SEK

AB Svensk Exportkredit

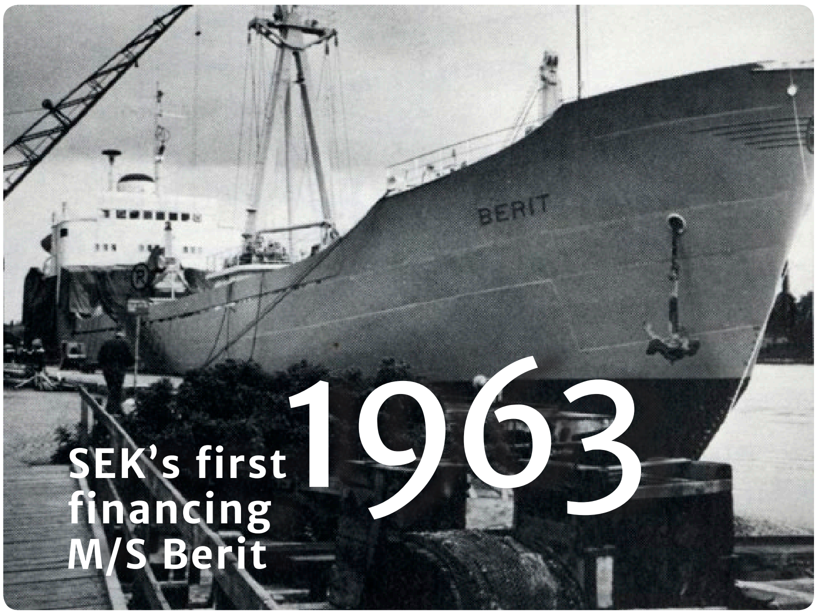
Capital Adequacy and Risk Management (Pillar 3) Report 2016

This is SEK

Mission
SEK's mission is to ensure access to financial solutions for the Swedish export industry on commercial and sustainable terms. The mission includes administration of the officially supported CIRR system.

Vision
SEK's vision is to strengthen the competitiveness of the Swedish export industry and thereby help to create employment and sustainable growth in Sweden.

120 SEK currently has some 120 clients within the Swedish export industry.



Solution Orientation
Collaboration
Professionalism

SEK's core values

Rating
AA+
Standard & Poor's

Aa1
Moody's

SEK's offering
Our offering is aimed at the Swedish export industry and buyers of Swedish products and services. SEK's clients are mainly represented among the 100 largest Swedish exporters with sales exceeding Skr 4 billion. Since 2015, SEK has also expanded its offering to reach medium-sized exporters with sales exceeding Skr 500 million.

THE GLOBAL COMPACT

We support Global Compact

Collaboration
SEK has a strong international network in international financing and a close co-operartion with many swedish and international banks.

Contents

1. Introduction

This report provides information about risks, risk management and capital adequacy in accordance with Pillar 3 of the Capital Adequacy Regulation. The content of this report conforms with the disclosure requirements of the Capital Requirements Regulation (CRR), related technical standards adopted by the European Commission and additional requirements issued by the Swedish Financial Supervisory Authority (Swedish FSA).

1.1 Regulatory framework and approval

The current banking regulation is based on the three "Pillars" concept. Pillar 1 establishes minimum capital requirements for credit risks, market risks and operational risks, based on explicit calculation rules. In addition, certain capital requirements must be fulfilled. Pillar 2 determines the supervisory authorities' functions and powers and describes national supervisory authorities' evaluations of the companies' risks and risk processes. It also sets frameworks for institutions' internal processes for assessing risk and capital in order to supplement the capital requirements calculated within the scope of Pillar 1. Pillar 3 promotes openness and transparency. Disclosures in this report are governed by Pillar 3 requirements. This report complements, and is to be read in conjunction with, the Annual Report. A detailed description of SEK's operations, business risk and sustainability risk can be found in the 2016 Annual Report. Information regarding SEK's Remuneration Policy can be found in Note 5 of the Annual Report. Further details on internal governance are disclosed in the Corporate Governance Report, which is an integral part of the Annual Report. The information in this report is not required to be subjected to external audit and, accordingly, is unaudited. This report has been approved by SEK's Board of Directors.

1.2 SEK Group

AB Svensk Exportkredit (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 at December 31, 2016 comprises the Parent Company and its wholly owned subsidiary Venantius AB, including the latter's wholly owned subsidiary VF Finans AB. These are together referred to as the "SEK Group" or "SEK," which is the same abbreviation that is generally used for the Parent Company.

The consolidated situation with regard to prudential requirements, including the capital requirements according to the CRR, does not differ from the consolidation for accounting purposes. No subsidiary is an institution according to the definition of the CRR, thus the prudential regulations do not apply to subsidiaries on an individual basis. There are no current or foreseen barriers to prompt the transfer of own funds or the repayment of liabilities for SEK's undertakings or its subsidiaries.

The figures presented in this report refer to the SEK Group on a consolidated basis at December 31, 2016 unless otherwise stated. The figures for the Group and for the Parent Company are essentially the same. The 2016 figures are highlighted in the tables. The comparative figures in parentheses in this report refer to the same date or period in 2015 unless otherwise stated.

1.3 SEK's operations

SEK is a credit market institution wholly owned by the Swedish state. SEK's mission is to ensure access to financial solutions for the Swedish export industry on commercial and sustainable terms. SEK has a complementary role in the market, which means that it acts as a complement to bank and capital market financing for exporters wanting a range of financing sources.

SEK specializes in long-term financing, in the following main areas:

- Lending to Swedish exporters (corporate lending)
- Lending to international buyers of Swedish capital goods and services (end-customer finance), where SEK offers five different products: Export credits, officially supported export credits, customer finance, trade finance and project finance.

SEK offers financing of export credits at both the commercial interest reference rate (CIRR) and at floating market interest rates. In Sweden, SEK manages the state-supported CIRR system on behalf of the Swedish government.

Due to stable ownership in the form of the Swedish state, a solid balance sheet and a sound risk profile, SEK has high credit ratings and, therefore, has good possibilities for raising funds in the global capital markets.
Due to its mission, SEK's main exposure is to credit risk. SEK's credit portfolio is, however, of high quality with 90 percent of the net exposure rated as investment grade.

Table 1.1: Specification of subsidiaries included in the consolidated situation at December 31, 2016

Subsidiaries	Corp. reg. no.	No. of shares	Carrying amount (Skr mn)	Voting power of holding (%)	Domicile	Consolidation method
Venantius AB (publ)	556449-5116	5,000,500	17	100%	Stockholm	Purchase method
Total			**17**			

SEK conducts no active trading and manages its market risk arising from customer flows by entering into hedging transactions with other counterparties and, thereby, swapping both lending and funding to floating interest rates. Having a match-funded balance sheet is a fundamental and integral part of SEK's business operations. SEK ensures that funding must be available for the full maturity period for all of SEK's credit commitments – outstanding credits and agreed, but undisbursed credits. To diversify funding risk, SEK is active in different capital markets, both regarding counterparties and regions. One element of SEK's mission is to always be able to offer customers new lending, consequently, SEK always has lending capacity to ensure that, even in times of financial stress, new lending can take place. SEK complies with international standards in the environmental and social due diligence process.

1.4 Highlights 2016

SEK's capital situation has improved during 2016. The total capital ratio increased to 25.1 percent (2015: 24.5 percent). The Common Equity Tier 1 and Tier 1 capital ratio has increased to 22.1 percent (2015: 21.6 percent). This effect was mainly caused by increase in SEK's own funds due to increase in retained earnings as well as adjustment of the risk parameters. SEK reviews its estimates of probability of default (PD) at least on an annual basis, or when new default statistics or other relevant information becomes available. For many rating classes, default rate data for 2016 showed the lower long-term average default rate of the period used as basis for the estimation of PD. SEK's total exposure amount, risk exposure amount and minimum capital requirements in the corporate segment have increased. SEK's risk appetite for market risk continues to decrease and during 2016 the last assets in the securitization portfolio was divested. Liquidity situation remained stable and SEK's capacity for new lending continues to be strong providing the available funding for 9 months of new lending. Total losses due to incidents have been maintained at a low level, well within the risk appetite. In 2016, several world events affected the macro environment, for example Brexit and presidential elections in the United States. The economies of the Western world have so far been positively affected by the monetary stimulus from the world's central banks and the low interest rate environment, as well as by the outcome of the US presidential election. Several European banks have been under pressure because of the assessment that their capitalization is inadequate. The consequences of new regulations for the financial sector remains large in terms of the cost of adaptation, new fees and stricter capital requirements, primarily related to the introduction of Recovery and Resolution directive. The greatest uncertainty is the future of the proposed new floor rules of capital adequacy regulations which poses the risk a return to more risk-insensitive capital.

2. Risk and capital management

2.1 Risk governance

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 the company's operations. The Board determines overall risk management, for example, by establishing risk appetite and risk strategy. These are determined annually in connection with the business plan to ensure that risk management, the use of capital and business strategies correspond with each other. The Board also determines the company's risk policy and decides on issues relating to credits of great significance to SEK.

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

SEK's Chief Executive Officer (CEO) is responsible for the day-to-day management of business operations. The CEO has established executive management committees to follow up on matters, prepare matters for decision by the CEO or to prepare matters for decision by the Board. One of these is the Risk and Compliance Committee (RCC), which manages matters relating to risk, capital, compliance and audit, and evaluates the effects of new regulation. The Committee follows up on risk exposures, the use of capital and reports from the control functions. In addition, the CEO, after consultation with the committee, decides limits on a company level and procedures for managing risk and compliance among other matters. Another committee is the Credit Committee (CC), which 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 Credit Committee is authorized to make credit decisions.

Division of responsibility for risk, liquidity and capital management in the company

First line of defense

- Business and support functions.
- Day-to-day management of risk, capital and liquidity in compliance with risk appetite and strategy as well as applicable laws and rules.
- Credit and sustainability analyses.
- Daily control and follow-up of credit, market and liquidity risk.

Second line of defense

- Independent risk control and compliance functions.
- Identification, quantification, monitoring and control of risks and risk management.
- Risk, liquidity and capital reporting.
- Maintaining an efficient risk management framework and internal control framework.
- Compliance monitoring and reporting.

Third line of defense

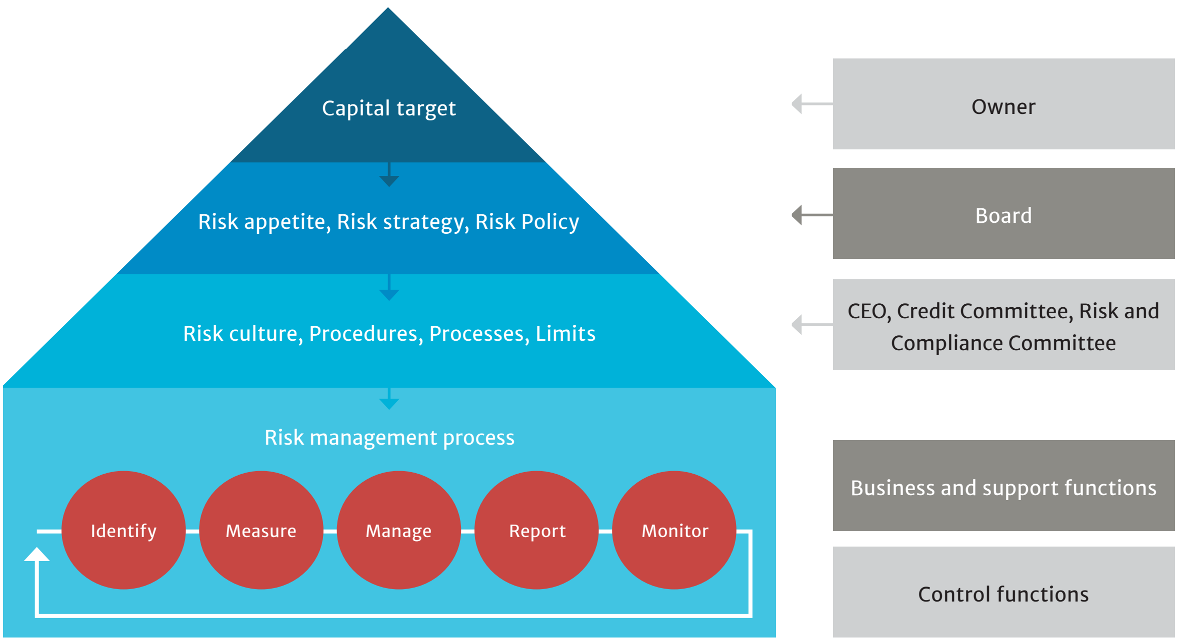
- Independent internal audit
- Review and evaluation of the efficiency and integrity of risk management.
- Performance of audit activities in line with the audit plan adopted by the Board.
- Direct reporting to the Board.

SEK has organized risk management and control according to the three lines of defense principle with a clear division of responsibilities between the business and support functions that own the risks, the control functions that independently identify and monitor the risks, and an internal audit function that reports directly to the Board.

2.2 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 above) that encompasses all 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 state, and SEK's business model. The capital target sets the overall constraint for SEK's strategy. Within the constraints that the capital target sets, risk appetite is expressed as the risk, defined at risk type level, to which the Board is prepared to expose the company in order to achieve its strategic objectives. The Board also sets the overall risk steering guidelines in the risk strategy and procedures in the Risk Policy. The CEO then specifies risk governance in the company's risk culture, procedures, processes and limits. The risk management process is performed on a daily basis for the main risks, for example, credit risk, market risk, liquidity and operational risk, and regularly for the other risks. Regular follow-ups are carried out to ensure that the risk management process is performed at a satisfactory level of internal control.



2.3 Capital target

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

- firstly to ensure that the company's capital strength is sufficient to support the strategy set out in the company's business plan and to ensure that capital adequacy is always higher than the regulatory requirement, even during severe economic downturns, and
- secondly to maintain a capital strength that supports strong creditworthiness, which in turn ensures access to long-term financing on beneficial terms.

The capital target is decided by the owner, the Swedish state, at general meetings of shareholders. The capital target is expressed as follows:

> *"SEK's total capital ratio under normal circumstances is to exceed the capital requirement communicated by the Swedish FSA by 1 to 3 percentage points".*

The margin above the capital requirement is to cover volatility that can be expected under normal circumstances. According to the result of Financial Supervisory review and evaluation process SEK should at least maintain a total capital ratio of 17.3 percent based on SEK's balance sheet at September 30, 2016. SEK's total capital ratio per 31 December 2016 amounted to 25.1 percent.

2.4 Risk declaration

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

2.5 Risk statement

SEK's mission is to ensure access to financial solutions for the Swedish export industry on commercial and sustainable terms. The company is consequently exposed mainly to credit risk. At the close of 2016, the total internally assessed economic capital excluding the buffer for SEK, amounted to Skr 9,518 million, or 12.7 percent of risk weighted assets, of which credit risk accounts for 10.0 percent, market risk 2.2 percent, operational risk 0.2 percent and other risks account for 0.3 percent. Internally asessed economic capital measures the amount of capital SEK needs in order to withstand severe unexpected losses in a stressed scenario.

Core risk management principles:

- SEK must be selective in its choice of counterparties and clients in order to ensure a strong credit rating.
- SEK only lends to clients who have successfully undergone SEK's procedures for gaining understanding of the customer and its business relations (know your customer), and thus have business structures that comply with SEK's mission of promoting the Swedish export industry.
- The business operations are limited to products and positions that the company has approved and has procedures for, whose risks can be measured and evaluated and where the company complies with international sustainability risk guidelines.
- SEK's business strategy entails secure financing which has, at least, the same maturities as the funds we lend.

2.6 Risk appetite

The Board of Directors decides the company's risk appetite that describes the outer constraints for all of the company's significant risk types. Risk appetite specifies the measurement of risk that the Board believes provides sufficient information to the members to enable being well informed of the nature and extent of the company's risks. Risk appetite is strongly linked to the company's capacity to withstand losses and thereby to company's equity. The Board comprehensively monitors the risk exposures related to the risk appetite on not less than a quarterly basis.

Table 2.1 Detailed risk statement

Risk class	Risk profile	Risk appetite metrics	Risk management
Credit risk Credit risk is the risk of loss that could occur if a borrower or party in another agreement cannot meet its obligations. Counterparty risk, concentration risk and settlement risk are certain subsets of credit risk.	SEK's lending portfolio is of a high credit quality. The portfolio has concentration risk as a result of the company's mission. The net risk is principally limited to highly credit worthy counterparties, such as export credit agencies (ECAs), major Swedish exporters, banks and insurers. SEK invests its liquidity in high credit quality securities, primarily with short maturities.	• Large exposures may not exceed 20% of SEK's own funds. • The company's expected loss within 1 year may not exceed 2%, and the total portfolio maturity may not exceed 8% of the Common Equity Tier 1 • Concentration risk, exposures exceeding 10% of own funds must be reported on at least a quarterly basis. • The company's exposures to counterparties with a lower credit rating than investment grade is reported on at least a quarterly basis • Internal ratings and risk limits are reviewed at least once annually.	Lending must take place in a responsible manner 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. Lending must be based on counterparties' repayment capacity. SEK's credit risks are mitigated through a risk-based selection of counterparties and managed through the use of guarantees and other types of collateral. Furthermore, SEK's lending is guided by the use of a normative credit policy, specifying principles for risk levels and lending terms. Concentrations that occur naturally as a result of the company's mission are accepted, but concentration risk is reduced using risk mitigation solutions.
Market risk Market risk is the risk of loss or reduction of future net income following changes in prices and volatilities on financial markets including price risk in connection with the sale of assets or closing of positions.	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.	• SEK's overall market risk measure for all the exposures at fair value should not exceed Skr 1,300 million • Total interest rate sensitivity to a 100 bps parallel shift of all yield curves, comprising the entire balance sheet, should not exceed Skr 600 million. • The effect of net interest income within 1 year on SEK's future earnings due to a 100 bps parallel shift in interest rates, should not exceed Skr 250 million. • The effect of currency basis spread risk within 1 year on SEK's future earnings due changed currency basis spreads should not exceed Skr 150 million.	SEK conducts no active trading. The core of SEK's market risk strategy is to borrow funds in the form of bonds which, regardless of the market risk exposures in the bonds, are hedged by being swapped to a floating interest rate. Borrowed funds are used either immediately for lending, mainly at a floating rate of interest, or swapped to a floating rate, or to ensure that SEK has sufficient liquidity. The aim is to hold assets and liabilities to maturity.
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.	Operational risks arise in all parts of the business. Improvements are in progress regarding processes and methods for market risk. The vast majority of incidents that have occurred are minor events that are rectified promptly within the respective functions. Overall risk is low as a result of effective internal control measures and a focus on continuous improvement.	• Operational risk losses resulting from incidents may not exceed Skr 20 million per calendar year. • Where audit findings identify operational risks with an overall assessment of a probability and a consequence that exceed SEK's acceptance level, these must be mitigated to the acceptable level within three months. • No violations of laws, regulations or other rules regulating the licensed activities including the requirement for internal controls of financial statements are acceptable.	SEK manages the operational risk on an ongoing basis through mainly efficient internal control procedures, performing risk analysis before changes, focus on continuous improvements and business continuity management. Costs to reduce risk exposures must be in proportion to the effect that such measures have.
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 borrow at an unfavorable interest rate or needing to sell assets at unfavorable prices in order 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 investments allow new lending to continue at a normal pace, even during times of stress. As a consequence of SEK having secured funding for all its credit commitments, the remaining term to maturity for available funding is longer than the remaining term to maturity for lending.	• The company shall operate with the total LCR ratio and LCR ratios in EUR and USD exceeding 110% • The company shall operate with a NSFR ratio above 100% • The company shall operate with a matched-funded balance sheet and have a pre-funded reserve for new lending of not less than 4 months. • All lending transactions shall be financed with at least the same duration.	SEK must have diversified funding to ensure that funding is available through maturity for all credit commitments – outstanding credits as well as agreed but undisbursed credits. The size of SEK's liquidity investments must ensure that new lending can take place even during times of financial stress.

Risk class	Risk profile	Risk appetite metrics	Risk management
Valuation risk SEK is exposed to risk in terms of the valuation of financial instruments that are not actively traded and are thereby marked-to-model.	Valuation risk is mainly inherent to OTC transactions and the type of instruments that are not actively traded in the market. The risk is mitigated since when entering a transaction, SEK always enters the exact same transaction with another counterparty, which makes the valuation effect on the aggregated level much smaller.	• Valuation adjustment due to the requirement for prudent valuation may not exceed 10% of SEK's own funds. • The company may not accept significant risks identified by internal or external audit functions that concern methods of valuation, including SEK's prudent valuation framework.	SEK continuously strives to improve the quality of market data and internally developed models by calibrating the models to observed market prices as well as to market values of OTC transactions with external counterparties.
Sustainability risk Sustainability risk is the risk of SEK directly or indirectly, negatively affects externalities within the areas of money laundering, environmental considerations, anti-corruption, human rights, labor conditions or business ethics.	SEK is indirectly exposed to sustainability risks in connection to its lending activities. High sustainability risks could occur in financing of large projects or of businesses in countries with high risk of corruption or human rights violations.	• SEK only does business where we acquired the customer knowledge and that means acceptable level of sustainability of risk, at least in accordance with international guidelines the company follows. • Initially approved projects that can provide sustainability-related problems in a later stage, including reputation risk, should given special attention	Sustainability risks are managed according to a risk-based approach. In cases of heightened sustainability risk, a detailed sustainability review is performed and measures could be required in order to mitigate environmental and social risks. Requirements are based on national and international regulations and guidelines within the areas of combating money laundering, environmental, anti-corruption, human rights, labor conditions and business ethics.
Business and reputational risk Business risk is the risk of an unexpected decline in revenue as a result of a decrease in volumes and/or falling margins. Reputational risk is the risk of a negative reputation and/or reduced revenue as a result of external perceptions of the company or the sector in general.	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 incur substantial loan losses. The negative earnings effect of increased loan losses tends to be compensated by increased earnings over time. Factors considered to affect the reputation of the SEK brand are mainly loan losses, transactions that could be perceived to lack Swedish interest or the perception that the company has breached applicable regulations, for example with regard to sustainability.	• Monitor concentration in revenues derived from a few clients. • Monitor reputational impact from business activities	Business risk is identified through risk analysis 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 is actively prevented and mitigated to an acceptable level. 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.
Strategic risk (business environment risk) Strategic risk is the risk of lower revenue 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 increased regulatory complexity.	• SEK accepts conscious strategic risks in line with the company's strategy • Control of the new initiatives should include monitoring of growth in business volumes and in appropriate cases, be limited.	Strategic risk is identified through risk analysis and is monitored and prevented as deemed necessary. Costs to reduce risk exposures must be in proportion to the effect that such measures have.

2.7 Risk management process

The company must identify, measure, manage, report and control those risks with which the business is associated and, to this end, must ensure it has satisfactory internal controls in place. SEK's risk management process comprises 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, in changes in SEK's operating environment or internally in, for example, products, processes, systems and through risk analyses, conducted at least once a year, encompassing all aspects of the company. Both forward-looking and historical analyses, and testing are carried out.
- **Measure**. The size of the risks is measured on a daily basis for significant measurable risks or is assessed qualitatively as frequently as 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. SEK controls the development of risks over time to ensure that the business is kept within the established risk appetite and limits. 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. Exercises and training are continually performed regarding the management of situations that require crisis and/or continuity planning.
- **Report**. The company reports on the current risk and capital situation and other related areas to the CEO, the RCC, the Finance and Risk Committee and the Board of Directors, at least every quarter.
- **Monitor**. The company controls and monitors compliance with limits, risk appetite, capital target, risk management and internal and external regulations in order to ensure that risk exposures are maintained at an acceptable level for the company and that risk management is effective and appropriate.

2.8 Internal capital adequacy assessment process (ICAAP)

2.8.1. Purpose and governance

The internal capital adequacy process is an integral part of SEK's strategic planning, where SEK's Board of Directors establishes the company's capital target and risk appetite.

The purpose of the ICAAP is to ensure that SEK has sufficient capital to meet the regulatory capital requirements, under both normal and stressed circumstances and to support a strong level of creditworthiness. The capital held by SEK should meet capital requirements corresponding to all the risks that SEK is, or may become, exposed to. The capital assessment is based on SEK's internal views on risks and its development as well as risk measurement models, risk governance and risk mitigating activities. It is linked to the business planning and establishes a strategy for maintaining appropriate capital levels. Changes in capital requirements due to new or amended regulations, as well as changes in, i.e. the accounting standard IFRS 9, are part of this assessment. The assessment is performed as a minimum for the forthcoming period of the three years in the business plan.

In connection with the internal capital adequacy assessment, an assessment of the liquidity is performed. The liquidity needs, as well as composition of SEK's counterbalancing capacity, for the forthcoming period in the business plan is assessed in order to ensure that SEK has enough liquidity to realize the business plan and meet regulatory requirements.

SEK believes that capital does not constitute a risk-reducing factor for certain types of risks; e.g. for reputation and liquidity risk for which SEK applies active risk mitigation. Chart 2.1 describes how SEK groups and analyzes its risks in the capital adequacy assessment process.

Chart 2.1: SEK's grouping of risks in the ICAAP

2.8.2. Stress testing and internally assessed capital requirement

SEK views the macroeconomic environment as one of the major drivers of risk for the company's earnings and financial stability. To arrive at an appropriate assessment of the company´s capital strength, stressed scenarios representing more severe conditions are taken into consideration. Stress testing is used to assess the safety margin above the formal minimum capital requirement that is required to reach the capital target set by the Board within a three-year planning period. To assess the capital requirement under severe financial circumstances, a stress scenario is developed taking into account relevant global and local factors affecting SEK's business model and also SEK's net risk exposure. The stressed macro scenario used for the planning period 2017-2019, is based on a deepened crisis in Europe, which can arise as a consequence of, for example a potential Euro break-up. Admittedly, a lot of political effort has been directed into the stabilization of economy in the Eurozone and economies even in the most vulnerable countries appear to have come slowly to their feet. The public debt appears to be high while the economic situation is still fragile. The increased protectionist winds are a high risk going forward, not least the outcome of the UK referendum on continued membership of the EU showed. There are some political concerns about the EU's common future, which can create a political risk premium. Even though SEK assigns a low probability to a severe recession scenario in Europe, the consequences of such a scenario can be very significant with high credit losses and worsened creditworthiness of SEK's portfolio. This scenario forms the base for the assessment of SEK's capital planning buffer. The effect on SEK from the stress scenario is applied to the business plan and management decides upon compensating actions. Besides the need of the stress buffer which ensures that SEK resists the extremely stressed scenario, SEK evaluates also a need of an extra buffer whose purpose is to withstand a more mild stress.

When performing the internal calculation of how much capital that is needed, SEK uses other methods than those used to calculate the regulatory capital requirement. SEK´s assessment is based on the company´s internal calculation of economic capital. Economic capital (EC) is a measure that is developed to capture the risks that SEK have in its specific business. The modeling techniques that SEK uses are described under respective risk category in this report.

In addition to the Internally assessed economic capital, SEK also estimates the total capital requirement that the Swedish FSA calculates regarding SEK in the Supervisory Review and Evaluation Process (SREP). The Capital requirement according to Swedish FSA is the minimum of capital that SEK needs to hold.

3. Capital and Liquidity Position

SEK's own funds are well in excess of the capital requirements.

3.1 Summary of capital and liquidity position

At the end of December 2016, SEK's own funds amounted to Skr 18,821 million (year-end 2015: Skr 18,092 million), while the minimum capital requirement including buffers amounted to Skr 8,650 million (year-end 2015: Skr 8,250 million), the capital requirement according to the Swedish Supervisory Authority (the Swedish FSA) including buffers amounted to Skr 13,667 million (year-end 2015: Skr 13,379 million) and internally assessed economic capital amounted to Skr 11,186 million (year-end 2015 Skr 11,615 million). As illustrated in Chart 3.1 SEK is well capitalised in relation to regulatory capital requirements and its internal risk assessment.

Chart 3.1: Capital situation at December 31, 2016

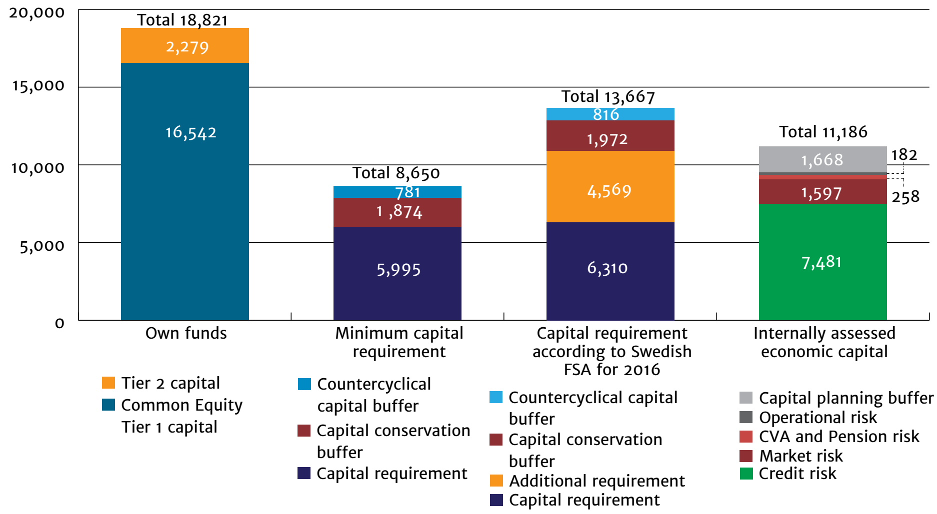


Table 3.1 below presents an overview of SEK's own funds and key capital ratios. Capital ratios are expressed as the quotients of the relevant capital measure and the total risk exposure amount (REA).

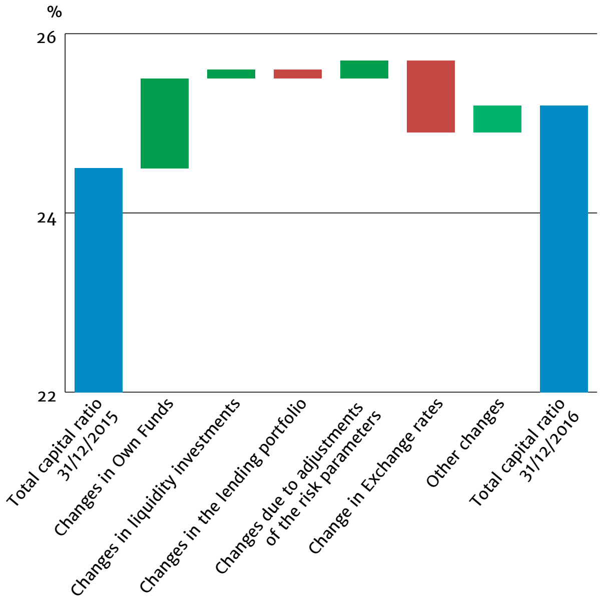
Table 3.1: SEK's capital and liquidity position

Skr mn	2016	2015
Own funds		
Common Equity Tier 1 capital	16,542	15,995
Tier 1 capital	16,542	15,995
Total own funds	18,821	18,092
Capital requirements		
Risk exposure amount (REA)	74,937	73,959
Capital requirements (8% of REA)	5,995	5,917
Capital ratios		
Common Equity Tier 1 capital ratio	22.1%	21.6%
Tier 1 capital ratio	22.1%	21.6%
Total capital ratio	25.1%	24.5%
Common Equity Tier 1 capital available to meet institution specific requirement	20.6%	20.1%
Transitional rules		
Own funds according to transitional rules	18,809	18,083
Capital requirements according to transitional rules	6,601	6,178
Total capital ratio according to transitional rules	22.8%	23.4%
Leverage		
Exposure measure for the leverage ratio	313,950	296,050
Leverage ratio	5.3%	5.4%
Liquidity		
Liquidity coverage ratio (LCR) according to FSA rules	383%	573%
Liquidity coverage ratio (LCR) according to EU rules	215%	n.a.
Net stable funding ratio (NSFR)	131.5%	99.4%

According to the CRR's Basel I floor transitional rules, which are applicable until the end of 2017 , a capital requirement for total own funds should be calculated in parallel on the basis of the Basel I rules. To the extent that the Basel I based capital requirement, reduced to 80 percent, exceeds the capital requirement based on the CRR, the capital requirement under the above mentioned Basel I based rules is to constitute the minimum capital requirement. Other transitional arrangements concerning the CRR have no significant effect on SEK.

As shown in Chart 3.2 below, SEK's capital ratios have increased somewhat in 2016. This effect was mainly caused by increase in own funds due to the increase in retained earnings and revised risk parameter. SEK reviews its estimates of probability of default (PD) at least on an annual basis, or when new default statistics or other relevant information becomes available. For many rating classes, the addition of the default rate data for 2016 resulted in the lower long-term average default rate of the period used as basis for the estimation of PD which resulted in lower REA.

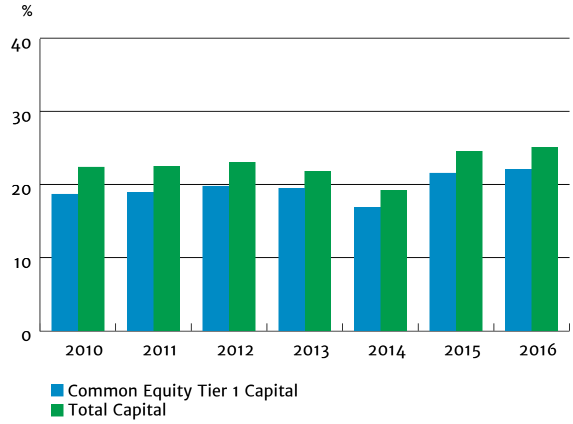
Chart 3.2: Change in Total Capital ratio



SEK's liquidity situation continued to remain stable during the year and the company continued operating under the internal liquidity strategy that requires availability of funding for all of SEK's credit commitments for the entire maturity period. According to the Swedish FSA requirement, institutions are expected to maintain a liquidity coverage ratio (LCR) of at least 100 percent. The external demands for the LCR have been fulfilled at all times. SEK has also complied with EU requirements regarding LCR (70% as per year-end 2016). For further details regarding the liquidity ratios, please see Chapter 7 Liquidity.

SEK's capital situation remains stable even in the longer perspective as illustrated in the Chart 3.3 on the right. The reduction in all capital ratios in 2014 was mainly due to the regulatory changes regarding the calculation of SEK's risk exposure amount. The increase in 2015 was mainly attributable to lower default rates over the last few years, combined with an increase in retained earnings and decreased volumes in the liquidity portfolio.

Chart 3.3: Capital ratios, 2010-2016



3.2 Capital requirements

The following capital requirements are applicable to SEK:

- The minimum capital requirement in accordance with the CRR combined with buffers requirements and restrictions on leverage ratio and large exposures.
- The capital requirement according to the Swedish FSA including buffers requirements.
- Minimum requirement for own funds and eligible liabilities according to the Resolution Act, determined by the Swedish National Debt Office. So far this requirement does not exceed requirements according to the CRR.
- The internally assessed economic capital including buffers requirements.

The components of capital requirements are illustrated in Table 3.2.

Table 3.2: Regulatory Capital requirements

	Common Equity Tier 1	Additional Tier 1	Tier 2	Total
Minimum CET1 requirement	4.5%	1.5%	2.0%	8.0%
Capital conservation buffer (CCoB)	2.5%			2.5%
Countercyclical capital buffer (CCyB)	1.0%			1.0%
Total minimum capital requirement including buffer requirements	**8.0%**	**1.5%**	**2.0%**	**11.5%**
Additional capital requirement according to the Swedish FSA[1]				
Interest rate risk in the banking book	0.6%	0.1%	0.2%	0.9%
Credit-risk-related concentration risk	1.7%	0.4%	0.6%	2.7%
Pension risk	0.1%	0.0%	0.0%	0.1%
Other	1.5%	0.3%	0.3%	2.2%
Total additional capital requirement according to the Swedish FSA	**3.9%**	**0.8%**	**1.1%**	**5.8%**
Total capital requirement	**11.9%**	**2.3%**	**3.1%**	**17.3%**

1 Based on SEK's balance sheet at September 30,2016.

3.2.1 Minimum capital requirement including buffer requirements

The CRR establishes the minimum capital requirement expressed as a percentage of the total risk exposure amount (REA), which is to be covered by an institution's own funds at all times. In addition, certain capital buffer requirements must be fulfilled. SEK is to meet the capital buffer requirements by using Common Equity Tier 1 capital.

The mandatory capital conservation buffer is 2.5 percent (2.5 percent). From June 27, 2016, a countercyclical capital buffer rate of 1.5 is applied to all exposures located in Sweden. At December 31, 2016, the weight of the Swedish buffer rate, comprising the proportion of buffer requirements related to exposures in Sweden to total capital requirements, is 69 percent (65 percent), which results in a countercyclical capital buffer of 1.0 percent (0.7 percent) applicable to SEK. The Swedish countercyclical capital buffer rate will increase to 2.0 percent at March 19, 2017. Buffer rates activated in other countries may have effects on SEK, but the potential effect is limited since most buffer requirements from relevant credit exposures are related to Sweden. At December 31, 2016, the contribution to SEK's countercyclical capital buffer from buffer rates in other countries was 0.01 percentage points (year-end 2015: 0.01 percentage points).

SEK has not been classified as a systemically important institution according to the Swedish FSA, and therefore the systemic risk buffer requirements for such institutions that came into force on January 1, 2016 do not apply to SEK.

Table 3.3 presents SEK's minimum capital requirement specified by calculation methods, risk categories, and exposure classes. The methods for calculating the REA for credit, market and operational risks are described in more detail in this report. Exposure at default (EAD) is the basis for the calculation of the REA for credit risk, and comprises a measure of the amount that is assumed to be the full exposure at the time of a default. The minimum capital requirement is calculated at 8 percent of the REA.

Table 3.3: Minimum capital requirement

Skr mn	Exposure at default		Risk exposure amount		Minimum capital requirement	
	2016	2015	2016	2015	2016	2015
Credit risk standardized method						
Central governments	145,531	141,235	963	760	77	61
Regional governments	19,904	13,999	–	–	–	–
Multilateral development banks	1,900	24	–	–	–	–
Corporates	1,450	1,441	1,450	1,441	116	115
Total credit risk standardized method	**168,785**	**156,699**	**2,413**	**2,201**	**193**	**176**
Credit risk IRB method						
Financial institutions	44,947	51,805	14,089	16,437	1,127	1,315
Corporates	95,519	81,575	51,104	46,990	4,088	3,760
Securitization positions	–	756	–	241	–	19
Assets without counterparty	123	129	123	129	10	10
Total credit risk IRB method	**140,589**	**134,265**	**65,316**	**63,797**	**5,225**	**5,104**
Credit valuation adjustment risk	n.a.	n.a.	2,526	2,403	202	192
Foreign exchange risks	n.a.	n.a.	999	1,570	81	126
Commodities risk	n.a.	n.a.	14	19	1	1
Operational risk	n.a.	n.a.	3,669	3,969	293	318
Total	**309,374**	**290,964**	**74,937**	**73,959**	**5,995**	**5,917**
Adjustment according to Basel I floor	n.a.	n.a.	7,572	3,262	606	261
Total incl. Basel I floor	n.a.	**n.a.**	**82,509**	**77,221**	**6,601**	**6,178**

Leverage ratio

A leverage ratio measure has been introduced by the CRR and must be disclosed at least annually starting in 2015. Currently, there is no minimum requirement on the leverage ratio. The leverage ratio is defined as the quotient of the Tier 1 capital and an exposure measure. The exposure measure consists of assets, although special treatment is applied to derivatives, and off-balance sheet credit risk exposures, which are weighted with a factor depending on the type of exposure. Currently SEK has a leverage ratio of 5.3%.

Large exposures

According to the CRR, a large exposure is defined as an aggregated exposure to a single counterparty or a group of connected counterparties that accounts for at least 10 percent of an institution's total own funds. SEK's eligible capital is equivalent with its own funds in this respect. The value of such exposures to a single counterparty or a group of connected counterparties may not exceed 25 percent of an institution's own funds. For these purposes, credit risk mitigation may be considered and some exposures, most notably certain exposures to central governments, may be fully or partially excluded. SEK complies with these rules and reports its large exposures to the Swedish FSA on a quarterly basis. SEK has defined internal limits to manage large exposures, which restrict the size of such exposures beyond what is stated in the CRR. Identification of possible connections between counterparties from a risk perspective forms an integral part of SEK's credit process, and SEK has developed guidelines for the identification of connected counterparties.

Table 3.4: SEK's large exposures as a percentage of own funds

	2016	2015
The aggregate amount of SEK's large exposures	199.0%	236.7%
Exposures between 10% and 20%	15 exposures, totaling Skr 37,455 mn	18 exposures, totaling Skr 42,825 mn
Exposures > 20%	none	none

3.2.2 The capital requirement according to Swedish FSA

In addition to the minimum capital requirements including buffer requirements established by the CRR, the Swedish FSA establishes an Additional capital requirement that SEK needs to meet in the Supervisory Review and Evaluation Process (SREP). The minimum capital requirement according to the CRR forms the basis in the total capital requirement to which the Swedish FSA adds the requirement for additional risks that are not included in the minimum capital requirement, called the additional capital requirement according to Pillar 2. The additional capital requirement includes interest rate in the banking book, credit risk-related concentration risk, pension risk and sovereign risk as well as other types of risks that according to the Swedish FSA's judgment might not be fairly reflected under minimum capital requirements.
As illustrated in Chart 3.1, by the end of December 2016, SEK's additional requirement was Skr 4,569 mn (4,225). Finally the Swedish FSA adds the capital buffers according to Pillar 1. By the end of December 2016, SEK's buffer requirement was Skr 2,788 mn (2,591). See the Table 3.2 for the description of the regulatory capital requirements in percentage points. The requirement is communicated

to SEK in the SREP and is based on the forecasted REA for the year ahead.

3.2.3 Internally assessed economic capital

As a part of the ICAAP, SEK calculates the total need of capital to cover all risks SEK is exposed to, including the capital needed in a stressed scenario. See Section 2 for more information regarding internally assessed economic capital.

Table 3.5: Internally assessed economic capital

Skr mn	2016	Percent-age of REA	2015	Percent-age of REA
Credit risk	7,481	10.0%	7,944	10.7%
Market risk	1,597	2.2%	1,447	2.0%
Operational risk	182	0.2%	318	0.4%
Other[1]	258	0.3%	238	0.3%
Internal capital requirement excl. buffer	**9,518**	**12.7%**	**9,947**	**13.4%**
Capital planning buffer	**1,668**	**2.2%**	**1,668**	**2.3%**
Total capital	**11,186**	**14.9%**	**11,615**	**15.7%**

1 Pension risk and credit valuation adjustment risk. The measurement of pension risk is calculated using stressed risk assumptions and stress tests on the pension assets and liabilities. The most significant risk parameters that are stressed are: discount rates, mortality assumptions and credit spreads. Under IAS19, SEK recognizes 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. 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.

3.3 New regulation

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

Capital for Credit risk

For risk classification and quantification of credit risk, SEK uses an internal ratings-based (IRB) approach, the IRB Foundation Approach. Certain exposures are, by permission from the Swedish FSA, exempted from application of the IRB approach, and then the standardized approach is applied instead. SEK has exemptions for exposures to Swedish central and regional governments. Also, SEK has time-limited exemptions until, for now, March 30, 2017 for exposures to central and regional governments outside Sweden and to multilateral development banks. SEK has applied to the Swedish FSA for permission to use an IRB approach for all its exposures, other than non-material exposures. Minimum capital requirements for these exposures are expected to increase when an IRB approach is applied.

Capital for Central Clearing

The European Market Infrastructure Regulation (EMIR), a regulation regarding OTC derivatives, central counterparties and trade repositories, came into effect in 2012. Since then, various parts of the regulation have been rolled out. In 2017, additional parts of the regulation will come into effect related to central clearing of certain OTC derivatives. SEK is obliged to clear certain OTC derivatives from December 2016, for transactions entered into from May 2016. Clearing will impact cash flows, posting collateral, counterparty exposure and financial reporting.

Furthermore, from March 2017, it will be compulsory for SEK to post variation margins on non-cleared derivatives.

Large exposures

In November 2016, the EU Commission proposed that from 2019 only Tier 1 capital will be eligible when calculating the minimum requirements of capital for large exposures. If finally adopted, this will limit SEK's possibility to enter into new transactions with some core customers.

Liquidity risk

With regard to the LCR under the CRR, a minimum ratio of 60 percent was introduced by the CRR at October 1, 2015. This minimum ratio will gradually increase to 100 percent by January 1, 2018. In Sweden, certain national requirements on a liquidity coverage ratio are already in force.

Under the CRR, the NSFR is already subject to supervisory reporting. Minimum requirements will however not come into force until 2018 at the earliest.

Bank Recovery and Resolution Directive (BRRD)

The BRRD has been fully implemented in Swedish law in 2016, through the Resolution Act. In accordance with the Resolution Act, SEK is subject to a minimum requirement for own funds and eligible liabilities, which is a parallel requirement to the CRR. The minimum requirement is to be determined individually for each institution by the national resolution authority, which in Sweden is the Swedish National Debt Office. The current requirements are equal for all Swedish institutions and within the limits of the ordinary capital requirements. However, they will be replaced by individual requirements in 2017. In November 2016, the EU Commission proposed that from July 2017 only certain types of subordinated debt should comprise eligible liabilities.

IFRS 9

IFRS 9 Financial instruments covering classification and measurement, impairment and general hedge accounting was adopted by the IASB in 2014 and has been approved by the EU in 2016. The adoption of IFRS 9 is mandatory effective from January 1, 2018, with early adoption permitted. SEK has started the process of evaluating the potential effect of this standard, but has not yet determined any conclusions. New methods for impairment are deemed to have the highest impact on the future capital situation. Impairment will be based on expected loss instead of incurred loss, which is used under present regulations. Forward looking information such as macroeconomic developments and economic forecasts should be taken into account when evaluating the need for impairment.

4. Credit risk

Credit risk is inherent in all assets and other contracts in which a counterparty is obliged to fulfill its obligations. SEK mitigates credit risk through a methodical and risk-based selection of counterparties and to a large extent by using guarantees and in certain cases collateral. SEK's appetite for credit risk is closely linked to its business model and, accordingly, is significantly greater than its appetite for other risks.

4.1 Management

4.1.1 Internal governance and responsibility

Governing Documents and responsibility

SEK's credit risk is governed by the Risk Policy, the Credit Risk Policy, the Credit Instruction, and other governing documents issued by the Board, the CEO and the Chief Credit Officer (CCO). These governing documents set out the framework for the level of credit risk assumed by SEK, and describe decision-making bodies and their mandates, the credit process, fundamental principles for limits and problem loan management. In addition, the Board decides on the risk strategy, including credit strategy, risk appetite as well as the overall limits the company will operate within.

Permission to make credit decisions rests ultimately with the Board as illustrated below.

Overall responsibility for the relationship with SEK's counterparties lies with lending account managers. They are responsible for assessing customers' product needs, credit risk assessment (with the support of credit analysts) and sustainability assessment, limit and exposure management, and assume ultimate responsibility for credit risk and its impact on SEK's income statement and balance sheet.

The Credit function, which is part of SEK's first line of defense, is responsible for credit analysis of SEK's counterparties and the credit process. The Risk function, which is part of SEK's second line of defense, monitors and validates SEK's credit risk management and credit risk assessments, and ensures controls of compliance with limit and credit decisions.

Limit and credit decision procedure

The Board
Matters related to credit and credit decisions that are of fundamental significance or in some other way of major importance to SEK.

The Board's Credit Committee
Decisions concerning limits or credit that exceed the Credit Committee's decision-making mandate, new country limits, annualization of the 20 largest limits for corporates and financial institutions.

The Credit Committee
Decisions concerning limits or credit within the Credit Committee's decision-making mandate, annualization of country limits, credit-risk related waivers and new limits for liquidity investments.

The Rating Committee
Decisions on internal risk ratings.

Authorization
Decisions of two or more employees together within the limit and within the norm subject to authorization as described in the credit instruction.

Limits

SEK uses limits to constrain risks in accordance with the established policies. Limits stipulate the highest permitted amounts of exposure toward a risk counterparty for specific maturities and different types of exposures. All limits and risk classifications are subject to review at least once a year. Exposures that are deemed to be problem loans, such as exposures to counterparties that SEK considers to have a high probability of being unable to fulfill all of their commitments under the original contractual terms, are subject to more frequent analysis (see also 4.3.2). The aim is, at an early stage, to identify exposures with an elevated risk of loss and to ensure that the risk classification reflects the real risk pertaining to the counterparty.

To provide guidance for lending and the setting of limits with an acceptable risk level, SEK has established a normative credit policy (the Norm), which clarifies five areas regarding the quality requirements for a credit or limit.

Normative credit policy

1. Operational criteria

2. Risk level

3. Lending terms

4. Know your customer (KYC)

5. Sustainability risks

Monitoring and stress tests

SEK's exposures are analyzed and reported regularly for risk concentration due to (i) the size of individual exposures, (ii) the geographical location and (iii) industry affiliation. The analysis includes both direct exposure and indirect exposure. The aforementioned concentration risks are taken into account in SEK's calculation of economic capital for credit risk, where they contribute to higher capital requirements than the minimum requirement. For monitoring and control of large exposures, SEK has defined internal limits, which place further restrictions on the size of such exposures beyond those referred to in the CRR.

In addition, stress testing is an important credit risk management tool for SEK. Stress tests and stress scenarios are not only performed under the ICAAP framework, but are also carried out on a regular basis in accordance with SEK's framework for stress testing. Stress tests include, among other things, macroeconomic scenarios, rating migration analysis and reverse scenarios. The effects of these factors and scenarios are analyzed on SEK's large exposures, expected loss and capital requirements. Stress tests form an integral part of the risk reporting to the Board and the Risk and Compliance Committee.

4.1.2 Credit risk mitigation methods

SEK's credit risk is mitigated through the risk-based selection of counterparties. SEK relies largely on guarantees in its lending.

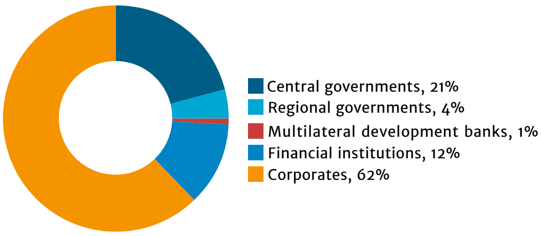
The guarantors are generally government export credit agencies, such as the Swedish Export Credits Guarantee Board ("EKN"), as well as financial institutions and, to a lesser extent, non-financial corporations and insurance companies. Credit risk is allocated to a guarantor's limit and thus when disclosing credit risk net exposures, the majority of SEK's guaranteed credit exposure is shown as exposure to sovereign counterparties. One of the most significant guarantors for SEK is the Swedish EKN, which explains the significant share of central government risk class and Sweden as a region in net credit risk distribution.

SEK also relies on collateral in order to reduce credit risks, primarily to hedge counterparty credit risk exposures from derivatives. Approved collateral under the ISDA Credit Support Annex comprises cash. Any collateral that SEK is entitled to receive has to be managed and documented in such a manner that the collateral fulfills its function and can be used in the intended manner when needed. When a credit decision is made, the creditor's assessed creditworthiness and ability to repay, and, where applicable, the value of the collateral is taken into account. The credit decision may be made on the condition that certain collateral is provided. Collateral and netting arrangements are, however, not allowed to reduce the outstanding exposure in SEK's risk measurements except for counterparty credit risk exposures from derivatives. To a minor extent, SEK also used credit protection in the form of credit default swaps ("CDS").

Chart 4.1 and Chart 4.2 show how guarantees and other risk mitigation instruments affect SEK's risk exposures.

Chart 4.1: Credit risk mitigation, effect by exposure classes

Gross exposure by exposure class, as of december 31, 2016



Net exposure after risk mitigation by exposure class, as of December 31, 2016

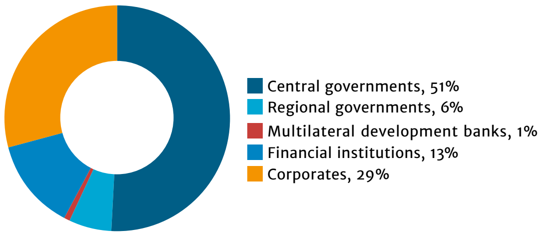
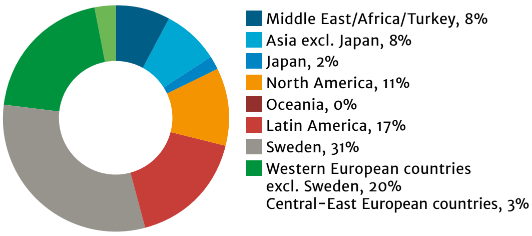
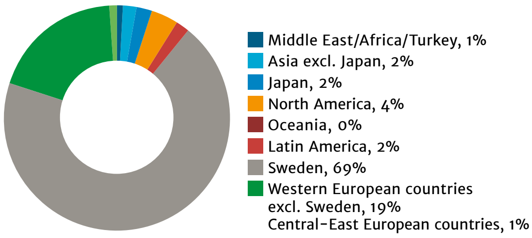


Chart 4.2: Credit risk mitigation, effect by region

Gross exposure by region, as of December 2016

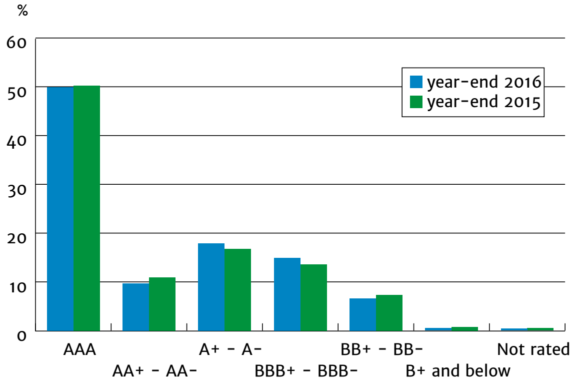


Net exposure after risk mitigation by region, as of December 31, 2016



As illustrated in the Chart 4.4 below, SEK's credit portfolio maintains high quality with approximately 50 percent of all exposures (after risk mitigation) in the highest rating category "AAA", and more than 75 percent of all exposures rated "A-" or higher.

Chart 4.3: Net credit risk exposure



4.2 Measurement

4.2.1 Methods for calculating capital requirements for credit risk

Foundation IRB approach and SEK-specific exemptions from IRB

SEK uses a Foundation IRB approach to assess the credit risk for exposures to all of its counterparties except those counterparties that have been exempted from this requirement by the Swedish FSA. When using an IRB approach, the institution applies to some extent its own estimates of risk parameters for calculating the capital requirements according to the Basel formula. Under the Foundation IRB approach, only the probability of default (PD) is estimated internally, while values prescribed by the CRR are used for loss given default (LGD) and credit conversion factors (CCF).

The Swedish FSA granted SEK permission to use the Foundation IRB approach for corporates and financial institutions. For the following exposures, SEK has received a waiver and instead applies the standardized method:

- Export credits guaranteed by the EKN and Export credits guaranteed by ECAs, other than the EKN, within the OECD (time-limited exemption valid until December 31, 2018)
- Exposure to Swedish central and regional governments
- Exposures to central governments outside Sweden and multilateral development banks (time-limited exemption valid until March 30, 2017).
- 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).

In 2015, SEK applied to the Swedish FSA for permission to use an IRB approach for those exposures with time-limited exemptions as well as Swedish central and regional governments. While such permissions have been granted the time-limited exemptions have been temporarily prolonged.

Probability of default

The probability of default (PD) is the probability that a counterparty will default within one year. The risk classification at SEK does not aim at estimating a precise PD, but instead seeks to place the counterparty within a category of comparable counterparties, from a risk perspective (relative assessment). It is currently common for financial institutions with internal ratings-based systems to set the 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 PD. Rating agencies regularly publish statistics for default frequencies in their various rating classes. SEK uses, in principle, the same rating scale as 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 PD estimates (with sufficient margins of conservatism).

SEK's definition of default is aligned with Standard & Poor's definition of default. According to SEK's definition, a default has arisen if any of the following events have occurred:

a) a counterparty's payment is more than 30 calendar days past due.

b) a compulsory arrangement with creditors has been made by/for the counterparty

c) the counterparty has filed a bankruptcy petition or taken a similar action

SEK reviews its estimates of PDs at least on an annual basis, or when new default statistics or other relevant information becomes available.

Rating methodology

One important component of SEK's model for calculating the capital requirement in accordance with the IRB approach is the internal rating. Individual counterparties are assigned internal ratings using different methods for analyzing corporates, insurance companies, financial institutions, sovereigns and regional governments. SEK has applied to the Swedish FSA for permissions to use an IRB approach for sovereigns and regional governments, and until such permissions have been granted the standardised method is used for these exposures. SEK's uses a through-the-cycle approach, where the risk classification reflects the borrower's ability to repay over an entire economic cycle, which is deemed to suit SEK's business model of mainly long-term lending with matched funding.

SEK uses an expert-based model which requires judgement for internal risk classification. The methodology for internal risk classification is based on both qualitative and quantitative factors. The three driving factors in SEK's internal credit risk assessment for financial institutions are systemic risk, bank specific risk, and government support. For assessment of insurance companies and corporates, the two driving factors are business risk and financial risk. Regarding specialized lending (project finance), the internal credit risk assessment has eight driving factors that define the rating: country risk, legal risk, credit risks, construction risks, operation risks, economic risks, transaction specific risks and structural risks.

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 CEO in such a manner that the majority of the members represent non-commercial functions within the company. The committee members come from various functions in SEK, and have both broad and in-depth expertise in risk assessment and/or experience in credit ratings. A rating that has been established by the Rating Committee may not be appealed against or amended by any other decision body at SEK.

Credit risk quantification
Under the Foundation IRB model, SEK estimates only the PD. The other parameters of the Basel formula are set by the CRR, i.e. loss given default (LGD) and credit conversion factors (CCF). 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, the EAD is the gross value of the exposure without taking provisions into account. For off-balance-sheet exposures, the EAD is calculated using a credit conversion factor (CCF) which estimates the future utilization level of unutilized amounts. The two expressions that together primarily quantify the credit risk of an exposure are the PD and the LGD. Using these two parameters and the amount of the outstanding EAD, it is possible to calculate the statistically expected loss (EL) for a given counterparty exposure ($PD \times LGD \times EAD = EL$). The risk exposure amount is calculated by using the Basel formula. This estimate constitutes a measure of the unexpected loss (UL). The capital requirement refers ultimately to the risk of UL, while it should be possible to cover EL, in principle, with day-to-day revenue and, accordingly, there is no need to hold capital for the EL. The EL does not represent risk since it constitutes the amount of loss that a financial institution should anticipate to incur.

Under the standardized approach, the EAD is generally calculated in the same way as under the IRB approach, although credit conversion factors may differ and specific provisions are deducted from the exposure. Institutions also allocate their exposures among the prescribed exposure classes and assign the exposures the risk weights that have been assigned to each respective exposure class. External credit assessments may be used to determine the credit quality level to which an exposure corresponds, and prescribed risk weights for each credit quality to follow. To determine this, financial institutions must utilize correspondence tables between credit rating agencies' different credit ratings and the steps in the credit quality scales established by supervisory authorities. See table 11 in the Appendix for how these rules apply for SEK. When available, SEK uses the external ratings from the three rating agencies Standard & Poor's, Moody's and Fitch for each counterparty under the standardized approach.

Monitoring SEK's IRB system
The Board of Directors and the committees responsible for risk monitoring have a sound understanding of the functioning of the internal ratings-based approach, and sound understanding of the content of the reports from the risk classification system that they receive. The CEO and CRO inform the Board about all significant changes that govern the design and use of SEK's IRB system.

In addition to contributing to the precision in credit assessments, the internal ratings-based approach is used in the company's business activities as a basis for internal profitability analysis, and for calculation of internal capital requirements. The internal ratings-based approach is also used to decide the level of credit-decision body, as well as to report risk trends in the credit portfolio to the Board of Directors and the Risk and Compliance Committee. 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 the results of the stress tests that are applied. In addition, the reporting also includes the company's use of credit-risk protection.

SEK's independent risk control function is responsible for carrying out the validation process every year. Validation aims to ensure that SEK's IRB system has a satisfactory rating capability, prediction level and stability. Validation also aims to demonstrate that the IRB system is well integrated in the organization. Specifically, the aim of validating SEK's PD estimates is to ensure that they are accurate and contain sufficient margins of conservatism, using both internal and external data sources. The results of the validation are reported to the Risk and Compliance Committee and the Board.

4.2.2 Method for internally assessed economic capital (credit risk modeling)
Internally assessed economic capital with regard to credit risk is based on a calculation of value at risk (VaR), calculated with a 99.9 percent confidence level, and comprises a central part of the company's internal capital adequacy assessment. The calculation of VaR forms the basis for SEK's internal assessment of how much capital should be allocated for credit risk in addition to the minimum capital requirement and Pillar 2 Additional capital requirement. The minimum capital requirement and Pillar 2 Additional capital requirement are analyzed against internally assessed economic capital in detail using what is referred to as decomposition, whereby every significant difference in approach between the methods is analyzed separately. Table 4.1 shows parameters that are essential for the quantification of credit risk and how they are set for the Foundation IRB approach, used by SEK, and for economic capital.

Table 4.1: The difference between the IRB approach under Pillar 1 and internally assessed economic capital

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

1 Risk parameters according to the CRR. 45% and 2.5 years are normally applicable.
2 The correlation coefficient is calculated in Basel risk weight formula

Two central components that characterize a portfolio credit risk model are: (i) a model for asset correlations between counterparties as a proxy for default and market value changes; and (ii) a model for the probability of defaults for individual counterparties. SEK uses a simulation-based system to calculate the risk for credit portfolios, in which the correlation model takes into account each counterparty's industry and domicile through a multi-factor model. In addition, the correlation model continually takes market data into consideration and the correlations are updated weekly.

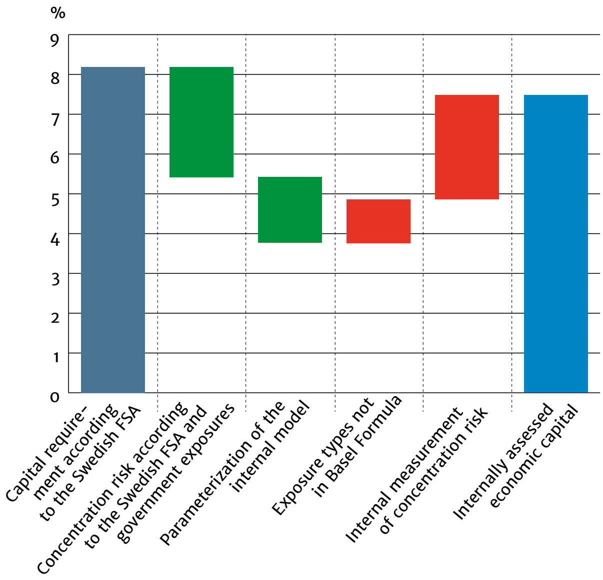
The counterparties' probability of default is based on the same PD estimate that is used in the minimum capital requirement calculation. SEK's model also takes into consideration rating migrations and the unrealized value changes that these migrations result in. Output from the model comprises a probability distribution of the credit portfolio's value for a specific time horizon – normally a period of one year. This probability distribution makes it possible to quantify the credit risk for the portfolio and, thereby, an estimate of the economic capital. Quantification is carried out by calculating VaR, based on the probability distribution, at the confidence level of 99.9 percent.

The factors in SEK's internally assessed economic capital approach that differ from the capital requirement calculated for credit risk according to the Swedish FSA can be categorized into three types: (i) parameterization of the internal model; (ii) exposure types where the IRB formula is not used for the Pillar I capital requirement; and (iii) concentration risk.

1. Parameterization of the internal model

The IRB formula essentially comprises the parameters stated in Table 4.1. SEK estimates these parameters in the internal model for economic capital. The internally estimated parameter that most significantly affects the capital requirement is maturity. Under the IRB formula, this parameter is fixed at 2.5 years regardless of the exposures' contractual maturity, whereas the internally assessed economic capital model measures the credit risk based on the contractual maturity.

Chart 4.4: Decomposition of the difference in the capital requirement for credit risk according to the Swedish FSA and internally assessed economic capital calculations



2. Exposure types for which the IRB formula is not used

The internal model for calculation of economic capital treats sovereign exposures in a similar way to other credit risk exposures under Pillar 2. An important exception from this treatment is that exposures to the Kingdom of Sweden are handled according to a standard rule but are based on PD estimates for sovereigns which are different from PD estimates for corporate and financial institutions. Due to SEK's high exposure to highly credit rated governments, including the Kingdom of Sweden, the impact of these exposures on the overall capital requirement is significant. The requirement based on SEK's internal model is somewhat lower than the capital requirement according to the Swedish FSA where the capital requirement for government risk is a part of the additional Pillar 2 requirement.

3. Concentration risk

A credit portfolio has essentially two types of concentration risk: name concentration risk; and geographic and sector-specific risk. Name concentration risk arises when a credit portfolio comprises a relatively small number of counterparties, and geographic and sector-specific concentration risk arises when counterparties in the credit portfolio are highly correlated to each other. According to SEK's own model, this requirement, Skr 2,665 million (2,427), is somewhat higher than the capital requirement according to the Swedish FSA where the capital requirement for concentration risk is a part of the Additional Pillar 2 requirement.

4.3 Exposure and capital requirements

4.3.1 Exposure. Minimum capital requirements and internally assessed economic capital

Table 4.2: Exposure at default, minimum capital requirement and internally assessed economic capital for credit risk

	Exposure at default		Minimum capital requirement		Internally assessed economic capital	
Skr mn	2016	2015	2016	2015	2016	2015
Credit risk standardized method						
Central governments	145,531	141,235	77	61	1,594	1,637
Regional governments	19,904	13,999	–	–	134	152
Multilateral development banks	1,900	24	–	–	2	0
Corporates	1,450	1,441	116	115	52	62
Total credit risk standardized method	**168,785**	**156,699**	**193**	**176**	**1,782**	**1,851**
Credit risk IRB method						
Financial institutions	44,947	51,805	1,127	1,315	509	487
Corporates	95,519	81,575	4,088	3,760	5,190	5,602
Securitization positions	–	756	–	19	–	4
Assets without counterparty	123	129	10	10	–	–
Total credit risk IRB method	**140,589**	**134,265**	**5,225**	**5,104**	**5,699**	**6,093**
Total credit risk	**309,374**	**290,964**	**5,418**	**5,280**	**7,481**	**7,944**

Table 4.3: Exposure guaranteed by government export credit agencies

Skr bn	Guaranteed exposure		Percentage	
	2016	2015	2016	2015
Swedish Export Credits Guarantee Board (EKN)	130.5	136.3	86%	85%
Bpifrance Assurance Export	10.3	10.9	7%	7%
Export-Import Bank of the United States	3.8	4.5	2%	3%
Euler Hermes Kreditversicherungs AG	2.6	3.3	2%	2%
Other	4.6	5.0	3%	3%
Total	**151.8**	**160.0**	**100%**	**100%**

Table 4.4: Effect of credit risk mitigation at December 31, 2016

Skr bn	Gross exposures by exposure class							
Amounts related to credit risk mitigation issued by:	**Central governments**	**Regional governments**	**Multilateral development banks**	**Financial institutions**	**Corporates**	**Public Sector Entity**	**Securitization positions**	**Total**
Central governments	51.2	0.6	–	2.6	100.7	0.4	–	155.5
of which guarantees by the Swedish Export Credit Agency	*49.8*	*0.6*	–	*2.3*	*77.4*	*0.4*	–	*130.5*
of which guarantees by other export credit agencies	*1.4*	–	–	*0.3*	*19.6*	–	–	*21.3*
of which other guarantees	–	–	–	–	*3.7*	–	–	*3.7*
Regional governments	–	0.0	–	6.3	0.4	–	–	6.7
Financial institutions	0.0	0.0	–	0.1	11.2	–	–	11.3
of which credit default swaps	–	–	–	*0.0*	*2.5*	–	–	*2.5*
of which other guarantees	*0.0*	*0.0*	–	*0.1*	*8.7*	–	–	*8.8*
Corporates	–	–	–	0.0	3.2	–	–	3.2
of which credit insurance from insurance companies	–	–	–	–	*2.5*	–	–	*2.5*
of which other guarantees	–	–	–	*0.0*	*0.7*	–	–	*0.7*
Total mitigated exposures	**51.2**	**0.6**	**–**	**9.0**	**115.5**	**0.4**	**–**	**176.7**
Non-mitigated exposures	18.2	13.2	1.9	33.9	96.8	–	–	164.0
Total	**69.4**	**13.8**	**1.9**	**42.9**	**212.3**	**0.4**	**–**	**340.7**

4.3.2 Impairments, past due exposures and provision process

Loans and other financial assets are identified as impaired if there is objective evidence of impairment and an impairment test indicates a loss. Objective evidence comprises the issuer or debtor suffering significant financial difficulties, outstanding or delayed payments or other identified facts which suggest a measurable decrease in expected future cash flow. A financial asset is past due when the counterparty has failed to make a payment when contractually due. Past due exposures are reported monthly to the Credit Committee. Past due exposures do not include any impaired assets.

Provisions for incurred impairment losses (credit-risk adjustments in the CRR), are recognized 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. For determining specific and general provisions, SEK uses methodology based on both quantitative and qualitative analysis of all exposures recognized at amortized cost. Problem loans are reported quarterly to the Credit Committee and the Board's Credit Committee where an assessment is made as to whether a specific provision should be made. For determining general provisions, SEK uses the methodology for expected loss as described in the CRR, adjusted by the calculated EL for counterparties, where specific provisions are made. The final provision decision is made by the Board's Credit Committee and the final decision on SEK's accounts, including provision, is made by the Board.

The table to the right provides a comparison for the years 2008–2016, 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 that defaulted during that year. The time horizon of the expected loss amount is one year. In this context, actual loss is defined as either the write-down or the realized loan loss, at the end of the year the exposure defaulted.

Five defaults occurred in the classes exposures to corporates and exposures to financial institutions under the IRB approach during the years 2008-2016. Only three of these defaults resulted in actual losses and the sum of these losses totaled Skr 453 mn, which can be compared with the sum of the expected loss amounts for these nine years which totaled Skr 1,338 mn. 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 used by SEK.

Table 4.5: 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	–	–	–
2015			
Expected loss amount	182	18	200
Actual loss	33	–	33
2016			
Expected loss amount	170	15	185
Actual loss	–	–	–

4.4 Counterparty credit risk

4.4.1 Management

Counterparty credit risk arises when SEK enters into derivative transactions with a counterparty in order to mitigate risks. Most of SEK's derivatives transactions have the purpose of mitigating market risks, with the exception of a few credit derivatives, which SEK has previously purchased to reduce the credit risks from assets in the loan portfolio. SEK addresses counterparty credit risk in derivatives transactions in a number of ways. Firstly, counterparty credit risk is restricted through credit limits in the ordinary credit process. SEK has sublimits that constrain counterparty credit-risk exposures from derivative contracts. Secondly, SEK's counterparty credit risk in derivatives is sought to be reduced by ensuring that derivatives transactions are subject to netting agreements in the form of ISDA Master Agreements. SEK only enters into derivatives transactions with counterparties in jurisdictions where such netting is enforceable. Thirdly, the ISDA Master Agreements are complemented by supplementary agreements providing for the collateralization of counterparty credit exposure. The supplementary agreements are in the form of ISDA Credit Support Annexes (CSAs), providing for the regular transfer and re-transfer of credit support. The structure of SEK's CSAs is such that there is no significant need for SEK to post additional collateral in the case that any rating agency were to lower SEK's rating.

4.4.2 Measurement

SEK measures the exposures from counterparty risk by using the mark-to-market method described in the CRR. The mark-to-market method defines the exposure values as the replacement costs of the contracts with a regulatory add-on for potential future credit-risk exposure. SEK assigns market values to the contracts to determine the replacement cost. The potential future credit risk add-on is calculated according to the CRR and depends on the type and maturity of the transactions. The method allows for extensive netting in the calculation of exposures where there are enforceable netting agreements, which is the case in SEK's exposures and thus this option is applied consistently. Minimum capital requirement and internally assessed economic capital for counterparty credit-risk exposures are calculated by the same methods as other credit-risk exposures. Credit default swaps that are included as credit-risk mitigation for credit-risk exposure calculations do not contribute separately to capital requirements for counterparty credit risk.

4.4.3 Exposure and capital requirement

All of SEK's counterparts in derivatives transactions are financial institutions, hence all counterparty credit-risk exposure is to financial institutions. If a derivatives transaction with a counterparty has a positive value for SEK (SEK is "in the money"), a default by the counterparty could signify a loss for SEK. Table 4.6 displays the effects of the netting agreements, collaterals and regulatory add-ons when converting the balance sheet values of derivative assets to the exposure at default for counterparty risk for the minimum capital requirement calculated in accordance with the mark-to-market method. Exposures and capital requirements from counterparty credit risk are included in total credit-risk measurements. Mitigating credit default swaps are not included in measures for counterparty credit risk.

Table 4.6: Total counterparty credit risk exposure

	Exposure	
Skr mn	**2016**	**2015**
Positive market value of derivative contracts	12,005	12,672
Exposure reduction from netting agreements	-8,675	-8,733
Exposure after netting	**3,330**	**3,939**
Exposure reduction from collaterals received	-2,950	-3,847
Exposure after netting and collaterals	**380**	**92**
Regulatory add-on for potential future credit exposure	4,135	4,046
Total exposure amount from counterparty risk	**4,515**	**4,138**
Minimum capital requirement	**143**	**132**

4.5 Credit valuation adjustment risk

A large portion of SEK's derivative contracts are OTC (over the counter) derivatives, meaning derivative contracts that are not exchange-traded products. A capital requirement for credit valuation adjustment risk (CVA) is to be calculated for all OTC derivative contracts, except for credit derivatives used as credit protection and transactions with a qualifying central counterparty. SEK calculates this capital requirement according to the standardized method.

Table 4.7: Credit valuation adjustment risk

	Risk exposure amount		Minimum capital requirement	
Skr mn	**2016**	**2015**	**2016**	**2015**
Credit valuation adjustment risk	2,526	2,403	202	192

5. Market risk

Market risk is the risk of loss or reduction of future net income following changes in prices and volatilities on financial markets including price risk in connection with the sale of assets or closing positions.

5.1. Management

5.1.1. Internal governance and responsibility

SEK's Board of Directors decides on the market risk appetite and risk strategy. In addition, instructions established by the CEO regulate SEK's management of market risks. The Board's Finance and Risk Committee decides on the limit structure that clearly defines the permitted net market risk exposures. SEK's Chief Risk Officer decides on the methodology for calculation of market risks and suggests changes to the limit structure and limits levels in conjunction with limit and risk appetite reviews. All instructions are re-established annually. Market risk exposures are daily reported by the risk control function to the CEO and to the Risk and Compliance Committee and the Board's Finance and Risk Committee at their scheduled meetings. If a limit breach occurs it is timely escalated to the CEO and the Board's Finance and Risk Committee. SEK conducts no active trading and the business model is to hold transactions to maturity.

5.1.2. Risk mitigation methods

As a rule, the company funds itself by issuing debt, both plain vanilla and structured debt, which is swapped to a floating interest rate. Funds that are not immediately used for lending are retained to provide lending capacity in the form of liquidity investments and a liquidity reserve. The lending is also either granted at or swapped to floating interest rates. Liquidity investments and the liquidity reserve are typically floating rate notes. The intention is to hold both assets and liabilities to maturity.

SEK ensures that, apart from the market risk that originates from unrealized changes in value of SEK's assets and liabilities, the market risk is low. The open interest rate and currency risk that results from residual mismatches between the interest rate fixing dates in different currencies is immunized against the changes in currency exchange rates and interest rate changes.

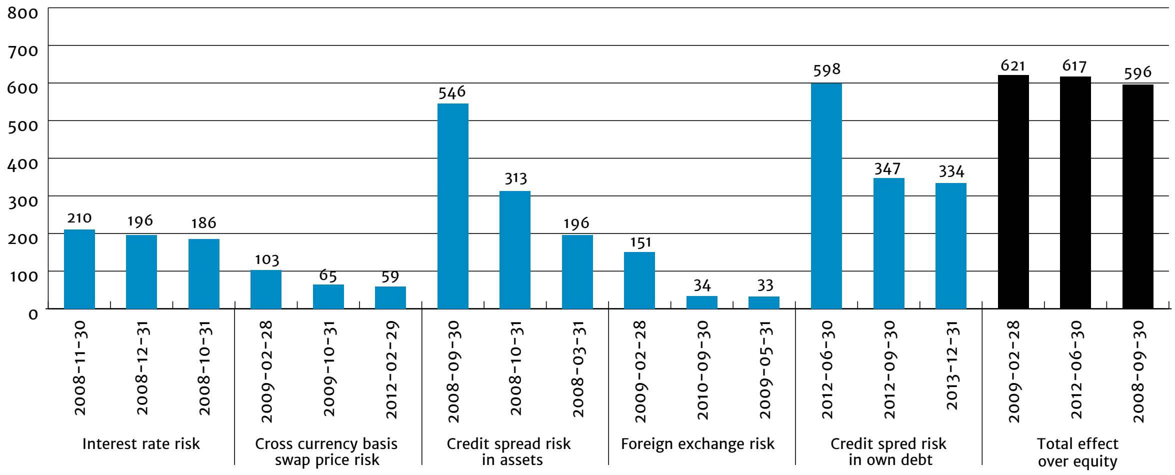
Duration of funding typically matches the duration of lending and the liquidity investments' maturity profile is adjusted to ensure that all the agreed lending transactions are funded. The remaining unrealized changes in value of SEK's assets and liabilities due to market movements may affect the volatility of both own funds and earnings. Effects on own funds and earnings are primarily the result of changes in credit spreads, cross currency basis swap spreads, interest rates and currency exchange rates. SEK's Board of Directors' stated risk appetite sets clear boundaries for the volatility that affects SEK's equity.

5.2. Measurement

5.2.1. Aggregated risk measure

The aggregated risk measure is based on the analyses of scenarios that have a one month risk horizon. The scenarios are updated monthly and consist of historical risk factor movements from the entire period since the end of 2006. SEK's aggregated risk measure calculates the impact on SEK's equity value by applying extreme movements of market factors which have been observed in the past. The exposure which is based on the worst scenario is evaluated using 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 Board's risk limit of Skr 1,300 million is also measured against the worst scenario which, for SEK at the end of 2016, was the scenario based on the market movements from February 2009.

Chart 5.1: Top three worst scenarios in the aggregated market risk measure, per risk type and total effect over equity, Skr mn



For each risk factor, the three different dates presented in the Chart 5.1 represents the date at which the worst scenario would have occurred measured on the exposures outstanding at 2016-12-31. For total effect over equity, the three dates represents the dates at which equity had been most negatively impacted measured on the exposures outstanding at 2016-12-31.

5.2.2. Risk specific measures

The aggregated risk measure and stress tests are supplemented by specific risk measures including specific interest rate risk measures, spread risks and currency risk measures etc.

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

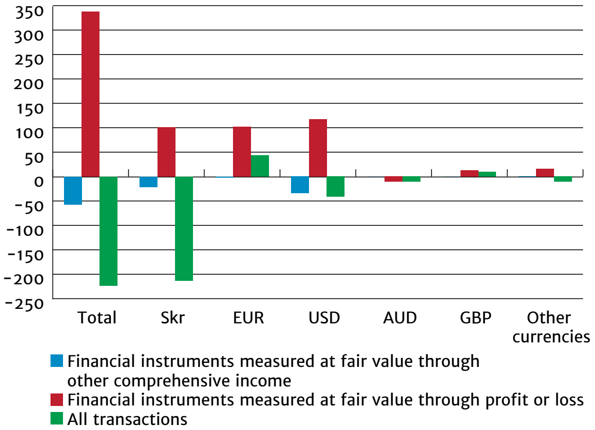
- Interest rate risk from changes in economic value of equity (EVE)
- Interest rate risk from changes in net interest income (NII).

Interest rate risk from changes in market values

The interest rate risk from changes in the economic value of equity is calculated, by means of stress tests, as the change in present value from a one percentage point upward parallel shift in all the yield curves and as a half-percentage-point rotation of all the yield curves. The exposure, for each stress test, is aggregated per currency and the highest of the absolute sum for all negative respectively positive outcomes defines the risk. SEK hedges interest rate risk for all holdings with a goal of reducing the impact on net interest income. This means that SEK does not fully hedge the interest rate risk for changes in market values on instruments measured at fair value through profit or loss, since some of these positions are hedging positions recognized at amortized cost. As can be seen from Chart 5.2, SEK's risk appetite for market risk due to the unmatched cash flow is low.

SEK's interest rate risk to changes in the EVE is shown in chart 5.2. Total interest rate risk, netted over currencies, amounted to Skr -223 million at year-end 2016 (year-end 2015: Skr 72 million). The total interest rate risk in Skr amounted to Skr -213 million at year-end 2016 (year-end 2015: Skr 4 million).

Chart 5.2: Interest rate risk by currency, +100 BP, at December 31, 2016, Skr mn



Interest rate risk to net interest income (NII), within one year

The NII risk depends on SEK's overall business profile, particularly mismatches between interest bearing assets and liabilities in terms of volumes and repricing periods. Interest rate risk to the NII within one year is calculated as the effect on the NII during the next year under the condition that new financing and investment takes place after an interest rate change of one percentage point. Assets provide positive risk to the NII and liabilities provide a negative risk to the NII. SEK hedges interest rate risk for all positions in order to minimize volatility to the NII regardless of accounting classification.

Spread risks

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

Credit spread risk in assets indicates a potential impact in the form of unrealized gains or losses, as a result of changes in assets' credit spreads for all the assets that are measured at fair value through profit and loss. This comprises debt obligations in SEK's liquidity investments and credit default swaps that are hedging credit risk in a number of debt obligations. Credit spread risk in assets is calculated as the change in present value after a one percentage point increase in the credit spreads.

Credit spread risk in own debt indicates a potential impact on SEK's equity in the form of unrealized gains or losses, as a result of changes in SEK's own credit spread. Credit spread risk in own debt is calculated as the change in present value after a 0.2 percentage point shift in SEK's own credit spread and is attributable to SEK's structured debt portfolio.

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 the 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 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 an absolute number. The risk is attributable to cross currency swaps used by SEK to immunize foreign exchange risk exposures.

In cases where borrowing and lending are not matched in terms of currency, the future cost of converting borrowing to the desired currency is dependent on cross currency basis spreads. Changes in cross currency basis spreads consequently may have an effect on SEK's future net interest income 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 for transfer between currencies using cross currency basis swaps. When measuring exposure against limit, SEK does not include borrowing surpluses in the currencies Skr, USD and EUR as it is in these currencies that SEK endeavors to hold its lending capacity. SEK is however monitoring, but not limiting, the complementing risk measurement where all the exposures (including surpluses in the currencies Skr, USD and EUR) entail cost increase for transfer between currencies using cross currency basis swaps.

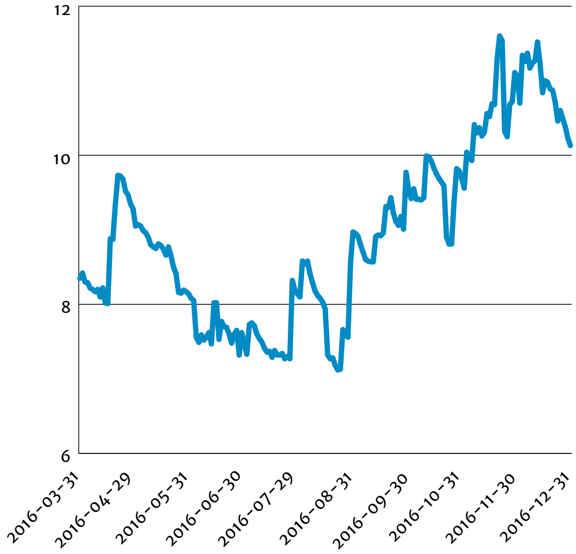
Foreign exchange risk

In accordance with SEK's risk strategy, 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 comprise accrual effects that even out over time. SEK's currency position arises mostly due to differences between revenues and costs (net interest margins) in foreign currency, but also due to unrealized fair value changes in the assets and liabilities in foreign currencies that are held to maturity. The currency risk excluding unrealized fair value changes is kept at a low level by matching assets and liabilities in terms of currencies or through the use of derivatives. In addition, SEK regularly exchanges accrued gains/losses in foreign currency to Skr.

Value at Risk

During 2016 SEK has implemented Value at Risk (VaR) as a method for measuring market risk. During 2016, VaR has been measured for the liquidity portfolio but will include all portfolios in 2017. The following graph shows the VaR trend, where the main driver is credit spread risk.

Chart 5.3: Value at risk, liquidity portfolio, Skr mn



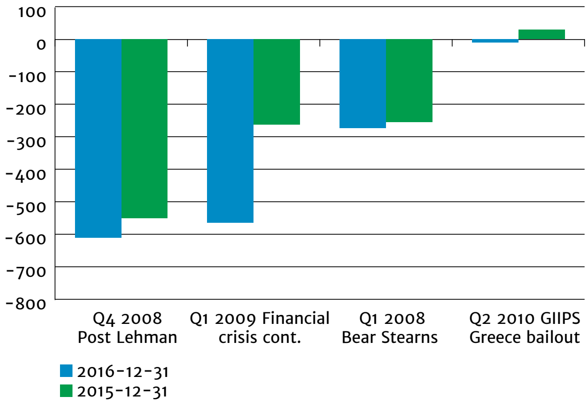
Other risks

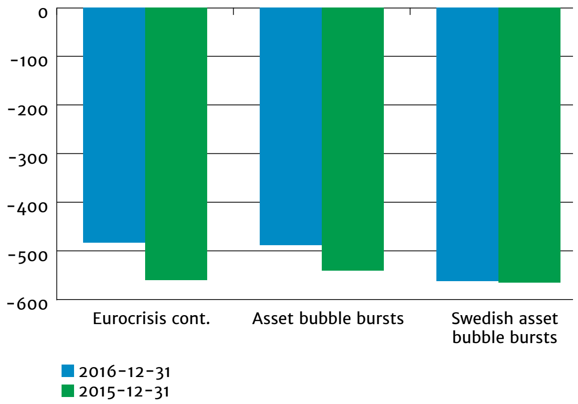
SEK's equity and commodity risks and volatility risk from equity, commodity and foreign exchange arise only from structured borrowing. Even though all cash flows in structured funding are matched through hedging swaps an impact on the result arises. This is because the valuation of the bond takes SEK's own credit spread into account, whereas the swap's valuation is not affected by this credit spread. Furthermore, structured borrowings may include early redemption options. Interest rate volatility risk also arises from SEK having transactions with early redemption options. Commodity, equity risk and volatility risks are calculated using a variety of stress tests.

5.2.3. Stress testing

SEK regularly stress tests the market risk measures by applying extreme movements in market factors to its portfolios that have been observed in the past (historical scenarios), and extreme movements that could potentially occur in the future (hypothetical or forward-looking scenarios). This type of analysis provides management with a view of the potential impact that large market movements in individual risk factors, and broader market scenarios, could have on a SEK's portfolio and also ensures that risk measurement remains effective.

Chart 5.4: Effect of SEK's stress test scenarios on equity and own funds, at December 31, 2016, Skr mn





5.2.4. Internally assessed economic capital for market risk

The economic capital model is designed to cover all types of risks that are inherent in SEK's portfolio so that SEK is able to withstand stress related to market movements. SEK's internal assessment of how much capital should be allocated for market risk is based on both analyses of scenarios and stress tests. In the calculation of economic capital, SEK includes three main components: scenario analysis for EVE, stress testing for EVE and net interest income risk. The capital requirement is set to the largest of these components. The scenario analysis component is based on SEK's aggregated market risk measure that comprises the set of historical scenarios. Interest rate risk, cross currency basis swap risk, credit spread risk and foreign exchange risk calculations are carried out using analyses of scenarios that affect the economic value of the whole portfolio, choosing the worst result of the monthly scenarios. Since interest rate risks attributable to positions at fair value and positions at amortized cost differ in the way that the risk is realized in the balance sheet, full diversification between different types of interest risk is not permitted. Volatility risks, rotation risks and equity risk are calculated utilizing stress tests. Commodity risk is calculated using the same method as for the calculation of the minimum capital requirement. A buffer of model risk is also added to the capital requirement. The stress test component is based on the set of stress tests that are similar to those prescribed by regulators. Finally, the net interest income component captures the short-term effect of the interest rate changes on SEK's earnings and therefore a short-term solvency effect indirectly through profitability.

SEK's economic capital for market risk for year-end 2016 amounted to Skr 1,597 million (2015: Skr 1,447 million).

5.3. Exposure and capital requirements

SEK's risk appetite for market risk continues to decrease and during 2016 the company has divested the last asset in the securitization portfolio.

SEK's significant risk measures are shown in table 5.3. The state-supported system ("S-system") has been excluded, since the state reimburses SEK for all interest differentials, financing costs and net foreign exchange losses under the S-system. However, during 2016, future fees from the S-system to SEK have been included in the measurement of interest rate risk to change in the EVE.

During 2016 SEK changed the aggregation of the exposure. The exposure, for each stress test, is aggregated per currency and the highest of the absolut sum of all negative respectively positive outcomes defines the risk.

Table 5.3: SEK's significant risk measures and limits at December 31, 2016 (and 2015)

	Limit		Risk exposure	
Skr mn	**2016**	**2015**	**2016**	**2015**
Risk measure				
Aggregated risk measure	1,300	1,300	621	624
Interest-rate risk in the banking book				
Interest-rate risk to change in the EVE	600	600	286	124
Interest risk to the NII, within one year	250	250	188	202
Spread risks				
Credit spread risk in assets	500	550	274	279
Credit spread risk in own debt	1,000	1,000	668	603
Cross-currency basis swap price risk	450	600	184	227
Risk to the NII from cross-currency basis swaps	150	150	28	34
Other risks				
Foreign exchange risk (excl. market value adjustments)	15	15	2	2

SEK's entire balance sheet is assigned to the banking book since SEK's intention is to hold all the assets and liabilities until maturity. Regarding the minimum capital requirement, SEK is thus required to hold capital only for foreign exchange risk as well as commodity risk that are inherent to the structured funding with the payoffs based on a commodity index. The internally assessed economic capital for currency and commodity risks is calculated using the same method as prescribed by the CRR for the minimum capital requirement. Table 5.4 shows SEK's capital requirement for year-end 2016 and 2015.

Table 5.4: SEK's Minimum capital requirement and internally assessed economic capital for market risk at December 31, 2016 (and 2015)

	Minimum capital requirement		Internally assessed capital requirement	
	2016	2015	2016	2015
Scenario analysis EVE			1,516	1,319
Foreign exchange risk	80	126	80	126
Commodity risk	1	2	1	2
Stress test EVE			1,142	1,220
Net interest income risk			310	346
Total = max (Scenarioanalys, Stresstest, NII)	**81**	**128**	**1,597**	**1,447**

5.4. Fair value of financial instruments

5.4.1. Fair value

Fair value is defined by IFRS 13 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Board's Finance and Risk Committee acts as the decision-making body regarding fair valuation policies, including annual approval of valuation models. In addition, the CEO establishes instructions that regulate responsibilities regarding fair valuation at SEK. The use of a valuation model requires a validation and thereafter an approval. Operatively, the validation is conducted by the risk function. All the decisions are reported to SEK's Risk and Compliance Committee.

5.4.2. Fair value hierarchy

The best evidence of fair value is quoted prices in an active market. The majority of SEK's financial instruments are not publicly traded, and quoted market values are not readily available. Fair value measurements for such instruments are categorized using a fair value hierarchy. For a detailed description of SEK's principles for determination of fair value of financial instruments see Note 1 (viii) in the Annual report.

6. Operational risk

Operational risk at SEK arises mainly in the day-to-day business due to faulty procedures, systems not working as intended or human error.

6.1. Management

6.1.1. Internal governance and responsibility

Operational risk exists in potentially all SEK's activities. Accordingly, officers are responsible for identifying operational risks within their own function and for the efficient management of these risks. To support the management of operational risk, the company works according to procedures based on SEK's risk framework. The business is responsible for managing operational risk within its functions while the responsibility for monitoring and reporting operational risk, including internal controls, lies with the independent risk control function. The risk control function is also responsible for monitoring the suitability and effectiveness of the management of operational risk. In the same way, the compliance function has the responsibility for monitoring and reporting compliance risk. Exposure to operational risk is reported by the Risk function to the Risk and Compliance Committee and the Board of Directors.

6.1.2. Risk identification and management methods

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

Risk self-assessments

The company conducts risk analyses using the self-assessment method that encompasses the whole company. Risks are identified both through top-down executive management involvement and bottom-up through the involvement of heads of separate functions. Action plans are developed for proactive management of identified risks that are not accepted, which each head of function is responsible for following up. The independent risk control function carries out an aggregated analysis and monitoring of the risks and action plans. The material risks are then analyzed and monitored individually. The annual risk analyses are conducted in coordination with business planning and the internally assessed economic capital as part of strategic planning.

New product approval process

In order to maintain the risk level within the company and to not expose the company to unwanted risk exposure when making significant changes to or developing new products, processes and systems, the company has established a new product approval process and a New Product Approval Committee. When significant changes are made, the affected functions analyze what consequences might arise to their processes, system support and the regulations that apply to them. When identifying consequences that need to be addressed, the adjustments must be made before the new product, process or system can be approved.

Incident management

SEK views incident reports as an important part of its continuous improvement measures and these reports comprise a key source of information. When operational risk events– incidents – occur, the focus lies on resolving the direct event in order to minimize damage. An analysis of the root cause is performed to understand why it occurred, and remedial actions are determined and followed up in order to prevent repetition of the event. Incidents are reported to the independent risk function and other interested parties. The company encourages staff to report incidents and applies no materiality criteria for reporting incidents. Chart 6.1 shows reported incidents per incident type. The loss resulting from reported incidents was Skr 2.3 million (2015: Skr 0.8 million). Only a small portion of the incidents results in a loss, Chart 6.2 shows portion of incidents resulting in loss.

Compliance with the Risk Appetite is followed up both with a forward looking evaluation, i.e. one year expected loss from identified risks, as well as a backward looking approach, i.e actual realised losses.

Chart 6.1: Incidents per incident type

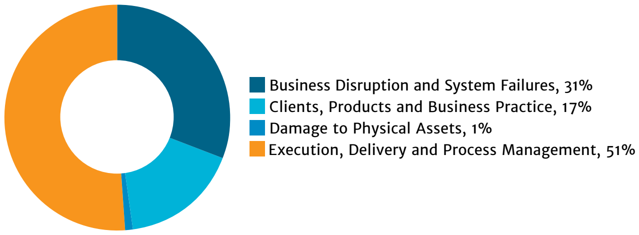
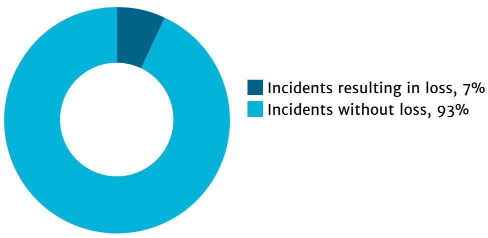


Chart 6.2: Incidents resulting in loss



Key risk indicators

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

Internal Control

In order to ensure correct and reliable financial reporting and internal control throughout the company, SEK applies a framework for internal control based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework for internal control. Controls have been designed to prevent, detect and correct deficiencies and discrepancies in the financial reporting and in major processes. The controls are carried out at a companywide level, including general IT controls and transaction based controls in major processes. Monitoring and testing of control activities are carried out on an ongoing basis throughout the year to ensure that risks are taken into account and managed satisfactorily. Testing is performed by staff who are independent in relation to the individuals who carrying out the controls. The risk control function monitors and reports the results from the testing activities to the Risk and Compliance Committee and to the Board.

Information security

SEK manages information security risks by identifying risks in the logical, technical and physical domains and by monitoring that control processes for information security are effective and in line with the defined risk appetite and relevant legislation. SEK has adopted a standardized threat profile that is extended on demand by more detailed information security threat assessments. Combined, these provide a baseline for the annual information security risk assessment that is supplemented with risk treatment plans.

To ensure continuous availability of business critical processes, SEK annually conducts a review of its use of technology, premises and staff in the operational processes. The requirements for this are part of the information security framework. SEK runs two geographically separated IT centers between which critical servers are duplicated and data is mirrored. In addition, SEK has access to separate backup office facilities outside the city center with enough capacity for staff to run all critical business processes, including IT operations and maintenance. The effectiveness of data centers and recovery procedures is assured through disaster recovery exercises at least once a year.

Compliance risk and money laundering

The Compliance function is responsible for identifying the risk that business is not conducted in compliance with laws and regulations The compliance function further assists the organization in identifying and assessing the risk of legal or regulatory sanctions, material financial loss, or loss to reputation that SEK may suffer as a result of its failure to comply with the applicable regulations. This assessment also covers new legislation, internal regulations and the risk of conflicts of interest.

Money laundering risks are identified in accordance with the Swedish Act on Measures against Money Laundering and Terrorist Financing. Procedures for monitoring money laundering risks include the collection and review of customer information and the monitoring of transactions in accordance with a risk based approach. All employees 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 for providing information regarding suspicion of money laundering to the Swedish National Police Board.

6.2. Measurement

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. These are:

- Risks identified in risk workshops and in the ongoing business
- The amount of losses from reported incidents
- Key risk indicators
- Whether efficient internal controls relating to financial reporting, in accordance with SOX Section 404, exist

The minimum capital requirement for operational risk is calculated according to the standardized approach. The company's operations are divided into business areas in this respect as defined in the CRR. The minimum capital requirement for each area is calculated by multiplying a factor depending on the business area by an income indicator. The factors applicable for SEK are 15 percent and 18 percent. The income indicators consist of the average operating income for the past three financial years for each business area.

SEK quantifies the internally assessed economic capital for operational risk based on the actual identified operational risks in the company and considers an assessment of the consequence and probability that events were to occur. Table 6.1 shows SEK's capital requirement for year-end 2016 and 2015.

Table 6.1: SEK's minimum capital requirement and internally assessed economic capital for operational risk

	2016		2015	
SKR mn	Minimum capital requirement	Internally assessed economic capital	Minimum capital requirement	Internally assessed economic capital
Operational risk	293	182	318	227
Total	**293**	**182**	**318**	**227**

6.3. Exposure and capital requirements

Over the years, the overall level of operational risk has 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. In 2016, 116 incidents were reported (2015: 178 incidents). The majority of these incidents are minor events that have been rectified promptly within respective functions. Total losses due to incidents have been maintained at a low level, well within the risk appetite.

7. Liquidity risk

Liquidity and funding risk in SEK is the risk of not being able to refinance existing assets or to meet increased demands for liquid funds. It also includes the risk of having to borrow at an unfavorable interest rate or selling assets at unfavorable prices in order to meet payment commitments.

7.1. Management

7.1.1. Internal governance and responsibility

SEK's Board of Directors has the overall responsibility for liquidity risk management and 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 the Risk and Compliance Committee, CEO and the Board of Directors and its committees. Funding managers ensure that available funding always exceeds credit commitments – outstanding credits and agreed but undisbursed credits – throughout the lifespan of the credit portfolio. Responsibility for ensuring compliance with short-term and long-term liquidity risk limits lies within Treasury. The risk control function is responsible for following up exposures versus limits and for escalating to executive management, the Board's Risk and Finance Committee and the Board of Directors as appropriate.

7.1.2. Risk mitigation methods

Match funding of the company's balance sheet is a fundamental and integral part of SEK's business operation. That means that funding must be available for the full maturity period for all of SEK's credit commitments – outstanding credits and agreed, but undisbursed credits. For CIRR credits, which SEK manages on behalf of the Swedish state, the company includes its loan facility with the Swedish National Debt Office as available funding. The loan facility, granted by the government via the National Swedish Debt Office, amounts to Skr 125 billion (125) and may only be used to finance CIRR credits. The credit facility is valid through December 31, 2017 and entitles SEK to receive financing over the maturities that the underlying CIRR credits have. The credit facility is renewed annually and serves as a cushion in extreme stress scenario. SEK has no intention to otherwise utilize the credit facility.

The primary tools to avoid a deficit in the short term are to control the maturity profile of the liquidity portfolio and to have access to a diversified funding base. A sound maturity profile is maintained by adapting the volume of overnight deposits in accordance with current needs and market conditions. A diversified funding base is ensured by actively raising funds in different markets, currencies and maturities. SEK also has a swing line that functions as a back up-facility for the commercial paper programs used for short-term funding. Although SEK has a hold to maturity policy, the company holds a diversified and highly liquid liquidity reserve which can be readily converted into cash at a low cost.

7.2. Measurement

7.2.1. Liquidity risk from a short-term perspective

The liquidity coverage ratio (LCR) is used to address short term liquidity. The LCR measures the available unencumbered high-quality liquid assets (HQLAs) against net cash outflows arising in the 30-day stress scenario period. SEK calculates the LCR according to the requirements of the Swedish FSA and the EU Commision's regulations. According to Swedish FSA's requirement, Swedish institutions are expected to maintain an LCR of at least 100% for all currencies combined, and for EUR and USD. LCR reporting in accordance with the EU Commision's delegated act started on October 30, 2016 with the reporting reference date being September 30, 2016. The requirement is being phased in gradually with 70% in 2016, 80% in 2017 and 100% in 2018 for all currencies combined. Liquidity forecasts for a period of up to one year are also produced on a regular basis.

Stress tests on cash flows are performed on a regular basis. The analysis is based on three scenarios: market-related stress, company-specific stress and a combination of the two. The effects on SEK's liquidity position and access to central bank facilities are analyzed and the results are incorporated in SEK's contingency funding plan, which addresses liquidity management in a liquidity crisis. See section 7.2.3 "Stress testing and contingency plan" for more detailed information.

7.2.2. Liquidity risk from a long-term perspective

No additional funding is required to manage commitments with regard to existing credits besides collateral flows since SEK's balance sheet is match funded. This policy is monitored through the reporting of maturity profiles for lending and borrowing. Some of SEK's structured long-term borrowing includes early-redemption clauses that will be triggered if certain market conditions are met. Thus, the actual maturity for such contracts is uncertain. The reporting of maturity profiles assumes that such borrowing is due at the first possible redemption opportunity. This assumption is an expression of the precautionary principle that the company applies concerning liquidity management. SEK also carries out various sensitivity analyses with regard to such instruments in which different market conditions are simulated.

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

7.2.3. Stress testing and contingency plan

SEK regularly stress tests liquidity risk by applying various scenarios, including a market-wide stress scenario, a company-specific stress scenario and a combination of the two.

General assumptions for these scenarios include, but are not limited to, the following:

- SEK meets all of its previously agreed credit commitments.
- SEK continues to grant new credits in accordance with the business plan.
- SEK's liquidity reserve can quickly be converted into liquid funds.
- SEK can utilize the credit facility with the Swedish National Debt Office as one of the possible measures to avoid deficits.
- Scenario-specific assumptions include, but are not limited to:
- Market stress: not all funding that matures can be refinanced and cash needs to be paid out under collateral agreements.
- Company-specific stress: only a small fraction of all funding that matures can be refinanced.
- Combination of market and company-specific stress: no funding that matures can be refinanced. Cash needs to be paid out under collateral agreements.

The stress test results at December 31, 2016 show that SEK's survival period exceeds 1 year in all three scenarios described above. This is in line with the company's liquidity policy, to have the ability to ensure readiness to make payments in the form of agreed but undisbursed credits and payments under collateral agreements. The results also show that SEK has appropriate resources to meet the liquidity needs from granting new credits in accordance with the established business plan for the coming year.

The stress test results are important input for SEK's contingency funding plan, which addresses the management of liquidity crises. The plan describes what constitutes a liquidity crisis according to SEK and what measures SEK intends to take if such a crisis was to occur. The plan also describes the roles and responsibilities during a liquidity crisis, including the authority to invoke the plan. It contains an escalation procedure, including a description of when the plan should be activated and how the different actions should be prioritized in a liquidity crisis. Furthermore, an internal and external communication plan is included in SEK's contingency funding plan.

In addition to the scenario stress tests above, SEK analyzes the effect on the requirement for regulation of net exposures in the event that the credit rating of the company is stressed. No amount could be claimed from SEK in the event of a downgrade of SEK's rating to 'A+' from 'AA+' at year-end 2016, which was the same outcome as at year-end 2015.

7.3. Exposure and capital requirements

7.3.1. Liquidity portfolio

A fundamental concept in SEK's liquidity and funding risk management is that the liquidity investments will be held to maturity. Instead of selling assets as funds are needed, the maturity profile of the liquidity investments is matched against funds expected to be paid out. SEK's liquidity investments ensure lending capacity at times of market stress, or if market conditions are deemed disadvantageous. This is an important part of the company's business model and necessary to meet SEK's policy on liquidity risk.

To meet the financing requirements for long-term lending, liquid assets surpluses are invested in assets with high credit quality. At December 31, 2016, the size of SEK's liquidity investments was Skr 72.3 billion (2015: Skr 58.7 billion). The size of the liquidity portfolio is adapted to cover outflows from agreed but undisbursed credits, collateral agreements with derivative counterparties, outflows arising due to short-term funding transactions and new lending capacity. At year-end 2016, the volume of agreed but undisbursed credits, including CIRR credits, amounted to Skr 54,8 billion (2015: Skr 63.4 billion). The aim for SEK's lending capacity is to provide at least four months' new lending in line with estimated lending requirements besides CIRR credits and still guaranteeing that SEK stays match funded. At year-end 2016, new lending capacity corresponded to nine months (four). Issuers included in the liquidity portfolio must have an internal rating of at least 'A-'. However, for commercial paper and corporate bonds, an internal rating of at least 'BBB-' is allowed if remaining maturity does not exceed one year and issuers are domiciled in Sweden, Denmark, Finland, Norway or Germany. The Charts 7.1, 7.2 and 7.3 below provide a breakdown of SEK's liquidity investments by exposure class/type, maturity and rating at December 31, 2016. See Appendix tables 23, and 24 for further breakdowns.

7.3.2. Liquidity reserve

SEK's liquidity reserve comprises highly liquid assets including overnight deposits in banks. All assets are LCR eligible according to the Swedish FSA regulations or the EU Commission's regulations. The composition of the liquidity reserve is presented in table 25 in the Appendix.

Chart 7.1: SEK's liquidity investments at December 31, 2016 (and 2015), by exposure class/type

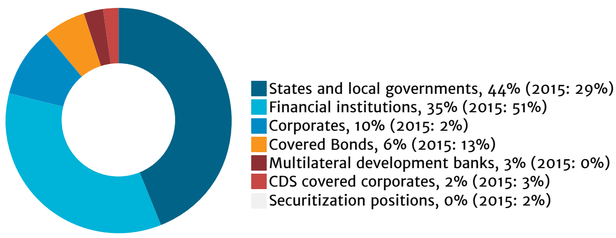
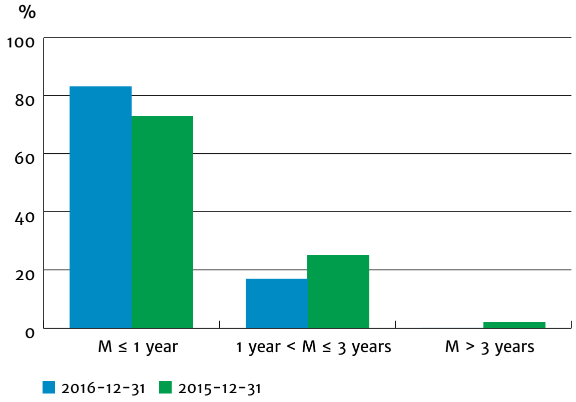


Chart 7.2: Remaining maturity (M) in SEK's Liquidity investments at December 31, 2016 (and 2015)



7.3.3. Funding portfolio

To secure access to large volumes of funding and to ensure that insufficient liquidity in individual funding sources does not pose an obstacle to operations, SEK issues bonds with different structures, currencies and maturities. In addition, SEK also carries out issues in many different geographic markets. As a general rule, SEK converts the issue proceeds from foreign currency bonds to EUR or USD by using derivatives. To manage and ensure market access at all times, SEK seeks to establish and maintain good relationships with its investors. SEK has sufficiently diversified funding sources and no investor exceeds 5% of total outstanding funding at December 31,2016.See the following charts 7.4, 7.5 and 7.6 that illustrate some of the aspects of the diversification of SEK's funding. See Table 26 in the Appendix for a detailed breakdown by region and structure. Net total long-term funding taking into account swaps amounts to Skr 255.9 billion at December 31, 2016.

Chart 7.4: Long-term funding at December 31, 2016 (and 2015), by issue currency

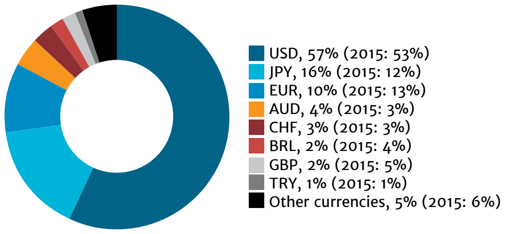


Chart 7.5: Long-term funding as of December 31, 2016 (and 2015), by structure type

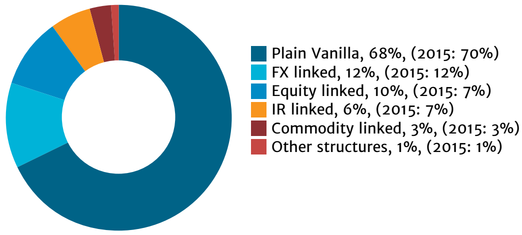


Chart 7.6: Long-term funding as of December 2016 (and 2015), by region

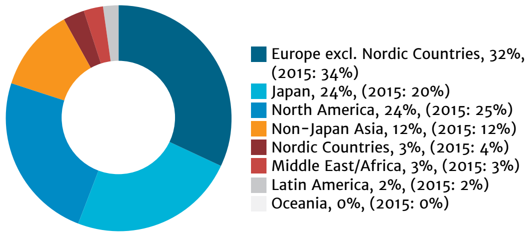
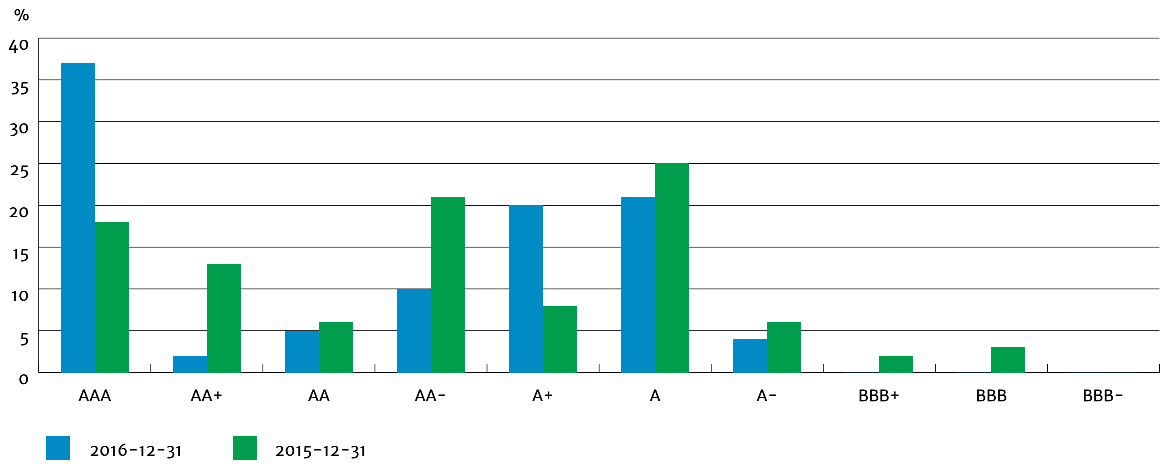


Chart 7.3: SEK's liquidity investments at December 31, 2016 (and 2015), by rating



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 2015: 13 percent) of the outstanding volume includes such early-redemption clauses at December 31, 2016. The sensitivity to the underlying indices of such early-redemption clauses is presented to the Board's Risk and Finance Committee on a regular basis together with a forward-looking analysis of how this debt is expected to perform.

For short-term funding see Table 7.1 that illustrates SEK's funding programs, including US Commercial Paper program (UCP) and European Commercial Paper program (ECP), for maturities up to one year.

Table 7.1: Short-term funding programs

Program type	UCP	ECP
Currency	USD	Multiple currencies
Number of dealers	4	4
"Dealer of the day facility"	No	Yes
Program size	USD 3,000 mn	USD 4,000 mn
Usage at Dec. 31, 2016	USD 0 mn	USD 0 mn
Maturity	Maximum 270 days	Maximum 364 days

7.3.4. Liquidity risks during 2016

SEK's liquidity situation has been stable over the year.The following charts 7.7 and 7.8 illustrate the development of the liquidity measures LCR according to the Swedish FSA and the NSFR over time. At December 31, 2016, the volume of LCR eligible assets was Skr 17,7 billion and SEK fulfilled the Swedish LCR regulatory requirements by having an LCR ratio at an aggregate level of 383 percent, a ratio for EUR of 2,603 percent and a ratio for USD of 313 percent. At December 31, 2016, SEK also complied with LCR regulations according to the EU Commission's regulation by having an LCR ratio at an aggregate level of 215 percent. At December 31, 2016, the NSFR was 132 percent (99.4).

Chart 7.7: LCR according to Swedish FSA over time as of December 31, 2016

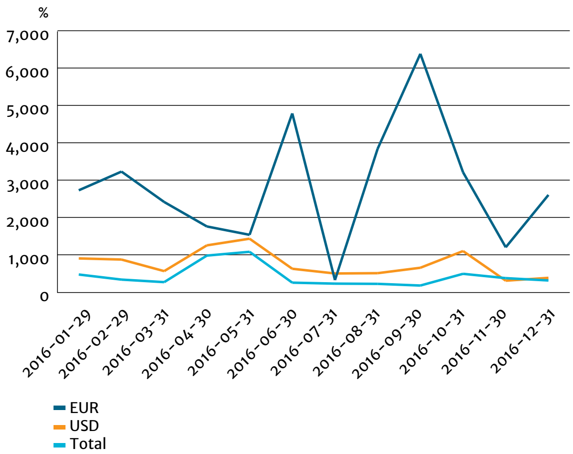
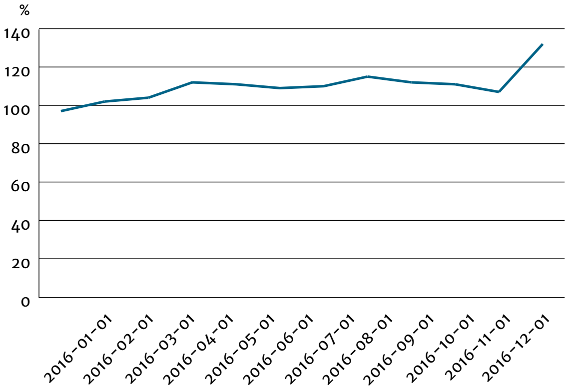


Chart 7.8: NSFR over time at December 31, 2016



Throughout the year, SEK operated with a match-funded balance sheet, i.e. SEK's inflows exceeded outflows for the entire maturity period when disregarding collateral outflows from agreements with derivative counterparties.

7.3.5. Internally assessed economic capital for liquidity risk

SEK does not allocate capital for liquidity risk. SEK regards liquidity risk as being, primarily, a contingent risk, since it would be typically caused by credit losses or other problems in its own business in a general economic downturn or in a financial crisis. Although liquidity risk may arise due to the aforementioned reasons, SEK believes that the likelihood and impact of a liquidity crisis are alleviated or mitigated if the exposure is limited and if the company has a solid contingency plan and professional risk management. Accordingly, SEK focuses primarily on prudent and professional liquidity risk management.

Appendix

Table 1: Reconciliation of balance sheet and own funds

Disclosure according to Article 2 of the Commission Implementing Regulation (EU) No 1423/2013

Skr mn	Consolidated balance sheet at December 31, 2016	Consolidated balance sheet at December 31, 2015	Cross reference to row number in Table 2
Assets			
Cash and cash equivalents	7,054	2,258	
Treasuries/government bonds	3,687	2,006	
Other interest-bearing securities except loans	49,901	40,831	
of which: the exposure amount of securitisation positions which qualify for a RW of 1,250%, where the institution opts for the deduction alternative		–	20c
Loans in the form of interest-bearing securities	46,222	48,107	
Loans to credit institutions	26,190	29,776	
Loans to the public	147,909	140,806	
Derivatives	12,005	12,672	
Property, plant, equipment and intangible assets	123	129	
of which: intangible assets	*101*	*109*	8
Other assets	4,167	1,854	
Prepaid expenses and accrued revenues	2,184	1,972	
Total assets	**299,442**	**280,411**	
Liabilities and equity			
Borrowing from credit institutions	3,756	5,283	
Borrowing from the public	0	61	
Senior securities issued	249,192	228,212	
of which: gains or losses on liabilities valued at fair value resulting from changes in own credit standing	*281*	*290*	14
Derivatives	22,072	23,631	
Other liabilities	2,374	1,637	
Accrued expenses and prepaid revenues	2,036	1,912	
Deferred tax liabilities	559	720	
Provisions	51	39	
Subordinated securities issued	2,266	2,088	
of which: T2 capital instruments and the related share premium accounts[1]	*2,266*	*2,088*	46
Total liabilities	**282,306**	**263,583**	
Share capital	3,990	3,990	1
Reserves	130	247	
of which: accumulated other comprehensive income	*130*	*247*	3
of which: fair value reserves related to gains or losses on cash flow hedges	*96*	*228*	11
of which: regulatory adjustments relating to unrealised gains pursuant to Article 468	–	–	26a
Retained earnings	13,016	12,611	
of which: independently reviewed interim profits net of any foreseeable charge or dividend	*546*	*830*	5a
of which: retained earnings	*12,236*	*11,404*	2
Total equity	**17,136**	**16,828**	
Total liabilities and equity	**299,442**	**280,411**	

1 The basis for consolidation for supervisory purposes does not differ from the consolidation for accounting purposes
2 Nominal amount, which differs from the carrying value of the instruments as recognized in the balance sheet

Table 2: Transitional own funds

Disclosure according to Article 5 of the Commission Implementing Regulation (EU) No 1423/2013

Skr mn		Amount at Dec 31, 2016	Amount at Dec 31, 2015	Regulation (EU) no 575/2013 article reference	Amounts subject to preregulation (EU) no 575/2013 treatment or prescribed residual amount of Regulation (EU) no 575/2013
Common Equity Tier 1 capital: instruments and reserves					
1	Capital instruments and the related share premium accounts	3,990	3,990	26 (1), 27, 28, 29, EBA list 26 (3)	
	of which: Share capital	3,990	3,990	EBA list 26 (3)	
2	Retained earnings	12,236	11,404	26 (1) (c)	
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	130	247	26 (1)	
3a	Funds for general banking risk	–	–	26 (1) (f)	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	–	–	486 (2)	
	Public sector capital injections grandfathered until January 1, 2018	–	–	483 (2)	
5	Minority interests (amount allowed in consolidated CET1)	–	–	84, 479, 480	–
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	546	830	26 (2)	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**16,902**	**16,471**		
Common Equity Tier 1 (CET1) capital: regulatory adjustments					
7	Additional value adjustments (negative amount)	-444	-429	34, 105	–
8	Intangible assets (net of related tax liability) (negative amount)	-101	-109	36 (1) (b), 37, 472 (4)	–
9	Empty set in the EU				
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	–	–	36 (1) (c), 38, 472 (5)	–
11	Fair value reserves related to gains or losses on cash flow hedges	-96	-228	33 (a)	–
12	Negative amounts resulting from the calculation of expected loss amounts	–	–	36 (1) (d), 40, 159, 472 (6)	–
13	Any increase in equity that results from securitised assets (negative amount)	–	–	32 (1)	–
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	281	290	33 (b)	–
15	Defined-benefit pension fund assets (negative amount)	–	–	36 (1) (e) , 41, 472 (7)	–
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	–	–	36 (1) (f), 42, 472 (8)	–
17	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	–	–	36 (1) (g), 44, 472 (9)	–

Skr mn		Amount at Dec 31, 2016	Amount at Dec 31, 2015	Regulation (EU) no 575/2013 article reference	Amounts subject to preregulation (EU) no 575/2013 treatment or prescribed residual amount of Regulation (EU) no 575/2013
18	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	–	–	36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)	–
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	–	–	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)	–
20	Empty set in the EU				
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	–	–	36 (1) (k)	–
20b	of which: qualifying holdings outside the financial sector (negative amount)	–	–	36 (1) (k) (i), 89 to 91	–
20c	of which: securitisation positions (negative amount)	–	–	36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258	–
20d	of which: free deliveries (negative amount)	–	–	36 (1) (k) (iii), 379 (3)	–
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in 38 (3) are met) (negative amount)	–	–	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	–
22	Amount exceeding the 15% threshold (negative amount)	–	–	48 (1)	–
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	–	–	36 (1) (i), 48 (1) (b), 470, 472 (11)	–
24	Empty set in the EU				
25	of which: deferred tax assets arising from temporary differences	–	–	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	–
25a	Losses for the current fiscal year (negative amount)	–	–	36 (1) (a), 472 (3)	–
25b	Foreseeable tax charges relating to CET1 items (negative amount)		–	36 (1) (l)	–
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	–	–		
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468		–		
	Of which: ...filter for unrealised loss 1	–	–	467	
	Of which: ...filter for unrealised loss 2	–	–	467	
	Of which: ...filter for unrealised gain 1	–	–	468	
	Of which: ...filter for unrealised gain 2	–	–	468	

Skr mn		Amount at Dec 31, 2016	Amount at Dec 31, 2015	Regulation (EU) no 575/2013 article reference	Amounts subject to preregulation (EU) no 575/2013 treatment or prescribed residual amount of Regulation (EU) no 575/2013
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	–	–	481	
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	–	–	36 (1) (j)	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-360**	**-476**		
29	**Common Equity Tier 1 (CET1) capital**	**16,542**	**15,995**		
Additional Tier 1 (AT1) capital: instruments					
30	Capital instruments and the related share premium accounts	–	–	51, 52	
31	of which: classified as equity under applicable accounting standards	–	–		
32	of which: classified as liabilities under applicable accounting standards	–	–		
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	–	–	486 (3)	
	Public sector capital injections grandfathered until January 1, 2018	–	–	483 (3)	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	–	–	85, 86, 480	–
35	of which: instruments issued by subsidiaries subject to phase out	–	–	486 (3)	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**–**	**–**		
Additional Tier 1 (AT1) capital: regulatory adjustments					
37	Direct and indirect holdings by an institution of own AT1 Instruments (negative amount)	–	–	52 (1) (b), 56 (a), 57, 475 (2)	–
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	–	–	56 (b), 58, 475 (3)	–
39	Direct and indirect holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold and net of eligible short positions) (negative amount)	–		56 (c), 59, 60, 79, 475 (4)	–
40	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 10% threshold net of eligible short positions) (negative amount)	–	–	56 (d), 59, 79, 475 (4)	–

Skr mn		Amount at Dec 31, 2016	Amount at Dec 31, 2015	Regulation (EU) no 575/2013 article reference	Amounts subject to preregulation (EU) no 575/2013 treatment or prescribed residual amount of Regulation (EU) no 575/2013
41	Regulatory adjustments applied to Additional Tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	–	–		
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 Capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	–	–	472, 472(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	
	Of which: items to be detailed line by line, e.g. material net interim losses, intangibles, shortfall of provisions to expected losses etc	–	–		
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	–	–	477, 477 (3), 477 (4) (a)	–
	Of which: items to be detailed line by line, e.g. reciprocal cross holdings in Tier 2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc	–	–		
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR	–	–	467, 468, 481	
	Of which: ...possible filter for unrealised losses	–	–	467	
	Of which: ...possible filter for unrealised gains	–	–	468	
	Of which: ...	–	–	481	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	–	–	56 (e)	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	–	**–**		
44	**Additional Tier 1 (AT1) capital**		**–**		
45	**Tier 1 capital (T1 = CET1 + AT1)**	16,542	**15,995**		
Tier 2 (T2) capital: instruments and provisions					
46	Capital instruments and the related share premium accounts	2,267	2,088	62, 63	
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	–	–	486 (4)	
	Public sector capital injections grandfathered until January 1, 2018	–	–	483 (4)	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	–	–	87, 88, 480	–

Skr mn		Amount at Dec 31, 2016	Amount at Dec 31, 2015	Regulation (EU) no 575/2013 article reference	Amounts subject to preregulation (EU) no 575/2013 treatment or prescribed residual amount of Regulation (EU) no 575/2013
49	of which: instruments issued by subsidiaries subject to phase out	–	–	486 (4)	
50	Credit-risk adjustments	12	9	62 (c) & (d)	
51	**Tier 2 (T2) capital before regulatory adjustments**	**2,279**	**2,097**		
Tier 2 (T2) capital: regulatory adjustments					
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	–	–	63 (b) (i), 66 (a), 67, 477 (2)	–
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	–	–	66 (b), 68, 477 (3)	–
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	–	–	66 (c), 69, 70, 79, 477 (4)	–
54a	Of which: new holdings not subject to transitional arrangements	–	–		–
54b	Of which: holdings existing before January 1, 2013 and subject to transitional arrangements	–	–		–
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	–	–	66 (d), 69, 79, 477 (4)	–
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	–	–		–
56a	Residual amounts deducted from Tier 2capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	–	–	472, 472(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	
	Of which: items to be detailed line by line, e.g. material net interim losses, intangibles, shortfall of provisions to expected losses etc	–	–		
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	–	–	475, 475 (2) (a), 475 (3), 475 (4) (a)	
	Of which: items to be detailed line by line, e.g. reciprocal cross holdings in AT1 instruments, direct holdings of non significant investments in the capital of other financial sector entities, etc	–	–		

Skr mn		Amount at Dec 31, 2016	Amount at Dec 31, 2015	Regulation (EU) no 575/2013 article reference	Amounts subject to preregulation (EU) no 575/2013 treatment or prescribed residual amount of Regulation (EU) no 575/2013
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR	–	–	467, 468, 481	
	Of which: …possible filter for unrealised losses	–	–	467	
	Of which: …possible filter for unrealised gains	–	–	468	
	Of which: …	–	–	481	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	–	–		
58	**Tier 2 (T2) capital**	**2,279**	**2,097**		
59	**Total capital (TC = T1 + T2)**	**18,821**	**18,092**		
59a	Risk-weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	–	–		
	Of which: …items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. deferred tax assets that rely on future profitability net of related tax liablity, indirect holdings of own CET1, etc)	–	–	472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)	–
	"Of which: …items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc)"	–	–	475, 475 (2) (b), 475 (2) (c), 475 (4) (b)	–
	"Items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. indirect holdings of own T2 instruments, indirect holdings of non significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc)"	–	–	477, 477 (2) (b), 477 (2) (c), 477 (4) (b)	–
60	**Total risk-weighted assets**	**74,937**	**73,959**		
Capital ratios and buffers					
61	Common Equity Tier 1 (as a percentage of risk exposure amount)	22.1%	21.6%	92 (2) (a), 465	
62	Tier 1 (as a percentage of risk exposure amount)	22.1%	21.6%	92 (2) (b), 465	
63	Total capital (as a percentage of risk exposure amount)	25.1%	24.5%	92 (2) (c)	
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII or O-SII buffer), expressed as a percentage of risk exposure amount)	8.0%	7.7%	CRD 128, 129, 130	
65	of which: capital conservation buffer requirement	2.5%	2.5%		
66	of which: countercyclical buffer requirement	1.0%	0.7%		

Skr mn		Amount at Dec 31, 2016	Amount at Dec 31, 2015	Regulation (EU) no 575/2013 article reference	Amounts subject to preregulation (EU) no 575/2013 treatment or prescribed residual amount of Regulation (EU) no 575/2013
67	of which: systemic risk buffer requirement	–	–		
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	–	–	CRD 131	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	20.6%	20.1%	CRD 128	
69	[non relevant in EU regulation]				
70	[non relevant in EU regulation]				
71	[non relevant in EU regulation]				
Amounts below the thresholds for deduction (before risk weighting)					
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	–	–	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4) 66 (c), 69, 70, 477 (4)	
73	Direct and indirect holdings by the institution of the CET 1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	–	–	36 (1) (i), 45, 48, 470, 472 (11)	
74	Empty Set in the EU				
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	–	–	36 (1) (c), 38, 48, 470, 472 (5)	
Applicable caps on the inclusion of provisions in Tier 2					
76	Credit-risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)	–	–	62	
77	Cap on inclusion of credit-risk adjustments in T2 under standardised approach	–	–	62	
78	Credit-risk adjustments included in T2 in respect of exposures subject to internal ratings- based approach (prior to the application of the cap)	12	9	62	
79	Cap for inclusion of credit-risk adjustments in T2 under internal ratings-based approach	392	383	62	
Capital instruments subject to phase-out arrangements (only applicable between Jan. 1, 2013 and Jan. 1, 2022)					
80	Current cap on CET1 instruments subject to phase out arrangements	–	–	484 (3), 486 (2) & (5)	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	–	–	484 (3), 486 (2) & (5)	
82	Current cap on AT1 instruments subject to phase out arrangements	–	–	484 (4), 486 (3) & (5)	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–	484 (4), 486 (3) & (5)	
84	Current cap on T2 instruments subject to phase out arrangements	–	–	484 (5), 486 (4) & (5)	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	–	–	484 (5), 486 (4) & (5)	

Table 3: Main features of capital instruments at December 31, 2016

Disclosure according to Article 3 of the Commission Implementing Regulation (EU) No 1423/2013

		Shares	Dated subordinated instruments
1	Issuer	AB Svensk Exportkredit (556084-0315)	AB Svensk Exportkredit (556084-0315)
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A	XS0992306810
3	Governing law(s) of the instrument	Swedish law	English law
Regulatory treatment			
4	Transitional CRR rules	Common Equity Tier 1	Tier 2
5	Post-transitional CRR rules	Common Equity Tier 1	Tier 2
6	Eligible at solo/(sub-) consolidated/ solo & (sub-) consolidated	Solo and consolidated	Solo and consolidated
7	Instrument type (types to be specified by each jurisdiction)	Share capital as published in Regulation (EU) no 575/2103 article 28	Tier 2 capital as published in Regulation (EU) no 575/2103 article 63
8	Amount recognised in regulatory capital (currency in million, at most recent reporting date)	Skr 3,990 mn	Skr 2,267 mn
9	Nominal amount of instrument	Skr 3,990 mn	USD 250 mn
9a	Issue price	Skr 3,990 mn	99.456%
9b	Redemption price	N/A	100%
10	Accounting classification	Equity	Liability - amortised cost
11	Original date of issuance	1962	November 14, 2013
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	N/A	November 14, 2023
14	Issuer call subject to prior supervisory approval	N/A	Yes
15	Optional call date, contingent call dates and redemption amount	N/A	November 14, 2018
16	Subsequent call dates, if applicable	N/A	N/A
Coupons / dividends			
17	Fixed or floating dividend/coupon	N/A	Fixed to floating
18	Coupon rate and any related index	N/A	Fixed 2.875% p.a. until first call date, thereafter floating 1.45% p.a. above the applicable swap rate for USD swap transactions with a maturity of 5 years
19	Existence of a dividend stopper	N/A	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A	Mandatory
21	Existence of step up or other incentive to redeem	N/A	No
22	Noncumulative or cumulative	N/A	Noncumulative
23	Convertible or non-convertible	N/A	Non-convertible
24	If convertible, conversion trigger(s)	N/A	N/A
25	If convertible, fully or partially	N/A	N/A
26	If convertible, conversion rate	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A

		Shares	Dated subordinated instruments
30	Write-down features	N/A	No
31	If write-down, write-down trigger(s)	N/A	N/A
32	If write-down, full or partial	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A
34	If temporary write-down, description of write-up mechanism	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Lowest, next senior is Tier 2 capital	Pari passu amongst same class, but subordinate to all instruments except shares
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N/A	N/A

Table 4: Link between the statement of financial position categories and net exposures according to CRR.

Consolidated Group	31 december 2016							
Skr bn	Book value	Adjustment from book value to exposure[1]	Central governments	Regional governments	Multilateral development banks	Financial institutions	Corporates	Securitization positions
Treasuries/government bonds	3.7	–	3.7	–	–	–	–	–
Other interest-bearing securities except loans	49.9	0.3	6.3	13.0	1.9	22.6	6.4	–
Loans in the form of interest-bearing securities	46.2	0.2	0.6	–	–	3.9	41.9	–
Loans to credit institutions including cash and cash equivalents[1]	33.2	-11.8	6.9	6.2	–	7.6	0.7	–
Loans to the public	147.9	0.9	96.6	0.7	–	5.8	45.7	–
Derivatives	12.0	-7.5	–	–	–	4.5	–	–
Other assets	3.3	–	3.3	–	–	–	–	–
Total financial assets	296.2	-17.9	117.4	19.9	1.9	44.4	94.7	–
Contingent assets and commitments[2]	62.4	–	56.3	–	–	0.8	5.3	–
Total	**358.6**	**-17.9**	**173.7**	**19.9**	**1.9**	**45.2**	**100.0**	**–**

1 Skr 11.6 billion (2015: Skr 13.6 billion) of the book value for Loans to credit institutions is Cash collateral under the security agreements for derivative contracts.

2 Contingent assets and commitments, except cash collateral.

Table 5: Geographical distribution of credit exposures and capital requirements relevant for the calculation of the countercyclical capital buffer at December 31, 2016[1]

Country	Exposure at default, Standardized approach (Skr mn)	Exposure at default, IRB approach (Skr mn)	Minimum capital requirement[2] (Skr mn)	Minimum capital requirement weights (decimal)	Countercyclical capital buffer rate[3] (percent)
Sweden	81	67,452	2,822	0.685	1.50%
Finland	–	5,604	294	0.071	–
Denmark	–	4,125	121	0.030	–
United Kingdom	79	1,951	111	0.027	–
Mexico	261	2,317	101	0.025	–
Chile	–	2,038	84	0.021	–
Spain	–	1,679	66	0.016	–
Turkey	–	1,228	51	0.012	–
United States	111	750	45	0.011	–

Country	Exposure at default, Standardized approach (Skr mn)	Exposure at default, IRB approach (Skr mn)	Minimum capital requirement[2] (Skr mn)	Minimum capital requirement weights (decimal)	Countercyclical capital buffer rate[3] (percent)
Japan	–	938	44	0.011	–
Norway	–	1,142	40	0.010	1.50%
Thailand	230	661	32	0.008	–
Luxembourg	–	231	28	0.007	–
Tanzania	–	457	28	0.007	–
Peru	–	1,064	24	0.006	–
Brazil	241	35	21	0.005	–
China	–	923	21	0.005	–
Iceland	–	200	15	0.004	–
Canada	–	345	14	0.003	–
Netherlands	29	174	14	0.003	–
Bermuda	–	162	14	0.003	–
Saudi Arabia	–	227	12	0.003	–
Vietnam	144	–	12	0.003	–
Colombia	17	232	11	0.003	–
South Africa	–	218	11	0.003	–
United Arab Emirates	–	201	11	0.003	–
Hungary	117	–	9	0.002	–
India	–	110	9	0.002	–
Ireland	–	374	8	0.002	–
Indonesia	101	2	8	0.002	–
Qatar	–	124	6	0.001	–
Switzerland	–	165	6	0.001	–
Singapore	–	53	6	0.001	–
Korea	–	165	5	0.001	–
Russian Federation	–	51	4	0.001	–
Belgium	–	151	4	0.001	–
Pakistan	–	52	2	0.001	–
Italy	21	–	2	0.000	–
Sri Lanka	18	–	1	0.000	–
Congo	–	32	1	0.000	–
Uzbekistan	**–**	**7**	**1**	**0.000**	**–**
France	**–**	**0**	**0**	**0.000**	**–**
Total	**1,450**	**95,640**	**4,119**	**1**	**–**

1 This table differs from the standard format of Commission delegated regulation (EU) 2015/1555. Columns regarding trading book and securitization positions have been omitted as SEK does not have a trading book or securitization positions.
2 Minimum capital requirement is 8.0 percent of relevant risk exposure amount.
3 Includes only active buffers at December 31, 2016.

Table 6. Amount of institution-specific countercyclical capital buffer

Skr mn	2016	2015
Total risk exposure amount	74,937	73,959
Institution specific countercyclical buffer rate (percent)	1.0%	0.7%
Institution specific countercyclical buffer requirement	**781**	**484**

Table 7: Summary reconciliation of accounting assets and leverage ratio exposures at December 31, 2016

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

Skr mn	**Item**	**2016**
1	Total assets as per published financial statements	299,442
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	–
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR"	–
4	Adjustments for derivative financial instruments	-18,958
5	Adjustments for securities financing transactions "SFTs"	–
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures	35,626
EU-6a	Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013	–
EU-6b	Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013	–
7	Other adjustments	-2,160
8	**Total leverage ratio exposure**	**313,950**

Table 8: Leverage ratio common disclosure at December 31, 2016

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

		CRR leverage ratio exposures
Skr mn		2016
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	285,368
2	Asset amounts deducted in determining Tier 1 capital	-101
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	285,267
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	380
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	4,298
EU-5a	Exposure determined under the original exposure method	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
7	Deductions of receivables assets for cash variation margin provided in derivatives transactions	-11,621
8	Exempted CCP leg of client-cleared trade exposures	-
9	Adjusted effective notional amount of written credit derivatives	-
10	Adjusted effective notional offsets and add-on deductions for written credit derivatives	-
11	Total derivative exposures (sum of lines 4 to 10)	-6,943
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-
13	Netted amounts of cash payables and cash receivables of gross SFT assets	-
14	Counterparty credit-risk exposure for SFT assets	-
EU-14a	Derogation for SFTs: Counterparty credit-risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	-
15	Agent transaction exposures	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	-
Other off-balance sheet exposures[1]		
17	Off-balance sheet exposures at gross notional amount	115,087
18	Adjustments for conversion to credit equivalent amounts	-79,461
19	Other off-balance sheet exposures (sum of lines 17 to 18)	35,626
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet)	-
EU-19b	Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet)	-
Capital and total exposures		
20	Tier 1 capital	16,542
21	Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	313,950
Leverage ratio		
22	Leverage ratio	5.3%
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	Fully phased in[2]

1 Inclusive of non-binding offers. Nominal amounts for these are at December 31, 2016 Skr 52,514 mn of which 10 percent is included in leverage ratio exposure measure. In other tables regarding total credit-risk exposures non-binding offers are excluded.

2 Since 2015 the own funds of SEK in no aspect are affected by any transitional arrangements that still are in force in Swedish regulations.

Table 9: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) at December 31, 2016

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

		CRR leverage ratio exposures
Skr mn		2016
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**273,747**
EU-2	Trading book exposures	–
EU-3	Banking book exposures, of which:	273,747
EU-4	*Covered bonds*	*3,928*
EU-5	*Exposures treated as sovereigns*	*139,156*
EU-6	*Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns*	*328*
EU-7	*Institutions*	*35,529*
EU-8	*Secured by mortgages of immovable properties*	–
EU-9	*Retail exposures*	–
EU-10	*Corporate*	*94,599*
EU-11	*Exposures in default*	*42*
EU-12	*Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)*	*165*

Table 10: Leverage ratio, disclosure on qualitative items

1	Description of the processes used to manage the risk of excessive leverage	The leverage ratio is managed in accordance with SEK´s risk management process, see chapter 2.7 in this report. The leverage ratio is measured and monitored on a quarterly basis and reported to the President and the Board of Directors quarterly.
2	Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers	The leverage ratio at December 31, 2016 was 5.3 percent (year-end 2015: 5.4 percent), a decrease of 0.1 percentage point compared to the previous year. The numerator of the ratio, that is the Tier 1 capital, amounts to Skr 16,542 million (15,995), and the increase of 3 percent compared to the previous year is attributable to an increase in retained earnings. The denominator of the ratio, that is the exposure measure, amounted to Skr 313,950 million (296,050). The increase of 6 percent from the previous year is mostly due to a rise in exposures to corporates.

Table 11: Correspondence table

The correspondence table below shows different credit ratings and the steps in the credit quality scales which are set by supervisory authorities.

Credit quality step	Fitch	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 12: Net exposures under the standardized approach per quality step at December 31, 2016 (and 2015)
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.

	1		2		3–6		Not rated		Total	
Skr bn	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Central governments	166.5	167.8	6.1	3.1	1.1	1.7	–	–	173.7	172.6
Regional governments	19.9	14.0	–	–	–	–	–	–	19.9	14.0
Multilateral development banks	1.9	0.0	–	–	–	–	–	–	1.9	0.0
Corporates	–	–	–	–	–	–	1.5	1.5	1.5	1.5
Total	**188.3**	**181.8**	**6.1**	**3.1**	**1.1**	**1.7**	**1.5**	**1.5**	**197.0**	**188.1**

Table 13: Gross and net exposure by exposure class, at December 31, 2016(and 2015) and average during 2016

	Gross exposure			Net exposure		
Skr bn	2016	Average 2016[1]	2015	2016	Average 2016[1]	2015
Central governments	69.4	63.6	59.6	173.7	172.0	172.6
Regional governments	13.8	12.4	7.3	19.9	18.8	14.0
Multilateral development banks	1.9	1.6	0.0	1.9	1.6	0.0
Public Sector Entities	0.4	0.0	–	–	–	–
Institutions	42.9	50.1	47.6	45.2	53.1	52.0
Corporates	212.3	213.2	210.9	100.0	95.3	86.8
Securitizations	–	0.8	0.8	–	0.8	0.8
Total	**340.7**	**341.7**	**326.2**	**340.7**	**341.7**	**326.2**

1 Average amounts are based on monthly exposures

Table 14: Average credit conversion factor (CCF) for off-balance exposures by exposure class at December 31, 2016(and 2015)

	Exposure after risk mitigation		Exposure at default		Average CCF	
Skr bn	2016	2015	2016	2015	2016	2015
Standardized approach						
Central governments	56.4	62.7	28.2	31.3	50%	50%
Corporate	0.0	0.1	0.0	0.0	50%	52%
IRB approach						
Institutions	0.9	0.9	0.7	0.6	75%	75%
Corporate	5.3	6.2	2.3	2.4	43%	39%

Table 15: Specialized lending at December 31, 2016 (and 2015)

Category	Exposure at default		Risk exposure amount	
Skr bn	2016	2015	2016	2015
1	2.6	3.6	1.7	2.4
2	0.3	0.5	0.2	0.4
3	–	–	–	–
4	–	–	–	–
5	–	–	–	–
Total	**2.9**	**4.1**	**1.9**	**2.8**

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 highest credit rating).

Table 16: Gross exposure by exposure class and region at December 31, 2016 (and 2015)

	Middle East/ Africa/ Turkey		Asia excl. Japan		Japan		North America		Oceania		Latin America		Sweden		Western European countries excl. Sweden		Central-East European countries		Total	
Skr bn	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Central governments	2.1	2.2	8.2	9.9	2.8	–	–	1.3	–	–	43.1	42.8	10.0	1.2	3.2	2.2	–	–	69.4	59.6
Regional governments	0.6	0.6	–	–	–	–	–	–	–	–	–	–	11.5	5.6	1.7	1.1	0.0	0.0	13.8	7.3
Multilateral development banks	–	–	–	–	–	–	–	–	–	–	–	–	–		1.9	0.0	–	–	1.9	0.0
Public Sector Entities	0.4	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0.4	–
Institutions	1.9	2.5	1.3	4.7	0.9	0.0	8.3	4.7	0.6	2.2	1.3	2.1	11.8	13.4	16.5	17.6	0.3	0.4	42.9	47.6
Corporates	20.7	20.1	17.9	19.9	2.7	3.8	30.7	26.6	0.2	0.3	12.3	12.5	72.0	67.7	45.6	48.7	10.2	11.3	212.3	210.9
Securitizations	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0.8	–	–	–	0.8
Total	**25.7**	**25.4**	**27.4**	**34.5**	**6.4**	**3.8**	**39.0**	**32.6**	**0.8**	**2.5**	**56.7**	**57.4**	**105.3**	**87.9**	**68.9**	**70.4**	**10.5**	**11.7**	**340.7**	**326.2**

Table 17: Net exposure by exposure class and region at December 31, 2016 (and 2015)

	Middle East/ Africa/ Turkey		Asia excl. Japan		Japan		North America		Oceania		Latin America		Sweden		Western European countries excl. Sweden		Central-East European countries		Total	
Skr bn	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
IRB approach																				
Financial institutions	–	2.5	1.1	4.6	1.4	0.5	9.2	3.9	0.6	2.2	1.3	2.1	7.2	8.6	24.1	27.2	0.3	0.4	45.2	52.0
Corporates	3.9	1.1	1.5	1.1	1.4	0.5	2.3	5.5	–	–	2.7	1.2	68.3	59.7	18.3	16.1	0.1	0.1	98.5	85.3
Securitizations	–	–	–	–	–	–	–		–	–	–	–	–	–	–	0.8	–	–	–	0.8
Standardized approach																				
Central governments	–	–	3.6	4.9	2.8	–	3.8	5.9	–	–	0.9	0.8	140.7	137.6	18.6	20.3	3.3	3.1	173.7	172.6
Regional governments	–	–	–	–	–	–	–	–	–	–	–	–	18.0	12.7	1.9	1.3	–	–	19.9	14.0
Multilateral development banks	–	–	–	–	–	–	–		–	–	–	–	–		1.9	0.0	–	–	1.9	0.0
Corporates	–	–	0.3	0.3	–	–	0.1	0.0	–	–	0.5	0.6	0.4	0.3	0.1	0.2	0.1	0.1	1.5	1.5
Total	**3.9**	**3.6**	**6.5**	**10.9**	**5.6**	**1.0**	**15.4**	**15.3**	**0.6**	**2.2**	**5.4**	**4.7**	**234.6**	**218.9**	**64.9**	**65.9**	**3.8**	**3.7**	**340.7**	**326.2**

Table 18: Corporate exposure by industry (GICS) at December 31, 2016 (and 2015)

	Gross exposure		Net exposure	
Skr bn	**2016**	**2015**	**2016**	**2015**
IT and telecom	74.8	73.6	10.7	8.4
Industrials	45.2	49.1	34.5	34.0
Financials	28.6	22.3	15.1	7.2
Materials	22.2	22.9	15.8	14.7
Consumer goods	16.3	15.9	13.4	12.2
Utilities	13.4	14.8	4.4	4.0
Health care	6.1	6.2	5.3	5.4
Energy	5.3	5.6	0.8	0.9
Other	0.4	0.5	0.0	0.0
Total	**212.3**	**210.9**	**100.0**	**86.8**
of which: small and medium-sized enterprises	*0.5*	*0.5*	*0.3*	*0.5*

Table 19: Gross exposure by European countries, excluding Sweden, and exposure class at December 31, 2016 (and 2015)

	Central governments		Regional governments		Multilateral development banks		Financial institutions		Corporates		Securitization positions		Total	
Skr bn	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Spain	–	–	–	–	–	–	0.1	0.2	18.0	17.5	–	–	18.1	17.7
United Kingdom	–	–	–	–	–	–	4.1	3.4	4.0	5.1	–	–	8.1	8.5
Finland	0.3	–	0.1	0.3	0.6	–	0.4	0.4	6.2	6.8	–	–	7.6	7.5
Denmark	–	–	1.5	0.7	–	–	2.4	1.8	3.2	2.9	–	–	7.1	5.4
Russian Federation	–	–	–	–	–	–	–	–	6.6	7.9	–	–	6.6	7.9
The Netherlands	–	–	–	–	–	–	2.3	5.4	2.7	3.2	–	–	5.0	8.6
France	–	–	–	–	–	–	1.6	1.7	3.2	3.7	–	–	4.8	5.4
Norway	–	–	–	–	–	–	2.9	2.0	1,9	1,1	–	–	4.8	3,1
Luxembourg	1.9	1.4	–	–	1.3	0.0	0.0	0.0	1.2	1.9	–	–	4.4	3.3
Poland	–	–	–	–	–	–	–	–	3.3	3.1	–	–	3.3	3.1
Italy	–	–	–	–	–	–	–	–	2.3	2.4	–	–	2.3	2.4
Germany	0.5	0.4	–	0.1	–	–	1.7	1.6	–	0.1	–	–	2.2	2.2
Switzerland	–	–	–	–	–	–	1.0	1.2	0.8	1.1	–	–	1.8	2.3
Ireland	–	–	–	–	–	–	–	–	1.1	1.2	–	0.8	1.1	2.0
Iceland	–	–	–	–	–	–	–	–	0.6	1.2	–	–	0.6	1.2
Austria	0.5	0.4	–	–	–	–	–	–	0.0	0.0	–	–	0.5	0.4
Latvia	–	–	–	–	–	–	0.3	0.3	–	0.0	–	–	0.3	0.3
Belgium	–	–	–	–	–	–	0.0	–	0.3	–	–	–	0.3	–
Hungary	–	–	–	–	–	–	–	–	0.1	0.1	–	–	0.1	0.1
Portugal	–	–	–	–	–	–	–	–	0.1	0.2	–	–	0.1	0.2
Estonia	–	–	–	–	–	–	–	0.1	0.1	–	–	–	0.1	0.1
Ukraine	–	–	–	–	–	–	–	–	0.1	0.1	–	–	0.1	0.1
Greece	–	–	–	–	–	–	–	–	0.0	0.1	–	–	0.0	0.1
Other Countries	–	–	0.0	0.0	–	–	–	0.1	0.1	0.2	–	–	0.1	0.3
Total	**3.2**	**2.2**	**1.6**	**1.1**	**1.9**	**0.0**	**16.8**	**18.1**	**55.9**	**59.9**	**–**	**0.8**	**79.4**	**82.1**

Table 20: Net exposure by European countries, excluding Sweden, and exposure class at December 31, 2016 (and 2015)

	Central governments		Regional governments		Multilateral development banks		Financial institutions		Corporates		Securitization positions		Total	
Skr bn	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
France	10.3	10.9	–	–	–	–	3.7	4.4	0.0	0.0	–	–	14.0	15.3
United Kingdom	1.1	1.3	–	–	–	–	3.9	4.7	3.5	3.2	–	–	8.5	9.2
Denmark	0.1	0.1	1.6	0.7	–	–	4.0	3.3	2.7	2.5	–	–	8.4	6.6
Finland	0.8	1.1	0.3	0.5	0.6	–	0.5	0.8	5.6	5.8	–	–	7.8	8.2
Germany	3.1	3.7	–	0.1	–	–	3.0	2.7	0.8	1.0	–	–	6.9	7.5
Norway	0.6	0.6	–	–	–	–	4.2	3.4	1.1	0.3	–	–	5.9	4.3
Luxembourg	1.9	1.4	–	–	1.3	0.0	0.0	0.0	1.6	0.8	–	–	4.8	2.2
Poland	3.3	3.1	–	–	–	–	0.0	–	–	–	–	–	3.3	3.1
Netherlands	–	–	–	–	–	–	2.5	5.6	0.3	1.4	–	–	2.8	7.0
Spain	–	–	–	–	–	–	0.4	0.4	1.7	0.1	–	–	2.1	0.5
Switzerland	–	–	–	–	–	–	1.3	1.4	0.3	0.6	–	–	1.6	2.0
Belgium	–	–	–	–	–	–	0.4	0.4	0.2	0.0	–	–	0.6	0.4
Austria	0.5	0.4	–	–	–	–	0.1	0.1	–	–	–	–	0.6	0.5
Ireland	–	–	–	–	–	–	0.0	–	0.4	0.3	–	0.8	0.4	1.1
Iceland	0.1	0.6	–	–	–	–	–	–	0.2	0.2	–	–	0.3	0.8
Latvia	–	–	–	–	–	–	0.3	0.3	–	–	–	–	0.3	0.3
Portugal	0.1	0.2	–	–	–	–	–	–	–	–	–	–	0.1	0.2
Estonia	–	–	–	–	–	–	0.1	0.1	–	–	–	–	0.1	0.1
Hungary	–	–	–	–	–	–	–	–	0.1	–	–	–	0.1	–
Russian Federation	–	–	–	–	–	–	–	–	0.1	–	–	–	0.1	–
Italy	0.0	0.0	–	–	–	–	–	–	–	0.0	–	–	0.0	0.0
Other countries	–	–	–	–	–	–	–	–	–	0.3	–	–	–	0.3
Total	**21.9**	**23.4**	**1.9**	**1.3**	**1.9**	**0.0**	**24.4**	**27.6**	**18.6**	**16.5**	**–**	**0.8**	**68.7**	**69.6**

Table 21: Gross exposure by exposure class and maturity (M)

	M<=1 year		1 year < M <= 3		3 year < M <= 5		M>5		Total	
Skr bn	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Central government	3.3	8.2	16.0	2.8	2.9	2.5	47.2	46.1	69.4	59.6
Regional governments	–	4.8	13.4	2.5	0.2	0.0	0.2	0.0	13.8	7.3
Multilateral banks	–	0.0	1.9	–	–	–	–	–	1.9	0.0
Public Sector Entities	–	–	0.4	–	–	–	–	–	0.4	–
Financial institutions	4.5	28.8	29.7	10.7	2.4	2.2	6.3	5.8	42.9	47.6
Corporates	0.1	53.5	101.3	76.1	47.9	38.3	63	43.0	212.3	210.9
Securitization positions	–	0.0	–	0.2	–	0.5	–	–	–	0.8
Total	**7.9**	**95.3**	**162.7**	**92.4**	**53.4**	**43.5**	**116.7**	**95.0**	**340.7**	**326.2**

Table 22: Net exposure by exposure class and maturity (M)

IRB method	M<=1 year		1 year < M <= 3		3 year < M <= 5		M>5		Total	
Skr bn	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Financial institutions	4.5	33.1	35.7	15.0	2.4	2.1	2.6	1.8	45.2	52.0
Corporates	0.0	14.7	44.1	32.7	22.7	17.9	31.7	20.0	98.5	85.4
Securitization positions	–	0.0	–	0.2	–	0.5	–	–	–	0.8
Standardized method										–
Central government	3.3	41.6	66.3	41.2	26.6	21.4	77.5	68.4	173.7	172.6
Regional governments	–	5.5	13.9	2.7	1.3	1.2	4.7	4.5	19.9	14.0
Multilateral banks	–	0.0	1.9	–	–	–	–	–	1.9	0.0
Corporates	0.1	0.4	0.8	0.6	0.4	0.3	0.2	0.2	1.5	1.4
Total	**7.9**	**95.3**	**162.7**	**92.4**	**53.4**	**43.5**	**116.7**	**95.0**	**340.7**	**326.2**

Table 23. Average PD, LGD and risk weight by risk class for net IRB exposures except specialized lending

Skr bn	AAA to AA– 0.01%–0.04%	A+ to A– 0.05 – 0.12%	BBB+ to BBB– 0.17 – 0.34%	BB+ to B– 0.54 – 8.40%	CCC to D 28.60 – 100%	AAA to AA– 0.01%–0.04%	A+ to A– 0.05 – 0.12%	BBB+ to BBB– 0.17 – 0.35%	BB+to B– 0.58 – 8.68%	CCC to D 28.52 – 100%
	2016					2015				
Financial institutions										
Loans and interest bearing securities	8.4	29.4	0.8	1.3	–	12.5	31.0	1.1	2.4	–
Derivatives	0.7	2.8	1.0	–	–	0.6	2.8	0.8	–	–
Loan committments and guarantees	0.1	0.7	0.1	–	–	0.0	0.7	0.1	–	–
Reduction for loan committments and guarantees[1]	–0.0	–0.2	–0.1	–	–	–0.0	–0.2	–0.0	–	–
Exposure at default	9.2	32.7	1.8	1.3		13.1	34.3	2.0	2.4	–
Risk exposure amount						2.8	9.8	1.3	2.5	–
Average PD in %	0.04	0.08	0.20	0.84		0.04	0.08	0.22	0.58	–
Average LGD in %	36.7	43.3	45.0	45.0		41.3	40.9	45.0	45.0	–
Average risk weight in %	19.6	29.6	61.8	117.8		21.6	28.6	64.9	102.3	–
Corporates[2]										
Loans and interest bearing securities	5.5	19.9	45.6	19.5	0.1	3.6	15.9	36.4	19.6	0.1
Loan committments and guarantees	–	1.7	1.0	2.2	–	0.0	1.0	1.2	3.4	–
Reduction for loan committments and guarantees[1]	–	–0.9	–0.5	–1.4	–	–0.0	–0.8	–0.6	–2.2	–
Exposure at default	5.5	20.7	46.1	20.3	0.1	3.6	16.1	36.9	20.8	0.1
Risk exposure amount						0.6	5.3	18.8	19.4	0.1
Average PD in %	0.03	0.10	0.24	0.87	81.32	0.04	0.11	0.22	0.94	79.71
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 %	18.6	32.1	50.3	89.92	69.0	18.6	33.8	52.1	93.2	74.8

1 Effect from the application of credit conversion factors from nominal amount to exposure value.
2 There are no derivatives exposures to corporates.

Table 24: Liquidity investments at December 31, 2016 (and 2015), by country and exposure class/type Net Exposures in Skr bn

Country	Financial insti-tutions		States		Regional/Local govern-ments		Covered bonds		CDS covered corporates		Securi-tization positions		Corporates		Multi-lateral develop-ment banks		Total[1]	
Skr bn	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Sweden	0	0.2	6.8	0.3	11.5	5.6	2.5	3.7	–	0.1	–	–	2.4	0.7	–	–	23.2	10.5
Canada	6.4	1.9	–	–	–	–	–	–	–	–	–	–	–	–	–	–	6.4	1.9
Japan	0.9	0.0	2.8	–	–	–	–	–	–	–	–	–	0.5	–	–	–	4.2	0
Denmark	0.8	0.4	–	–	1.6	0.7	1.4	1.2	–	–	–	–	–	–	–	–	3.8	2.3
Luxembourg	–	–	1.9	1.4	–	–	–	–	–	–	–	–	–	–	1.3	–	3.2	1.4
Norway	2.9	2.0	–	–	–	–	–	–	–	–	–	–	0	0.1	–	–	2.9	2.0
United Kingdom	2.0	1.3	–	–	–	–	–	–	0.4	0.4	–	–	–	–	–	–	2.4	1.6
Netherlands	2.3	5.4	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2.3	5.4
Germany	1.4	1.3	0.5	0.4	–	0.1	–	–	–	–	–	–	–	–	–	–	1.9	1.8
France	0.9	1.2	–	–	–	–	–	–	0.7	0.7	–	–	–	–	–	–	1.6	1.9
Qatar	–	1.3	–	–	–	–	–	–	–	–	–	–	1.4	–	–	–	1.4	1.3
Korea, Republic Of	–	0.9	1.4	2.7	–	–	–	–	–	–	–	–	–	–	–	–	1.4	3.6
United Arab Emirates	–	0.6	–	–	–	–	–	–	–	–	–	–	1.3	–	–	–	1.3	0.6
Switzerland	1.0	0.5	–	–	–	–	–	0.7	–	–	–	–	–	–	–	–	1.0	1.2
United States	0.9	0.5	–	1.3	–	–	–	–	–	–	–	–	–	–	–	–	0.9	1.9
Singapore	0.8	0.4	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0.8	0.4
Malaysia	–	0.7	–	–	–	–	–	–	–	–	–	–	0.7	–	–	–	0.7	0.7
Finland	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0.6	–	0.6	–
Australia	0.5	2.2	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0.5	2.2
Austria	–	–	0.5	0.4	–	–	–	–	–	–	–	–	–	–	–	–	0.5	0.4
Belgium	0	0	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0	0
China	–	2.1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	2.1
Ireland	–	–	–	–	–	–	–	–	–	–	–	0.8	–	–	–	–	–	0.8
Spain	–	0	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	0
Total	**20.7**	**22.9**	**13.8**	**6.5**	**13.0**	**6.4**	**3.9**	**5.6**	**1.1**	**1.1**	**–**	**0.8**	**6.4**	**0.7**	**1.9**	**–**	**60.9**	**44.1**

1 Total amounts in this table exclude collateral deposited.

Table 25: Liquidity investments at December 31, 2016 (and 2015), by country and rating
Net exposures in Skr bn

Country	AAA		AA+ to AA–		A+ to A–		BBB+ to BBB–		Total[1]	
Skr bn	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Sweden	18.2	5.8	3.4	1.5	1.6	3.2	0.0	0.0	23.2	10.5
Canada	–	–	–	–	6.4	1.9	–	–	6.4	1.9
Japan	–	–	0.5	–	3.7	0.0	–	–	4.2	0.0
Denmark	1.6	0.7	–	–	2.2	1.6	–	–	3.8	2.3
Luxembourg	1.3	–	1.9	1.4	–	–	–	–	3.2	1.4
Norway	–	–	–	–	2.9	2.0	–	–	2.9	2.0
United Kingdom	–	–	–	–	2.4	1.6	–	–	2.4	1.6
Netherlands	0.1	–	0.8	2.6	1.4	2.8	–	–	2.3	5.4
Germany	0.5	0.5	–	–	1.4	1.3	–	–	1.9	1.8
France	–	–	–	–	1.6	1.9	–	–	1.6	1.9
Qatar	–	–	–	–	1.4	1.3	–	–	1.4	1.3
Korea, Republic Of	–	–	1.4	2.7	–	0.9	–	–	1.4	3.6
United Arab Emirates	–	–	1.3	0.6	–	–	–	–	1.3	0.6
Switzerland	–	–	–	–	1.0	1.2	–	–	1.0	1.2
United States	–	1.3	–	0.3	0.9	0.2	–	–	0.9	1.9
Singapore	–	–	0.8	0.4	–	–	–	–	0.8	0.4
Malaysia	–	–	–	–	0.7	0.7	–	–	0.7	0.7
Finland	0.6	–	–	–	–	–	–	–	0.6	–
Australia	–	–	0.1	1.9	0.5	0.3	–	–	0.5	2.2
Austria	–	–	0.5	0.4	–	–	–	–	0.5	0.4
Belgium	–	–	0.0	0.0	–	–	–	–	0.0	0.0
China	–	–	–	–	–	2.1	–	–	–	2.1
Ireland	–	0.8	–	–	–	–	–	–	–	0.8
Spain	–	–	–	–	–	–	–	0.0	–	0.0
Total	**22.4**	**9.2**	**10.6**	**11.9**	**27.9**	**22.9**	**0.0**	**0.0**	**60.9**	**44.1**

1 Total amounts in this table exclude collateral deposited.

Table 26: Liquidity reserve[1] at December 31, 2016

Market values in Skr bn	SKR	EUR	USD	Other	Total
Securities issued or guaranteed by municipalities or other public entities	4.7	–	1.1	0.6	6.4
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	–	2.8	2.2	0.0	5.1
Balances with other banks and National Debt Office, overnight	0.0	1.5	3.2	0.0	4.7
Covered bonds issued by other institutions	–	1.7	0.7	–	2.4
Total liquidity reserve	**4.7**	**6.0**	**7.2**	**0.6**	**18.6**

1 The liquidity reserve is a part of SEK's liquidity investments.

Table 27: Net long-term funding amount, at December 31, 2016 (and 2015), by region and structure type
Net total long-term funding amount when swaps are taken into account: Skr 255.9 billion at December 31, 2016.

Region	Plain vanilla		FX linked		IR linked		Equity linked		Commodity linked		Other structures		Total	
Skr bn	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Europe excl. Nordic countries	70.6	66.0	0.1	0.7	10.2	11.4	0.1	0.1	0.0	0.0	0.9	1.0	82.0	79.2
North America	9.9	44.9	29.2	–	0.4	0.7	21.5	4.7	0.3	6.7	0.4	–	61.7	57.0
Japan	49.7	9.3	0.0	26.8	0.6	0.5	3.1	9.7	6.8	0.3	0.0	0.7	60.2	47.3
Non-Japan Asia	27.6	24.7	0.4	0.4	3.3	3.6	0.0	–	0.0	–	0.0	–	31.3	28.7
Nordic countries	6.6	7.7	0.0	–	0.0	0.0	0.0	0.7	0.0	–	0.8	0.9	7.5	9.2
Middle East/Africa	6.6	6.4	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	6.6	6.4
Latin America	5.7	4.2	0.4	0.3	0.0	0.0	0.0	–	0.0	–	0.0	–	6.0	4.6
Oceania	0.6	0.7	0.0	–	0.0	–	0.0	–	0.0	–	0.0	–	0.6	0.7
Grand total	**177.3**	**164.0**	**30.1**	**28.3**	**14.5**	**16.2**	**24.8**	**15.2**	**7.1**	**7.0**	**2.2**	**2.6**	**255.9**	**233.3**

Negative amounts in tables 28–31 below are due to provisions reversal. Reversals of both specific and general provisions in 2015 were mainly related to the sale of assets-based securities.

Table 28: Past due, impaired exposures, specific and general provisions by exposure class, 2016

Skr mn	Past due but not impaired	Impaired	Specific provisions, 2016	General provisions, 2016	Specific provisions, accumulated	General provisions, accumulated
Central governments	–	10	–	–	3	–
Regional governments	–	–	–	–	–	–
Multilateral development banks	–	–	–	–	–	–
Institutions	–	–	–	–	–	–
Corporates	99	2,382	17	–	81	170
Securitizations	–	–	–	–	–	–
Total	99	2,392	17	0	84	170

Table 29: Past due, impaired exposures, specific and general provisions by exposure class, 2015

Skr mn	Past due but not impaired	Impaired	Specific provisions, 2015	General provisions, 2015	Specific provisions, accumulated	General provisions, accumulated
Central governments	–	13	–	–	4	–
Regional governments	–	–	–	–	–	–
Multilateral development banks	–	–	–	–	–	–
Institutions	–	–	–	–	–	–
Corporates	745	3,123	30	–70	62	162
Securitizations	–	–	–206	–	–	8
Total	745	3,136	–176	–70	66	170

Table 30: Past due, impaired exposures, specific and general provisions by geographical area

Skr mn	Past due but not impaired	Impaired	Specific provisions, 2016	General provisions, 2016	Specific provisions, accumulated	General provisions, accumulated
North America	4	–	–	–	–	–
Latin America	49	–	18	–	18	–
Sweden	8	10	-6	–	26	170
Central-East European countries	–	–	–	–	–	–
West European countries excl. Sweden	24	2,382	7	–	40	–
Africa	14		0	–		–
Total	**99**	**2,392**	**19**	**–**	**84**	**170**

Table 31: Reconciliation of changes in the specific and general provisions

Skr mn	Opening balance	Increases in provisions during 2016	Decreases in provisions during 2016	Transfers between specific and general provisions	Other adjust-ments	Closing balance	Recoveries recorded directly to the income statement
Specific provisions							
Central governments	4	–	-1	–	–	3	0
Regional governments	–	–	–	–	–	0	–
Multilateral development banks	–	–	–	–	–	0	–
Institutions	–	–	–	–	–	0	–
Corporates	61	23	-5	–	2	81	0
Securitizations	–	–	–	–	–	0	–
Total Specific provisions	**65**	**23**	**-6**	**–**	**2**	**84**	**0**
General provisions							
Central governments	–	–	–	–	–	0	–
Regional governments	–	–	–	–	–	0	–
Multilateral development banks	–	–	–	–	–	0	–
Institutions	–	–	–	–	–	0	–
Corporates	162	–	–	–	-8	170	–
Securitizations	8	–	–	–	8	0	–
Total general provisions	**170**	**–**	**–**	**–**	**–**	**170**	
Total provisions	**235**	**23**	**-6**	**–**	**2**	**254**	

The only source of assets encumbrance for SEK are cash collaterals to swap counterparties with derivatives having a negative fair value according to ISDA Master Agreements and related ISDA Credit Support Annex. The English Credit Support Annex allows parties to establish bilateral mark-to-market arrangements under English law relying on transfer of title to collateral in the form of securities and/or cash and, in the event of default, inclusion of collateral values within the close-out netting provided by Section 6 of the ISDA Master Agreement. The English Credit Support Annex does not create a security interest, but instead relies on netting for its effectiveness. Only the parent company has encumbered assets. Approximately 80 percent of unencumbered other assets comprise cash and cash equivalents.

Table 32: Encumbered and unencumbered assets at December 31, 2016

Skr mn	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Debt securities	–	–	99,810	100,808
Other assets	11,621	11,621	199,631	202,110
Total assets	**11,621**	11,621	**299,441**	**302,918**

Table 33: Collateral received not recognised in statement of financial position at December 31, 2016

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	**1,344**	**1,344**

Table 34: Encumbered assets/collateral received and associated liabilities at December 31, 2016

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 amout of selected financial liabilites	11,621	11,712

Glossary

BCBS Basel Committee on Banking Supervision
CCF Credit Conversion Factor
CCP Central counterparty
CDS Credit Default Swap
CIRR Commercial Interest Reference Rate
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
EVE Economic Value of Equity
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
SEC Security Exchange Commission
SOX Sarbanes-Oxley Act
UL Unexpected loss
VaR Value at Risk