaranteed by municipalities or other public entities	784	–	–	784	–
Covered bonds issued by other institutions	4,146	1,278	2,119	749	–
Securities issued by non-financial corporates	1,442	499	943	–	–
Total Liquidity Reserve	**19,652**	**8,040**	**6,331**	**5,189**	**92**

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

9.3 FUNDING 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 9.6, 9.7, 9.8 and table 9.5 illustrate some of the aspects of the diversification of SEK's funding.

CHART 9.6: LONG-TERM FUNDING AS OF DECEMBER 31, 2014 (AND 2013), BY ISSUE CURRENCY

Net total long-term funding amount when swaps are taken into account: Skr 265.7 billion as of December 31, 2014.

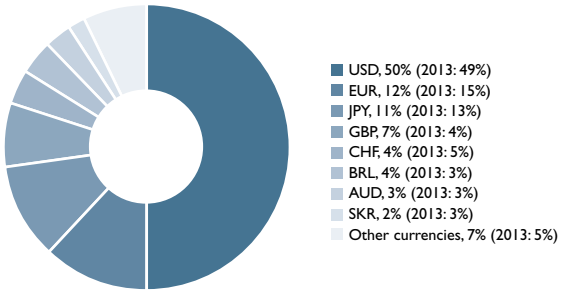


CHART 9.7: LONG-TERM FUNDING AS OF DECEMBER 31, 2014 (AND 2013), BY STRUCTURE TYPE

Net total long-term funding amount when swaps are taken into account: Skr 265.7 billion as of December 31, 2014.

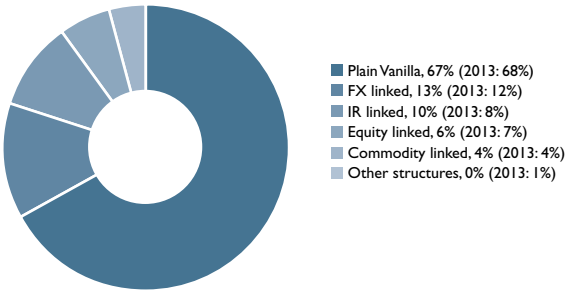


CHART 9.8: LONG-TERM FUNDING IN 2014 (AND 2013), BY REGION

Total long-term funding amount in 2014: Skr 52.2 billion.

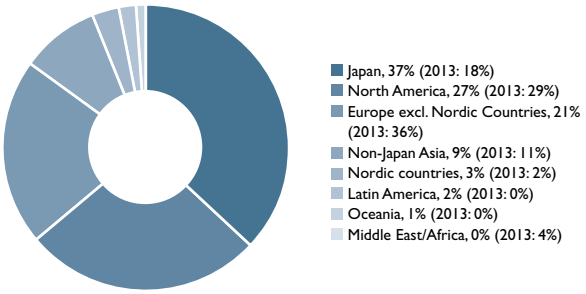


TABLE 9.5: NET LONG-TERM FUNDING AMOUNT, AS OF DECEMBER 31, 2014 (AND 2013), BY REGION AND STRUCTURE TYPE

Net total long-term funding amount when swaps are taken into account: Skr 265.7 billion as of December 31, 2014.

Skr bn Market	Plain Vanilla		FX linked		IR linked		Equity linked		Commodity linked		Other structures		Grand Total	
Europe excl. Nordic Countries	73.5	(77.1)	1.3	(1.3)	13.0	(11.1)	0.5	(0.6)	0.2	(0.2)	0.0	(0.1)	88.5	(90.4)
North America	46.6	(46.6)	–	(–)	1.3	(0.8)	4.4	(2.8)	10.4	(10.3)	–	(–)	62.7	(60.4)
Japan	11.8	(15.9)	33.7	(28.9)	1.3	(1.1)	7.7	(11.4)	0.3	(0.3)	0.1	(0.2)	55.0	(57.8)
Non-Japan Asia	25.1	(18.8)	0.4	(0.6)	9.1	(7.1)	–	(–)	0.1	(0.1)	–	(0.9)	34.6	(27.4)
Nordic Countries	9.3	(7.7)	–	(0.2)	1.0	(1.0)	2.0	(4.3)	0.0	(0.1)	0.1	(0.3)	12.4	(13.6)
Middle East/Africa	9.9	(8.5)	–	(–)	0.4	(0.3)	–	(–)	–	(–)	–	(–)	10.3	(8.9)
Latin America	1.4	(0.2)	0.3	(–)	0.0	(0.0)	–	(0.0)	–	(–)	–	(–)	1.8	(0.3)
Oceania	0.5	(0.1)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	0.5	(0.1)
Grand Total	**178.1**	**(174.9)**	**35.7**	**(31.0)**	**26.1**	**(21.5)**	**14.7**	**(19.1)**	**11.0**	**(10.9)**	**0.1**	**(1.4)**	**265.7**	**(258.9)**

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, 16 percent (year-end 2013: 18 percent) of the outstanding volume includes such early-redemption clauses as of December 31, 2014. On a regular basis, the sensitivity to the underlying indexes of such early-redemption clauses are presented to the Board's Risk and Finance Committee together with a forward looking analysis of how this debt is expected to perform.

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. Chapter 8 Market Risk covers these aspects in greater detail.

9.4 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.

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 funding plan. As a result, stress testing and contingency planning are closely integrated. The results of the 2014 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, 2014.

9.5 CONTINGENCY FUNDING PLAN

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 9.4 "Stress testing", the contingency funding plan design and procedures are closely integrated with the results of the scenarios and assumptions used in stress tests.

9.6 ASSET ENCUMBRANCE

The main sources of encumbrance are the collateralized derivatives with a negative fair value. For more information about collateralized derivatives see section 6.9. SEK has not entered into any repurchase agreement during 2014. Unencumbered other assets are made up of 90% cash and cash equivalents and SEK's lending portfolio.

TABLE 9.8.1: ENCUMBERED AND UNENCUMBERED ASSETS AS OF DECEMBER 31, 2014

Skr mn	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Debt securities	113	113	122,883	124,301
Other assets	9,730	9,730	192,440	194,766
Total assets	**9,843**	**9,843**	**315,323**	**319,067**

TABLE 9.8.2: COLLATERAL RECEIVED NOT RECOGNISED IN STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2014

Skr mn	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance
Other collateral received	–	–
Total collateral received	–	–
Own debt securities issued other than own covered bonds or ABSs	**1,369**	**1,369**

TABLE 9.8.3: ENCUMBERED ASSETS/COLLATERAL RECEIVED AND ASSOCIATED LIABILITIES AS OF DECEMBER 31, 2014

Skr mn	Matching liabilities, contingent liabilities or securites lent	Assets, collateral received and own debt securities issued other than covered bonds and ABS encumbered
Carrying amount of selected financial liabilites	8,813	9,730

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

10. SUSTAINABILITY RISKS

SEK is indirectly exposed to sustainability risks through lending to businesses and Swedish exporters clients in countries with high social and environmental risks. SEK's appetite for sustainability risks is low. Sustainability risks in projects and businesses SEK finances should be managed and mitigated according to international standards.

Sustainability risks are defined as the risk that SEK, through its financing activities, contributes or can be connected to:
- significant negative impacts on the environment
- unacceptable labor conditions
- violations of human rights
- corruption and bribes
- money laundering and the funding of terrorism (see separate section below)

SEK identifies sustainability risks in its lending operations and conduct environmental and social due diligence in accordance with international standards.

10.1 SUSTAINABILITY RISKS IN SEK LENDING PORTFOLIO

Sustainability risks emerge mainly in SEK's lending to Swedish exporters clients in countries with high sustainability risks or Swedish exports to large international projects.

Countries with sustainability risks

A country with high sustainability risk is classified according to MapleCroft analytical tool and Transparency International Perception index. A country is classified as high sustainability risk in any of the following areas:
- High Corruption Perception Index (CPI)
- High human rights risk
- Labor Rights and Protection

Project related sustainability risks

Export credits and project finance transactions are classified based on potential social and environmental impacts in accordance with the OECD Common Approaches…
- Category A-projects are projects with potentially significant negative social and/or environmental impact that are irreversible
- Category B-projects are projects with a limited negative social and/or environmental impact.
- Category C-Projects are projects with minimal or no social or environmental impacts.

10.2 MANAGEMENT APPROACH

Sustainability risks are accorded the same weighting as credit risks in SEK's credit assessments. SEK has a process for identifying and categorizing social, environmental and business ethics risks in all its lending. In the event of high sustainability risks, a detailed review is conducted and requirements are set in order to mitigate negative environmental or social impacts. The extent and form of the review depends on factors such as the level of identified risks and SEK's ability to influence the situation.

Policy

SEK assesses environmental and social impacts when lending to exporters and their customers in a proportionate way. Exporters and their clients have the responsibility to manage environmental and social aspects in accordance with local legislation and international principles. International standards should be applied where these are stricter than local standards. When financing projects and businesses, SEK requires international standards to be applied within the areas of environment, anti-corruption, labor conditions and human rights.

Sustainability risk area	Policy statement	International standard applied
Environmental	SEK aims to evaluate, stipulate requirements and maintain a dialogue with business partners and customers so that projects and businesses financed are operated in an environmentally sustainable way. Gross environmental negligence is not tolerated. SEK will not take part in transactions if we assess that social and environmental conditions are unacceptable. SEK follows the OECD Common Approaches on environmental and social due diligence. An export credit application could be rejected if SEK's assessment indicates significant negative environmental conditions, or if necessary information has not been provided to SEK and is not expected to be provided.	Category A and B projects should fulfill IFC Performance Standards on Environmental and Social Sustainability and IFC Environmental, Health, and Safety Guidelines.
Anti-corruption	SEK does not accept any form of corrupt behavior in transactions that we finance. In transactions or businesses with potentially high risk of corruption, SEK will assess whether the counterpart has a proper code of conduct and control system in place to handle such risk. If, in any transaction, SEK has reason to believe that bribes or any other improper advantages have arisen, SEK shall immediately inform the National Anti-Corruption Police Unit (NACPU). If there is credible evidence that bribes have been paid or offered in a transaction, proper measures should be taken.	OECD Convention on Combating Bribery.
Labor conditions	Businesses should uphold freedom of association and collective bargaining rights. SEK does not accept any form of forced labor, child labor or discrimination in employment or occupation. SEK follows the OECD Common Approaches on environmental and social due diligence. An export credit application could be rejected if SEK's assessment indicates significant negative social conditions, or if necessary information has not been provided to SEK and is not expected to be provided.	Category A and B projects should fulfill IFC Performance Standards on Environmental and Social Sustainability and IFC Environmental, Health, and Safety Guidelines.
Human rights	SEK does not accept violations of human rights or gross negligence of human rights risks in transactions that we finance. Businesses must act with due diligence by identifying potential risks of negative impacts on human rights of their businesses and to address such risks. SEK's requirements on exporters and their customers are in proportion to the identified risk of any violation of human rights in a transaction. SEK requires a special review to be conducted if there is a risk of children's rights being violated. SEK will not finance projects or businesses in which palpable negligence of human rights is deemed to occur and where exporters of end customers are unable to demonstrate that risks will be addressed in accordance with UN Guiding Principles for Business and Human Rights. Businesses involved in violations of human rights must cooperate to properly address the situation.	UN Guiding principle for businesses and human rights, 2011. Category A and B projects should fulfill IFC Performance Standards on Environmental and Social Sustainability and IFC Environmental, Health, and Safety Guidelines.
Business ethics	Transactions should not be structured so that tax income is improperly withheld from states. SEK does not accept transactions in which the sole purpose is tax planning. Under certain circumstances, SEK may require additional tax transparency.	

Process to identify and evaluate sustainability risks
SEK's process for identifying and evaluating sustainability risks in lending transactions follow four steps depicted below.

Screening	Classification	Review	Monitor

Screening and classification
All transactions are screened in order to identify sustainability risks on a project-, country or counterpart level. Potential sustainability risks are classified as follows:

- Project risks – Potential environmental and social risks are classified according to risk levels defined in OECD Common Approaches A, B, or C, where an A-project is high and C-projects is low risk for negative environmental and social impacts.
- Country risks – Countries are classified with respect to risks for violations of human rights, money laundry or corruption.
- Counterparty risks – Counterparties are screened with respect to significant incidents such as money laundry, corruption, environmental crime, breaches against human rights, health and safety or labor conditions within the past 5 years.

Reviews and monitoring
In credits with a high potential risk of negative ethical, environmental or social impact, SEK will conduct sustainability reviews and, if necessary, conduct monitoring over the lifetime of the transaction. The scope and design of the assessment will be proportionate to the size of financing, the extent of the risks identified and the possibility for SEK to have an influence on the transaction SEK will conduct sustainability reviews in the following cases.

- Category A and B projects
- Projects and businesses in countries with a particularly high risk of corruption
- An exporter or applicant that is listed on any of the public debarment lists of the Word Bank Group, the EBRD (European Bank for Reconstruction and Development) or on the black list of any international financial institution (IFI).
- Companies under investigation or that have been convicted for bribery or any other corrupt behavior during the past five years.
- If SEK has reason to believe that corruption has occurred in the transaction.
- Projects and businesses in countries affected by conflict or countries with a particularly high risk of human rights violations.
- A counterparty that has been involved in material incidents in the past five years relating to money laundry, corruption, environmental crime, violations of human rights, health and safety or labor conditions.
- Transactions with a connection to non-transparent jurisdictions for which tax transparency has not been confirmed

The scope and design of a review will be proportionate to the size of financing, the extent of the risks identified and the possibility for SEK to have an influence on the transaction.

Monitoring could be conducted over the lifetime of a transaction to:

- ensure that sustainability clauses are fulfilled in lending contracts in Category A and B projects, and
- identify any significant incident in projects or counterparties we have financed

Governance and responsibilities
Sustainability is an integrated part of SEK credit decisions and governance structure. See further in annual report 2014.

11. REPUTATIONAL RISK

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

11.1 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 plan includes a (long-term) communication strategy, an activity plan and specific advice and guidance with regard to (short-term) media management and contact with relevant stakeholders that have a need to be informed regarding our company.

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.

11.2 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.

12. 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.

12.1 BUSINESS RISK

12.1.1 MEASURING BUSINESS RISK

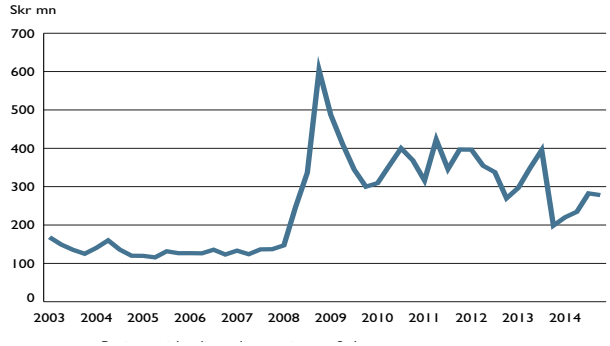
The company defines business risk as the risk of an unexpected decline in revenues as a result of a reduction in volumes and/or pressure on margins.

An annual risk analysis of business risk is carried out in the form of self-assessment. Executive management identifies and assesses risks in a workshop format and action plans are documented.

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 reasons for this increased volatility are mainly the increased turbulence in the financial market, which has led to a significant change in margins, and that SEK from January 1, 2007 applies accounting principles according to the IFRS-standard. One effect from the change of accounting standard is that positions previously reported on an accrual basis are since January 1, 2007 accounted based on market value. 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 economic 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 conditions, 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.[13] 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.

12.1.2 CAPITAL REQUIREMENT FOR BUSINESS RISK UNDER PILLAR 2

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

12.2 STRATEGIC RISK

12.2.1 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.

An annual risk analysis of strategic risk is carried out in the form of self-assessment. The Executive Management identifies and assesses risks in a workshop format and action plans are documented. 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.

During 2014 major regulatory changes were made, nevertheless uncertainties remain. The impact of regulatory reforms on SEK is set out in a separate section, see section 13.

12.2.2 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.

[13] 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.

13. NEW REGULATIONS

This section covers such new regulations that will have a significant impact on risk- and capital management and that either have come into force but are yet to be applied or that are under legislative consideration within the EU.

Capital Buffers
In addition to the minimum capital requirements according to the CRR, capital buffers are introduced by the CRD IV. The capital buffers will be phased in during 2016–2018, but at national discretion they may also be applied earlier. The capital requirement of each buffer is expressed as a percentage of the total risk exposure amount (the buffer rate) and shall be met with Common Equity Tier 1 capital. In case the available Common Equity Tier capital is insufficient to meet the buffer requirements various restrictions are activated, among other things the distributions may be limited. Capital buffers for globally or other systemically important financial institutions will not apply for SEK. Legal basis for countercyclical capital buffers have come into force in Sweden. Presently there are no countercyclical buffers that are active in any country where SEK have relevant credit exposures. The Swedish Financial Supervisory Authority has decided that a buffer rate of 1.0 percent shall apply for credit exposures in Sweden. The Swedish buffer rate, as it is decided but if it already would apply, should as of December 31, 2014, result in a capital requirement amounting to 0.6 percent of total risk exposure amount. Buffer rates decided in other countries may have effect on SEK, but as the main proportion of SEK's capital requirement for relevant credit exposures relates to Sweden the potential effect from such buffer rates is limited.

The systemic risk capital buffer will come into force in Sweden as of January 1, 2015. The systemic risk buffer may concern all or some exposures and apply for all or some financial institutions in a country. The Swedish Financial Supervisory Authority has according to current considerations no intention to require that SEK meet a systemic risk buffer. SEK may be affected by systemic buffer rates decided in other countries, but by the same logic as for the countercyclical capital buffer this effect will be limited.

Leverage Ratio
A measurement on leverage has by the leverage ratio been introduced by the CRR. The ratio must already be reported to supervisory authorities and shall from 2015 and henceforth also be disclosed. The intention is that a minimum requirement of 3.0 percent shall be introduced 2018, but the actual level may be changed. The purpose of introducing minimum requirements on the leverage ratio is to supplement the risk based capital requirements with a ratio that is less sensitive to measurement and model errors.

The leverage ratio will, due to a change in CRR that will come into force in January, 2015, be calculated differently henceforth. The effect on SEK will primarily emanate from a different treatment of off-balance sheet exposures, for SEK primarily committed undisbursed loans and offers, with an improvement of the leverage ratio as a result.

Liquidity Coverage Ratio
Liquidity coverage according to CRR is already subject to supervisory reporting, but there are no requirements on a minimum liquidity coverage ratio. A minimum ratio of 60 percent will be introduced by the CRR as of October 1, 2015. This minimum ratio will gradually increase to 100 percent until January 1, 2018. In Sweden, national requirements on a liquidity coverage ratio are already in force, and hence the forthcoming requirements according to CRR already apply to SEK.

Long term liquidity
Net stable funding according to CRR is already subject to supervisory reporting. Minimum requirements will however not come into force until 2018.

OTC derivatives
SEK will be further affected by rules in EMIR not yet phased in. EMIR is also continuously supplemented by detailed regulations by means of technical standards. The first qualified central counterpart according to EMIR was approved during 2014 which initated the countdown until the start of mandatory central clearing of OTC-derivatives. It is expected that clearing of some standardized instruments will be mandatory in 2015 and that the set of affected market participants will be gradually increased in the following years. SEK is well prepared to meet forthcoming requirements on mandatory clearing and SEK is constantly monitoring developments on not yet finalized regulations on the matter. Such OTC derivatives that SEK enters into due to structured lending will in general not be subject to mandatory clearing according to any now known proposal. Furthermore are the requirements on enhanced collateral arrangements not applicable on SEK, as the volumes of the company not are sufficiently large for those regulations to apply.

Exemptions from the Internal Ratings Based approach
The prerequisites for granting exemptions from the Internal Ratings Based approach (IRB) changed when CRR came into force. Specific prerequisites concerning this in a proposed technical standard will possibly, if this standard is adopted by the EU commission, result in that SEK's exemption from IRB concerning government exposures will not be prolonged when it expires as of December 31, 2015. SEK's capital requirement relating to government exposures will in that case increase.

14. 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 the executive management, the Head of Risk Control, the Head of Compliance, the Head of Internal Control and the Head of Financial Control.

14.1 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.

14.2 REMUNERATION POLICY, COMPOSITION OF THE REMUNERATION COMMITTEE AND AUTHORITY

SEK's 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 and the committee has held 8 meetings during 2014. 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 the executive management, the Head of Risk Control, the Head of Compliance and the Head of Internal Control, 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.

SEK's 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. Remuneration should not be higher than at comparable companies, and should instead be marked by moderation. Furthermore, the remuneration policy contains specific criteria for determining remuneration. The remuneration structure is annually reviewed by a control function for compliance with the remuneration policy. The result is reported to the Board of Directors.

14.3 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 the executive management, the Head of Risk Control, the Head of Internal Control, the Head of Financial Control and the Head of Compliance. Consequently, no form of variable remuneration is paid to the executive management, the Head of Risk Control, the Head of Internal Control, the Head of Financial Control or the Head of Compliance.

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 net results of financial transactions 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 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. By construction, the variable remuneration will never exceed 17 percent of the fixed remuneration.

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

14.4 PRINCIPLES ON DEFERRED PAYMENT

SEK'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.

60 percent of the variable remuneration is deferred over a period of three years. 20 percent of the variable remuneration is deferred for one year, 20 percent for two years and 20 percent for three years.

14.5 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, an analysis is conducted with the purpose of identifying employees whose work duties have a material impact on SEK's risk profile. When designing reward systems the company especially analyzes the risk of negative effects and takes special care in order not to reward unsound risk-taking.

14.6 PUBLICATION OF TOTAL EXPENDITURE ON REMUNERATION

Total expenditure on remuneration in 2014, excluding social security charges, amounted to Skr 238.5 million, with Skr 130.0 million allocated to the business area Lending & Funding and Skr 108.5 million allocated to other business areas.

Table 14.1 sets out the total amounts expensed for remuneration, excluding social security charges, broken down by different categories of employees and different types of remuneration. This information is published in accordance with CRR article 450. No remuneration in the form of shares, share-linked instruments or other financial instruments takes place within the company. No individual was remunerated EUR 1 million or more and no new sign-on payments were made during 2014.

TABLE 14.1: TOTAL EXPENDITURE ON REMUNERATION

Amounts (other than number of beneficiaries)in Skr mn	Executive management	Members of staff whose actions have a material impact on the risk profile of the institution (excluding executive management)
Total amount expensed for remuneration for 2014	25.3	116.4
of which fixed remuneration	25.3	106.0
of which variable remuneration in cash	–	10.4
number of beneficiaries	8	104
Outstanding unvested deferred remuneration	–	11.4
Outstanding vested deferred remuneration	–	–
Deferred remuneration awarded during 2014	–	6.2
Deferred remuneration paid out during 2014	–	3.7
Deferred remuneration reduced through performance adjustments during 2014	–	–
Severance payments made during 2014	2.9	–
number of beneficiaries	1	–
Severance payments awarded during 2014	–	–

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 internal control framework. The company has established a number of controls to ensure the quality of market valuation.

15.1 FAIR VALUE

Fair value is defined by IFRS 13 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are categorized using a fair value hierarchy. The financial instruments carried at fair value in the statement of financial position 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.

During 2014 the Board's Finance and Risk Committee has delegated the relevant responsibilities to SEK's Executive Committee'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. Analysis of significant unobservable inputs, fair value adjustments and significant changes to the fair value of level-3-instruments are conducted quarterly in reasonableness assessments. The valuation result is analyzed and approved by those persons responsible for valuation and accounting, and discussed with the Audit Committee on a quarterly basis in connection with SEK's interim reports. In January 2015, delegation concerning the valuation methodology to the Asset and Liability Committee ceased, which means that new models involving significant changes from the previously approved models must be authorized by the Board's Finance and Risk Committee. In addition, the Board's Finance and Risk Committee approves all models for the valuation of financial instruments on an annual basis.

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 that have a significant effect on the recorded fair value are observable, either directly or indirectly; and
3. Level 3: techniques which use inputs that 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. For example when there are no observable market data as of today, instead yesterday's market data is used in the valuation.
- Similar observable market data. For example 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 credit default spreads. SEK continuously ensures the high quality of market data, and a thorough validation of market data is exercised quarterly in connection with the financial reporting.

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. Non-observable market data as SEK's own creditworthiness are assessed by recent transactions of SEK:s issues, or if no continuous flow of new transactions exist, spreads against other similar issuers, where observable prices in the secondary market are not available.

Tables 15.1 and 15.2 describe SEK's financial assets and liabilities in fair value hierarchy as of December 31, 2014 (and 2013).

TABLE 15.1 FINANCIAL ASSETS IN FAIR VALUE HIERARCHY AS OF DECEMBER 31, 2014

	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	–	(–)	–	(–)	–	(–)	–	(–)	3,458	(4,560)	–	(–)	–	(–)	3,458	(4,560)
Other interest-bearing securities except loans	1,291	(1,924)	113	(156)	266	(262)	1,670	(2,342)	1,321	(5,318)	55,999	(37,482)	–	(–)	57,320	(42,800)
Loans in the form of interest-bearing securities	855	(833)	503	(492)	–	(–)	1,358	(1,325)	–	(–)	–	(–)	–	(–)	–	(–)
Loans to credit institutions	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)
Loans to the public	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)	–	(–)
Derivatives	12	(–)	12,439	(10,597)	3,566	(3,631)	16,017	(14,228)	–	(–)	–	(–)	–	(–)	–	(–)
Total financial assets in fair value hierarchy	**2,158**	**(2,757)**	**13,055**	**(11,245)**	**3,832**	**(3,893)**	**19,045**	**(17,895)**	**4,779**	**(9,878)**	**55,999**	**(37,482)**	**–**	**(–)**	**60,778**	**(47,360)**

TABLE 15.2 FINANCIAL LIABILITIES IN FAIR VALUE HIERARCHY AS OF DECEMBER 31, 2014

Skr mn	Level 1		Level 2		Level 3		Total	
Borrowing from credit institutions	–	(–)	–	(–)	–	(–)	–	(–)
Borrowing from the public	–	(–)	–	(–)	–	(–)	–	(–)
Senior securities issued	–	(–)	27,504	(25,934)	54,756	(55,393)	82,260	(81,327)
Derivatives	44	(53)	15,624	(13,227)	3,218	(3,508)	18,886	(16,788)
Subordinated securities issued	–	(–)	–	(–)	–	(–)	–	(–)
Total financial liabilities in fair value hiearchy	**44**	**(53)**	**43,128**	**(39,161)**	**57,974**	**(58,901)**	**101,146**	**(98,115)**

GLOSSARY

BCBS	Basel Committee on Banking Supervision
CCF	Credit Conversion Factor
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
REA	Risk exposure amount
RMBS	Residential Mortgage-Backed Security
SEC	Security Exchange Commission
SOX	Sarbanes-Oxley Act
UL	Unexpected loss
VaR	Value at Risk

SEK

AB SVENSK EXPORTKREDIT, Klarabergsviadukten 61–63, P.O. Box 194, SE-101 23 Stockholm, Sweden.
Phone: +46-8-613 83 00. Fax: +46-8-20 38 94. E-mail: info@sek.se. www.sek.se
111 Somerset Road #16-06, TripleOne Somerset, Singapore 238164, Tel +65 673 555 47