



Capital Adequacy  
and Risk  
Management  
(Pillar 3) Report  
2017

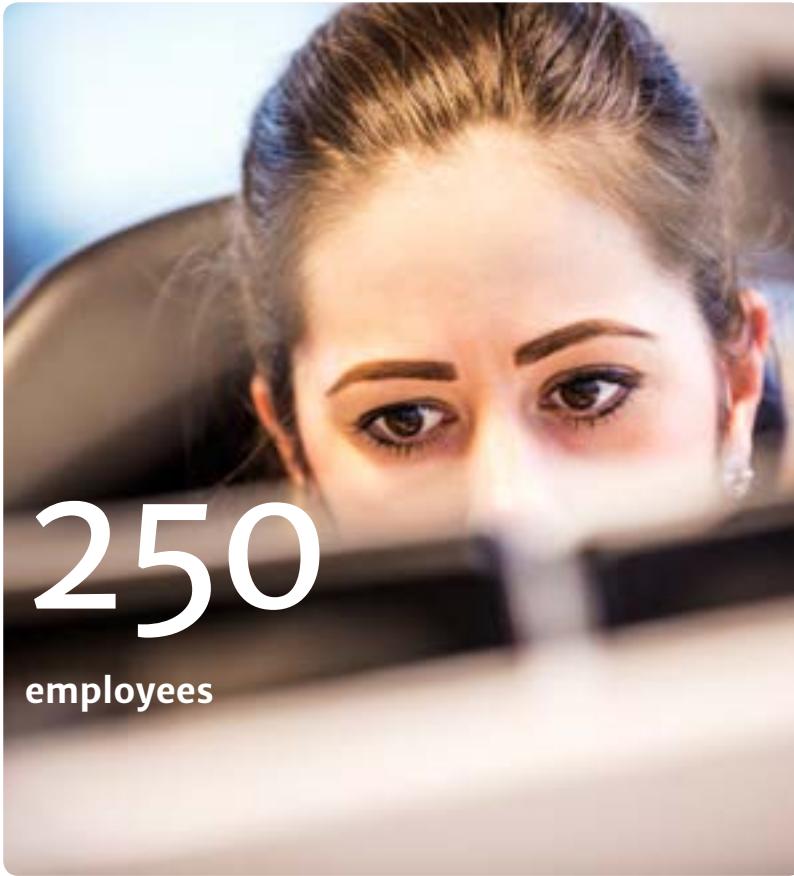
# This is SEK

## 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.



250

employees

## Rating

Standard & Poor's

AA+

Moody's

Aa1



We support  
Global Compact

137

SEK currently has 137 clients within the Swedish export industry.

## SEK's offering

SEK has a great deal of experience and competence, and offers a variety of financial solutions.

The offering is aimed at the Swedish export industry and buyers of Swedish products and services. SEK focuses on large and medium-sized companies with sales of more than Skr 500 million.

## SEK's core values

Collaboration  
Solution orientation  
Professionalism

## Collaboration

SEK has a strong network in international financing and close co-operation with many Swedish and international banks.

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# 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 2017 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.

## 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, 2017 comprises the Parent Company and its wholly owned subsidiary Venantius AB, including the latter’s wholly owned subsidiary VF Finans AB. These are jointly referred to as the “SEK Group” or “SEK,” which is the same abbreviation that is generally used for the Parent Company. Venantius AB is currently in liquidation.

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, 2017 unless otherwise stated. The figures for the Group and for the Parent Company are essentially the same. The 2017 figures are highlighted in the tables. The comparative figures in parentheses in this report refer to the same date or period in 2016 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 many opportunities to raise 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. SEK conducts no active trading and manages its

**Table 1.1: Specification of subsidiaries included in the consolidated situation at December 31, 2017**

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	24	100%	Stockholm	Purchase method
<b>Total</b>			<b>24</b>			

market risk arising from customer cash 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 2017

Global economic growth in 2017 was stronger than expected, despite a high level of geopolitical uncertainty mainly due to Brexit and US policy. Swedish exporters experienced high activity levels with increased exports in 2017. Increased trade protectionism and rising geopolitical tensions remain the main risks that could disrupt recovery.

There are also signs of price bubbles in commercial and residential property markets, as well as leveraged finance markets and the levels of consumer indebtedness have been elevating. Those patterns have been in particular

observed in the advanced economies, including Sweden which has been showing the signs of a housing market downturn during the last quarter of the year.

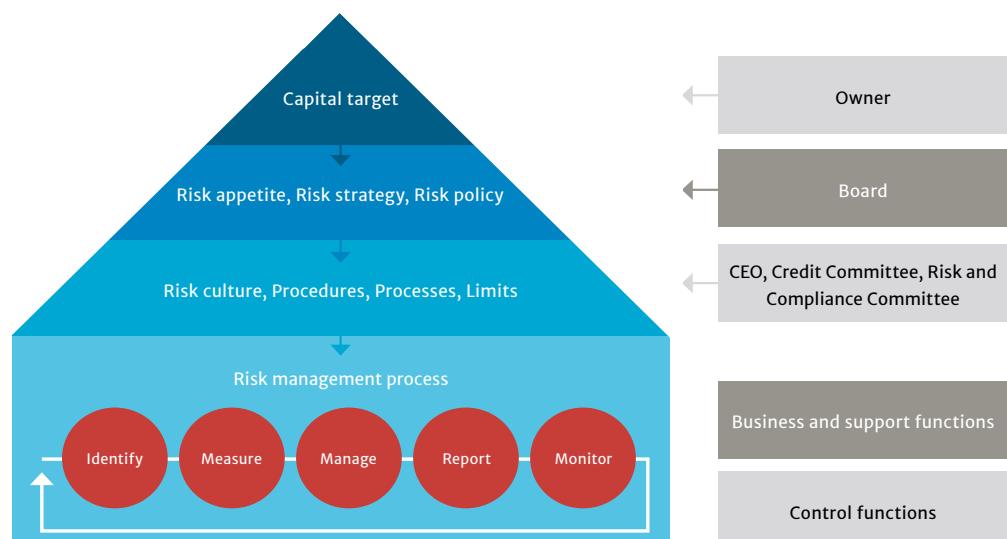
Even though lawmakers and regulators achieved consensus recently regarding the capital adequacy rules in the US, and soon in the EU as well, regulatory uncertainty remains high. Financial institutions need to be prepared to deal with the challenges of diverging regulatory frameworks. The consequences of new regulations for the financial sector remains significant in terms of the cost of adaptation, new fees and stricter capital requirements.

Internally, SEK is continuing its efforts to improve quality in risk measurement and control. The company invested in development in 2017 and achieved a significant increase in the quality of the valuation of financial products and market risk measurement. In the first quarter of 2017, the Swedish FSA granted SEK permission to apply the internal ratings-based (IRB) Approach to exposures to central and regional governments and to multilateral development banks which resulted in improved measurement of SEK's credit risk. The decrease in capital ratios in 2017 was mainly due to this method change.

SEK continues to maintain strong capitalization, with a total capital ratio of 23.0 percent (2016: 25.1 percent). SEK's capacity for new lending remains strong, providing the available funding for 15 months (2016: 9 months) of new lending. Total losses due to incidents were maintained at a low level, well within the risk appetite. Total credit losses were also at low levels in 2017.

## 2. Risk and capital management

SEK's risk management and controls are based on a sound risk culture, effective internal processes and a well-functioning control environment achieved through integrated internal controls, access to complete information, standardized risk measures and coherent and transparent risk reporting.



## 2.1 SEK's risk framework

SEK risk framework is ultimately governed by SEK's mission from its owner, the Swedish state, and SEK's business model. The Board of Directors sets additional constraints for SEK's operations in the form of policies, risk appetite, capital target (approved by the general shareholders meeting) and limits. SEK's Chief Executive Officer (CEO) is responsible for the preparation of SEK's business plan, which sets the strategic objectives for the company. The Board of Directors approves the business plan and determines the overall risk strategy that the company shall follow while executing the business plan. The independent Risk control function controls that SEK operates within the established risk framework, i.e. that the company follows its defined risk strategy, risk policies, risk appetite and that the risks are identified, measured, monitored, reported and controlled on a regular basis. 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.

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. SEK's risk framework (see figure above) encompasses all SEK's operations, all its risks and all relevant personnel.

## 2.2 Risk governance

The Board of Directors has the 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 are consistent. 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. For example, the Finance and Risk Committee approves essential risk and valuation models. The Finance and Risk Committee also decides upon certain limits, chiefly within market and liquidity 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 makes credit decisions that exceed the mandates of the company's Credit Committee. The Board's Credit Committee approves methods for internal risk classification for different types of exposure

classes and sets the internal definition of default. 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 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 upon 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.

SEK has organized risk management and control according to the three lines of defense principle with a clear division of responsibilities between the business

Division of responsibility for risk, liquidity and capital management in the company	
<b>First line of defense</b>	
• Business and support functions.	• Credit and sustainability analyses.
• Day-to-day management of risk, capital and liquidity in compliance with risk appetite and strategy as well as applicable laws and rules.	• Daily control and follow-up of credit, market and liquidity risk.
<b>Second line of defense</b>	
• Independent risk control and compliance functions.	• Risk, liquidity and capital reporting.
• Identification, quantification, monitoring and control of risks and risk management.	• Maintaining an efficient risk management framework and internal control framework.
	• Compliance monitoring and reporting.
<b>Third line of defense</b>	
• Independent internal audit	• Performance of audit activities in line with the audit plan adopted by the Board.
• Review and evaluation of the efficiency and integrity of risk management.	• Direct reporting to the Board.

and support functions that own the risks, the control functions that independently controls the risks, and the internal audit function that reports directly to the Board.

### 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 the 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 15.9 percent based on SEK's balance sheet at September 30, 2017. SEK's total capital ratio per December 31, 2017 amounted to 23.0 percent.

### 2.5 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. The risk appetite sets the level and direction of SEK's risks that the Board accepts in order to achieve SEK's strategic goals. The risk appetite should further specify the risk measurements that the Board believes provides sufficient information for the Board members to be 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 the company's equity. The Board comprehensively monitors the risk exposures related to the risk appetite at least on a quarterly basis.

### 2.4 The Boards Risk declaration and Risk Statement

<p><b>Risk declaration</b></p> <p>The Board hereby declares that the SEK Group has overall satisfactory risk management in relation to the company's profile and strategy.</p>	<p><b>Core risk management principles:</b></p> <ul style="list-style-type: none"> <li>• SEK must be selective in its choice of counterparties and clients in order to ensure a strong credit rating.</li> <li>• 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.</li> <li>• 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.</li> <li>• SEK's business strategy entails secure financing which has, at least, the same maturities as the funds we lend.</li> </ul> <p>SEK's risk profile in 2017 agrees well with the risk tolerance and risk appetite established by the Board. A more in-depth description of SEK's risk management and risk profile is presented in SEK's Annual Report and in SEK's Pillar 3 report.</p> <p>The Annual Report is adopted by the Board.</p>
<p><b>Risk statement</b></p> <p>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 2017, the total internally assessed economic capital excluding any buffer, amounted to Skr 8 783 million, or 10.5 percent of risk weighted assets, of which credit risk accounts for 79 percent, market risk 18 percent, operational risk 2 percent and other risks account for 2 percent.</p> <p>To ensure that SEK is well capitalized in relation to the company's risks and that the company has a good liquidity situation, the Owner (The Swedish government) stipulates SEK's risk tolerance for capitalization and the Board the company's risk tolerance for liquidity risk. The Owner has established that the total common equity ratio under normal circumstances shall be between 1 and 3 percentage points above the total common equity capital requirement communicated by the Swedish FSA, Finansinspektionen.</p>	

Table 2.1 Detailed risk statement

Risk class	Risk profile	Risk appetite metrics	Risk management		
<b>Credit risk</b>	<p>Credit risk is the risk of loss that could occur if a borrower or a counterpart can not meet its obligations. Counterparty risk, concentration risk and settlement risk are certain subsets of credit risk.</p>	<p>SEK's lending portfolio is of a high credit quality. The company's mission naturally entails certain concentration risks, such as geographical concentration risk against Sweden. The net risk is principally limited to counterparties with high creditworthiness, 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.</p>	<ul style="list-style-type: none"> <li>Large exposures must not exceed 20% of SEK's own funds.</li> <li>The company's expected loss within one year must not exceed 2%, and the total portfolio maturity must not exceed 8% of the Common Equity Tier 1 capital.</li> <li>The average risk weight for SEK's credit-risk exposures to corporates and institutions may not exceed 65 percent.</li> <li>Credit-risk-related concentration risk must not exceed 35 percent of the Swedish FSA's assessed capital requirement for credit risk.</li> <li>The company's net exposures to counterparties in the segment &lt;= BB- must not exceed 4 percent of SEK's total exposure.</li> </ul>	<p>Lending must be based on in-depth knowledge of SEK's counterparties as well as counterparties' repayment capacity. Lending must also be aligned with SEK's mission based on its owner instruction. 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.</p>	<p>Concentrations that occur naturally as a result of the company's mission are accepted, but the company continuously works towards reducing the risk of concentration where this is possible.</p>
<b>Market risk</b>	<p>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.</p>	<p>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.</p>	<ul style="list-style-type: none"> <li>SEK's aggregated market risk measure for all the exposures at fair value must not exceed Skr 1,100 million</li> <li>Total interest rate sensitivity to a 100 bps parallel shift of all yield curves, comprising the entire balance sheet, must not exceed Skr 500 million.</li> <li>Net interest income (NII) 1 year, the impact on SEK's future earnings margin resulting from a change in interest rates, a 100 basis-point parallel shift, must not exceed Skr 250 million.</li> <li>Risk to NII from cross-currency basis swaps 1 year, the impact on SEK's future earnings margin resulting from a change in cross-currency basis spreads must not exceed Skr 100 million.</li> </ul>	<p>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.</p>	
<b>Operational risk</b>	<p>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.</p>	<p>Operational risks arise in all parts of the business. 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.</p>	<ul style="list-style-type: none"> <li>The risk appetite for expected losses due to operational risk is limited to Skr 20 million per calendar year.</li> <li>SEK does not accept considerable operational risks or critical audit remarks. Operational risk is divided into two categories. Category 1 includes particularly considerable operational risks, which encompass: a) critical external audit remarks; and b) possible losses in excess of Skr 150 million as estimated by SEK. Category 2 includes considerable operational risks, which are in turn divided into: a) critical internal audit remarks; and b) possible losses, as estimated by SEK, of less than Skr 150 million but with an expected loss of over Skr 2 million.</li> </ul>	<p>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.</p>	<p>Costs to reduce risk exposures must be in proportion to the effect that such measures have.</p>

Risk class	Risk profile	Risk appetite metrics	Risk management	
<b>Liquidity and refinancing risk</b>	<p>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.</p>	<p>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.</p>	<ul style="list-style-type: none"> <li>The company must operate with a buffer, for the entire balance sheet and in EUR and USD, of not less than ten percentage points above the LCR regulatory requirement.</li> <li>The company is to operate with a Net Stable Funding Ratio (NSFR) exceeding 100 percent.</li> <li>The company is to have contingencies for new lending of at least four months.</li> <li>All lending transactions are to be funded, on a portfolio basis, using at least the same maturity. The company's equity capital is included here as funding with perpetual maturity.</li> <li>The maturity profile of the liquidity investments must reflect the net maturity of borrowing and lending. Under normal circumstances, the assets should be held until maturity and only be divested under conditions of stress.</li> </ul>	<p>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.</p>
<b>Valuation risk</b>	<p>SEK is exposed to a valuation risk for financial instruments that are not traded actively and are thereby marked-to-model.</p>	<p>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, but with opposite, sign, with another counterparty, which makes the valuation effect on the aggregated level much smaller.</p>	<ul style="list-style-type: none"> <li>The price adjustment for prudent valuation is not to exceed 10 percent of own funds.</li> <li>The company may not accept identified material risks concerning valuation methods, including the regulatory framework for prudent valuation.</li> </ul>	<p>SEK works continuously to improve the quality of market data and internally developed models, to calibrate models against market transactions and to check market value with external counterparties.</p>
<b>Sustainability risk</b>	<p>Sustainability risk is the risk of SEK directly or indirectly, negatively affects externalities within the areas of environmental and climate considerations, anti-corruption, human rights, labor conditions or business ethics.</p>	<p>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.</p>	<ul style="list-style-type: none"> <li>SEK only engages in transactions that are compatible with the assignment and for which SEK can serve as a good example through compliance with the international sustainability guidelines adhered to by the company.</li> <li>Initially approved projects that can give rise to sustainability-related challenges at a later stage, including reputational risk, are to be assigned particular attention and reported to the Board.</li> <li>Know your customer checks and controls to detect money laundering and terrorism financing are to be conducted on an ongoing basis.</li> <li>For transactions conducted when other requirements applied and which would not meet current requirements, the company must in the first instance investigate possibilities for divesting and in the second instance have a clear communication plan.</li> </ul>	<p>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 environment and climate, anti-corruption, human rights including labor conditions and business ethics including tax.</p>

## 2.6 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.

## 2.7 Internal capital adequacy assessment process (ICAAP)

### 2.7.1 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 other standards, i.e. the new 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 needs during the planning period 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



### 2.7.2 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 2018–2020, is based on a deepened crisis in Europe, which can arise as a consequence of, for example a potential Euro break-up and sharp slowdown in China, which would cause fall in commodity prices. 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 as 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.

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 takes into consideration 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.

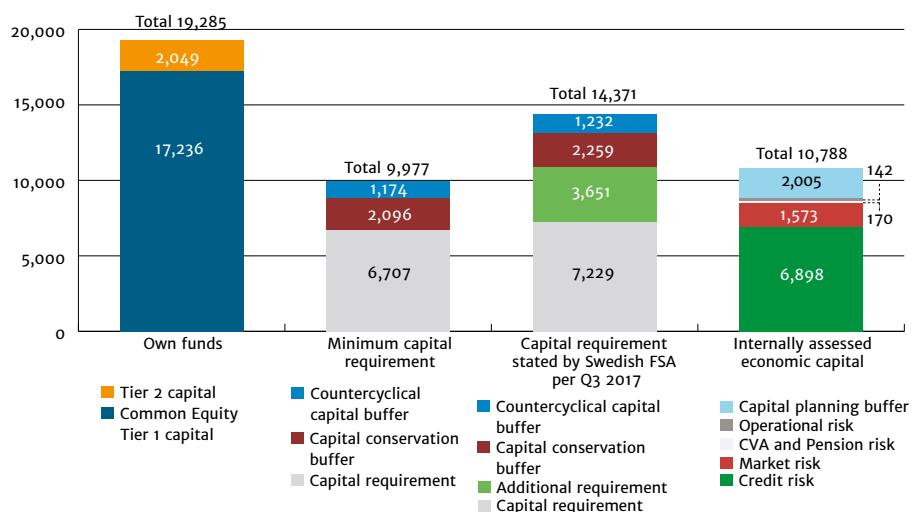
# 3. Capital and Liquidity Position

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

## 3.1 Summary of capital and liquidity position

Own funds fully exceed both regulatory capital requirements and internally assessed capital levels. At the end of December 2017, SEK's own funds amounted to Skr 19,285 million (year-end 2016: Skr 18,821 million), while the legally binding minimum capital requirement including buffers amounted to Skr 9,977 million (year-end 2016: Skr 8,650 million), the capital requirement according to the Swedish Financial Supervisory Authority (the Swedish FSA) including buffers amounted to Skr 14,371 million (year-end 2016: Skr 13,667 million) and internally assessed economic capital amounted to Skr 10,788 million (year-end 2016 Skr 11,186 million). As illustrated in Chart 3.1 SEK is well capitalized in relation to regulatory capital requirements and its internal risk assessment.

Chart 3.1: Capital situation at December 31, 2017



As shown in Chart 3.2, SEK's capital ratios decreased in 2017. The decrease in capital ratios compared with year-end 2016 is primarily due to the fact that SEK transferred from the standardized approach to apply the internal rating-based (IRB) approach to exposures to central and regional governments and to multilateral development banks in 2017. The reduction in the capital ratios is partly mitigated by a stronger Swedish currency against the US dollar and increased retained earnings.

Chart 3.2: Changes in Total Capital Ratio

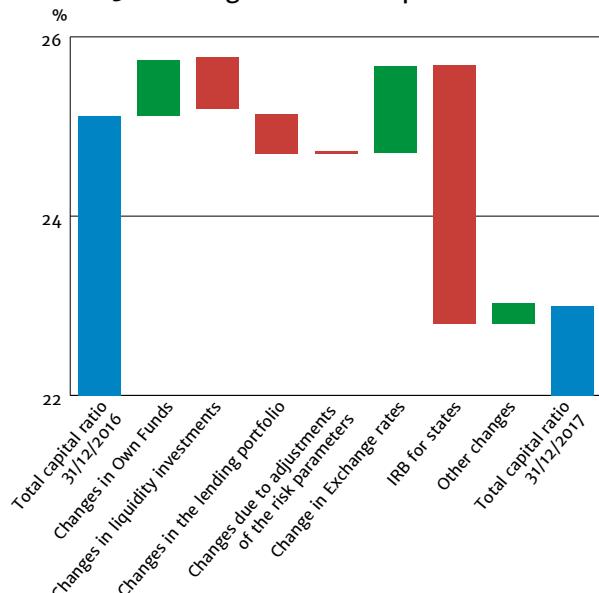


Table 3.1 below presents an overview of SEK's own funds and key capital ratios. Capital ratios are expressed as the quotients of the relevant capital measure and the total risk exposure amount (REA).

**Table 3.1: SEK's capital and liquidity position**

Skr mn	2017	2016
<b>Own funds</b>		
Common Equity Tier 1 capital	17,236	16,542
Tier 1 capital	17,236	16,542
<b>Total own funds</b>	<b>19,285</b>	<b>18,821</b>
<b>Capital requirements</b>		
Risk exposure amount (REA)	83,831	74,937
<b>Capital requirements (8% of REA)</b>	<b>6,707</b>	<b>5,995</b>
<b>Capital ratios</b>		
Common Equity Tier 1 capital ratio	20.6%	22.1%
Tier 1 capital ratio	20.6%	22.1%
Total capital ratio	23.0%	25.1%
<b>Common Equity Tier 1 capital available to meet buffers</b>	<b>14.6%</b>	<b>16.1%</b>
<b>Transitional rules</b>		
Own funds according to transitional rules	19,350	18,809
Capital requirements according to transitional rules	7,067	6,601
<b>Total capital ratio according to transitional rules</b>	<b>21.9%</b>	<b>22.8%</b>
<b>Leverage</b>		
Exposure measure for the leverage ratio	291,412	313,950
<b>Leverage ratio</b>	<b>5.9%</b>	<b>5.3%</b>
<b>Liquidity</b>		
Liquidity coverage ratio (LCR) according to FSA rules	505%	383%
Liquidity coverage ratio (LCR) according to EU rules	166%	215%
<b>Net stable funding ratio (NSFR)</b>	<b>139.9%</b>	<b>131.5%</b>

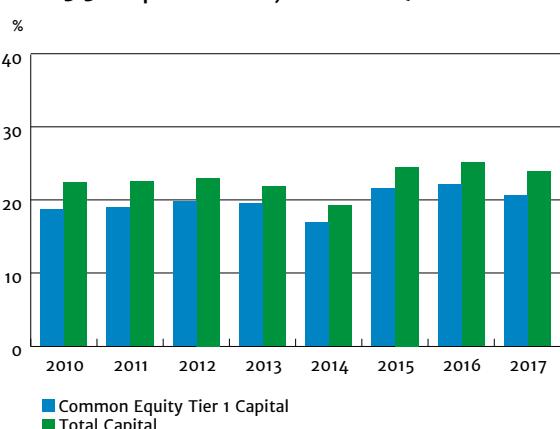
According to the CRR's Basel I floor transitional rules, which are applicable until the end of 2017, the capital requirement for total own funds should be calculated in parallel on the basis of the Basel I rules. To the extent that the Basel I-based capital requirement, reduced to 80 percent, exceeds 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.

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. The review in 2017 resulted in slightly increased riskweighted assets (REA) due to a minor increase of the safety margin for central government exposures. The estimate of exposures to financial institutions and corporates did not change in this year's review.

SEK's liquidity situation remained strong 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 (80% as per year-end 2017). 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 below. 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 primarily attributable to lower default rates over the last few years, combined with an increase in retained earnings and decreased volumes in the liquidity portfolio. SEK's capital ratios increased somewhat in 2016 and were primarily the result of increased retained earnings and revised risk parameter. The decline in 2017 was mainly related to a transfer for exposures to apply the internal rating-based (IRB) approach as mentioned above in this section .

**Chart 3.3: Capital ratios, 2010–2017**



### 3. Capital and Liquidity Position

#### 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 large exposures and leverage ratio.
- 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.
- 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)	1.4%	–	–	1.4%
<b>Total minimum capital requirement including buffer requirements</b>	<b>8.4%</b>	<b>1.5%</b>	<b>2.0%</b>	<b>11.9%</b>
<b>Additional capital requirement according to the Swedish FSA<sup>1</sup></b>				
Interest rate risk in the banking book	0.5%	0.1%	0.1%	0.7%
Credit-risk-related concentration risk	1.5%	0.3%	0.4%	2.2%
Pension risk	0.1%	0.0%	0.0%	0.1%
Other	0.7%	0.2%	0.2%	1.1%
<b>Total additional capital requirement according to the Swedish FSA</b>	<b>2.7%</b>	<b>0.6%</b>	<b>0.7%</b>	<b>4.0%</b>
<b>Total capital requirement</b>	<b>11.1%</b>	<b>2.1%</b>	<b>2.7%</b>	<b>15.9%</b>

<sup>1</sup> Based on SEK's balance sheet at September 30, 2017.

##### 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 March 19, 2017, a countercyclical capital buffer rate of 2.0 is applied to all exposures located in Sweden. As of December 31, 2017, the weight of the Swedish buffer rate, comprising the proportion of buffer requirements related to exposures in Sweden to total capital requirements, is 67 percent (69 percent), which results in a countercyclical capital buffer of 1.4 percent (1.0 percent) applicable to SEK. 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. As of December 31, 2017, the contribution to SEK's countercyclical capital buffer from buffer rates in other countries was 0.05 percentage points (year-end 2016: 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 respective chapters 4, 5 and 6 of 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	
	2017	2016	2017	2016	2017	2016
Credit risk standardized method <sup>1</sup>						
Central governments	-	145,531	-	963	-	77
Regional governments	-	19,904	-	-	-	-
Multilateral development banks	-	1,900	-	-	-	-
Corporates	1,316	1,450	1,316	1,450	105	116
<b>Total credit risk standardized method</b>	<b>1,316</b>	<b>168,785</b>	<b>1,316</b>	<b>2,413</b>	<b>105</b>	<b>193</b>
Credit risk IRB method <sup>1</sup>						
Central governments	161,429	-	9,331	-	747	-
Financial institutions	38,163	44,947	12,688	14,089	1,015	1,127
Corporates	104,630	95,519	53,763	51,104	4,301	4,088
Assets without counterparty	121	123	121	123	10	10
<b>Total credit risk IRB method</b>	<b>304,343</b>	<b>140,589</b>	<b>75,903</b>	<b>65,316</b>	<b>6,073</b>	<b>5,225</b>
Credit valuation adjustment risk	n.a.	n.a.	1,989	2,526	159	202
Foreign exchange risks	n.a.	n.a.	1,326	999	106	81
Commodities risk	n.a.	n.a.	13	14	1	1
Operational risk	n.a.	n.a.	3,284	3,669	263	293
<b>Total</b>	<b>305,659</b>	<b>309,374</b>	<b>83,831</b>	<b>74,937</b>	<b>6,707</b>	<b>5,995</b>
Adjustment according to Basel I floor	n.a.	n.a.	4,503	7,572	360	606
<b>Total incl. Basel I floor</b>	<b>n.a.</b>	<b>n.a.</b>	<b>88,334</b>	<b>82,509</b>	<b>7,067</b>	<b>6,601</b>

<sup>1</sup> Exposure classes that have no turnout have been omitted in this table.

#### *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 to 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**

	2017	2016
The aggregate amount of SEK's large exposures	230.6%	199.0%
Exposures between 10% and 20%	18 exposures, totaling Skr 44,471 mn	15 exposures, totaling Skr 37,455 mn
Exposures > 20%	none	none

#### *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. SEK currently has a leverage ratio of 5.9%.

### 3. Capital and Liquidity Position

#### 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 and pension 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, at December 31, 2017, SEK's additional requirement was Skr 3,651 mn (4,569). Finally, the Swedish FSA adds the capital buffers according to Pillar 1. As of December 2017, SEK's buffer requirement was Skr 3,491 million (2,788). See Table 3.2 for a description of the regulatory capital requirements in percentage points.

#### 3.2.3 Bank Recovery and Resolution Directive (BRRD)

The Swedish National Debt Office has decided on plans for how Swedish banks and other financial institutions are to be managed in a crisis situation and also decided upon institutions respective minimum requirement for own funds and eligible liabilities (MREL).

The BRRD was fully implemented in Swedish law in 2016, through the Resolution Act that is a parallel requirement to the CRR.

The Swedish National Debt Office's has concluded that Swedish institutions, including SEK, have business activities that are critical to the Swedish financial system and have prepared plans that outline the measures that the Debt Office intends to take in the event of resolution.

The Debt Office has also set a minimum requirement for own funds and eligible liabilities for those institutions. Pursuant to the Debt Office's decision, the minimum requirement of total eligible liabilities and own funds for SEK is 7.1 percent, as calculated in accordance with the resolution regime. The requirement applies from January 1, 2018 and at the time of introduction was met by all institutions, including SEK.

#### 3.2.4 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 chapter 2 for more information regarding internally assessed economic capital.

Table 3.5: Internally assessed economic capital

Skr mn	Percent- age of REA		Percent- age of REA	
	2017	2016	2017	2016
Credit risk	6,898	8.2%	7,481	10.0%
Market risk	1,573	1.9%	1,597	2.2%
Operational risk	142	0.2%	182	0.2%
Other <sup>1</sup>	170	0.2%	258	0.3%
<b>Internal capital requirement excl. buffer</b>	<b>8,783</b>	<b>10.5%</b>	<b>9,518</b>	<b>12.7%</b>
Capital planning buffer	2,005	2.4%	1,668	2.2%
<b>Total capital</b>	<b>10,788</b>	<b>12.9%</b>	<b>11,186</b>	<b>14.9%</b>

<sup>1</sup> 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.

#### 3.3.1 IFRS 9

The principle applied for the impairment of exposures will be changed from the approach based on incurred credit loss events under IAS 39 to instead be based on expected credit losses. The requirement applies from January 1, 2018. IFRS 9 states that all assets measured at amortized cost, including credit commitments and financial guarantees, are to be tested for any impairment need, which differs from IAS 39, where collective provisions are not made for off-balance-sheet items or financial assets available-for-sale. The implementation of expected credit loss (ECL) models means for SEK's part lower initial impairment but is expected to entail higher volatility over time.

At December 31, 2017, the transition to IFRS 9 had a total positive impact on the Group's equity of Skr 14 million. IFRS 9 had no material impact on capital adequacy and large exposures.

### 3.3.2 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 the regulation have been rolled out step by step. The regulatory framework intends to increase the stability of the derivatives market and impact especially clearing and financial reporting. Since 2016, SEK is required to clear certain OTC derivatives and in 2017 this was also implemented for transactions entered in Swedish, Norwegian and Polish currency. For SEK's part, the EMIR project concerning central clearing has been completed and the associated requirements have been introduced as part of the daily business routines.

### 3.3.3 European Commission's reform package

In November 2016, the EU Commission proposed a banking reform package with the purpose to ensure the resilience of European financial institutions. The package includes *inter alia* amendments relating to large exposure, liquidity risk, leverage ratio and the European resolution framework. The proposals are to be considered by the European Parliament and the Council of the European Union before they can come into force.

#### *Large exposures*

The EU Commission has 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 ability 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 on October 1, 2015. The minimum ratio requirement has gradually increased, and become 100 percent on January 1, 2018. Under the CRR, the NSFR is subject to supervisory reporting, but the minimum ratio requirement is not expected to come into force until 2019 at the earliest.

#### *Leverage ratio*

The leverage ratio is a non-risk-based solvency requirement introduced as a support to the risk-based capital requirements. The European Commission has proposed a binding leverage ratio minimum requirement. The minimum requirement is expected to be calibrated to 3% and will come into force not earlier than 2019.

#### *Bank Recovery and Resolution Directive (BRRD)*

Also part of the European Commission's proposal is the amendment that only certain types of subordinated debt should comprise eligible liabilities. This EU requirement will begin to apply not earlier than July 2018. The Swedish National Debt Office has announced that this requirement will take effect in Sweden on January 1, 2022.

### 3.3.4 Final Basel III package by the Basel Committee

The main objective with this framework, issued in December 2017, is to reduce variability of risk-weighted assets within the banking system. The regulation contains implementing of an output floor, altered standardized approaches for credit risk and operational risk, constrains in the use of internally modelled approaches and changes in leverage ratio. It is planned to enter into force on January 1, 2022. From a Swedish perspective, the new Basel standards must first be introduced into EU legislation before they can serve as a basis for new decisions on capital requirements. SEK is expected to meet the requirements based on assumptions under current market situation.

#### *Output floor*

The Basel Committee has set an output floor of 72.5 percent. A bank using internal models to calculate its risk weighted exposures will not be able to reduce its overall risk weighted exposures below 72.5 percent of the risk weighted exposures that would have applied using the revised standardized approach to each risk. The output floor has a long transitional period beginning by January 1, 2022 at 50 percent and will be fully implemented by January 1, 2027 at 72.5 percent.

#### *Revised standardized approach*

A minor portion of the exposure in SEK will be calculated according to the revised standardized approaches and will therefore not have a major impact on SEK's capital adequacy ratios.

#### *Internally-modelled approach*

Constrains in use of internally-modelled approaches primarily affects banks using the advanced approach (A-IRB). The A-IRB approach cannot be used for large corporates with an annual revenue greater than EUR 500 million and for financial institutions. Since SEK uses the foundation approach (F-IRB), these two constrains do not affect SEK as to how the calculations are performed today.

#### *Leverage ratio*

The Basel Committee has finalized the exposure measure for the leverage ratio, and the main change is primarily related to a leverage ratio buffer to global systemically important banks (G-SIBs), and does not encompass SEK.

# 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, the Chief Risk Officer (CRO) 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.

Overall responsibility for the relationship with SEK's counterparties lies with 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.

Limit and credit decision procedure	
<b>The Board</b>	Matters related to credit and credit decisions that are of fundamental significance or in some other way of major importance to SEK.
<b>The Board's Credit Committee</b>	Decisions concerning limits or credit that exceed the Credit Committee's decision-making mandate, new country limits, annual review of the 20 largest limits for corporates and financial institutions.
<b>The Credit Committee</b>	Decisions concerning limits or credit within the Credit Committee's decision-making mandate, annual review of country limits, credit-risk related waivers and new limits for liquidity investments.
<b>The Risk Classification Committee</b>	Decisions on internal risk classification.
<b>Authorization</b>	Decisions of two or more employees together within the limit and within the norm subject to authorization as described in the credit instruction.
<b>Normative credit policy</b>	
1. Risk level	
2. Lending terms	
3. Know your customer (KYC)	
4. Sustainability risks	

The Credit function is part of SEK's first line of defense and 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.

#### *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 are reviewed continuously 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 its 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 take action in order to reduce the risk of default, adjust the exposure and minimize credit losses 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 four areas regarding the quality requirements for a credit or limit.

Normative credit policy
1. Risk level
2. Lending terms
3. Know your customer (KYC)
4. Sustainability risks

### 4.1.2 Credit risk mitigation methods

SEK's credit risk is mitigated through risk-based selection of counterparties. To a large extent SEK relies 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

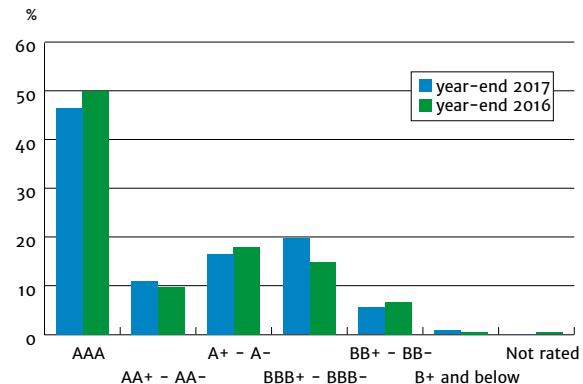
majority of SEK's guaranteed credit exposure is shown as exposure to sovereign counterparties. One of the most significant guarantors for SEK is the Swedish Credit Export Agency (EKN), which explains the significant share of central government risk class and Sweden as a region in net credit risk distribution.

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 are 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.

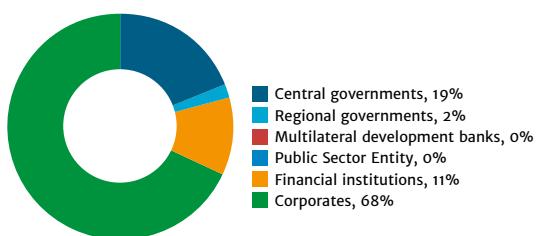
As illustrated in the Chart 4.3 below, SEK's credit portfolio maintains high quality with 47 percent of all exposures (after risk mitigation) in the highest rating category "AAA", and 74 percent of all exposures rated "A-" or higher.

### Chart 4.3: Net credit risk exposure

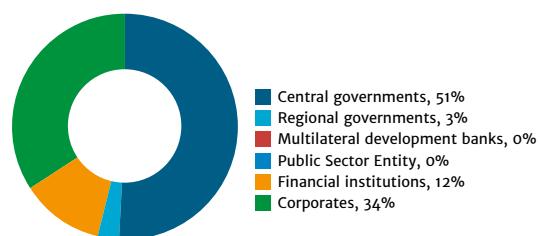


### Chart 4.1: Credit risk mitigation, effect by exposure classes

**Gross exposure by exposure class, as of December 31, 2017**

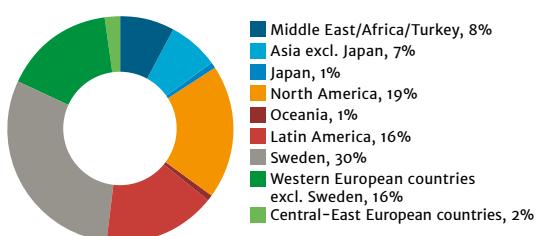


**Net exposure after risk mitigation by exposure class, as of December 31, 2017**

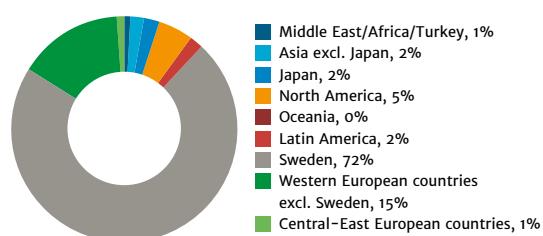


### Chart 4.2: Credit risk mitigation, effect by region

**Gross exposure by region, as of December 31, 2017**



**Net exposure after risk mitigation by region, as of December 31, 2017**



## 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 IRB exposure classes:

- Exposures to central governments and central banks
- Exposures to institutions
- Exposures to corporates

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 other ECAs in the OECD (time-limited exemption valid until December 31, 2018)
- 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).

#### *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 to estimate a precise PD, but instead seeks to place the counterparty within a category of comparable counterparties, from a risk perspective (relative assessment). One method applied by financial institutions that use IRB systems to set PD values for their various risk classes, in particular for “low default portfolios,” is to map their internal rating scale against the rating scale of a rating agency before applying the external rating agency’s default statistics to calculate the PD. Rating agencies regularly publish statistics for default frequencies in their various rating classes. SEK uses essentially 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).

Under the IRB Approach, SEK’s definition of default is aligned with Standard & Poor’s definition of default. According to SEK’s definition, a default arises 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.

#### **Internal 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 rating using different methods for analyzing corporates, insurance companies, financial institutions, sovereigns, regional governments and specialized lending. 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 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, when the IRB Approach is used, 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 methodologies and internal rating proposals from SEK’s Credit function in order to (i) establish internal rating for new counterparties, (ii) when considered relevant, review ratings for existing counterparties, and (iii) at least on an annual basis, review internal 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. A rating that has been established by the Rating Committee or has been established according to the specific mandate, may not be appealed against or amended by any other decision body at SEK.

The new accounting standard, IFRS 9, began on January 1, 2018. Under IFRS 9, all counterparties must receive an internal rating. Therefore, non-IRB counterparties were also assigned an internal rating in 2017.

#### **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. The Basel Formula computes capital requirements for credit risk at the 99.9 percent confidence level. Under the IRB method, the regulatory capital charge depends only on the unexpected loss (UL). Minimum capital requirements must be sufficient to cover 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.

#### 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 the amount of capital that 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 <sup>1</sup>	Internal estimate
Loss given default (LGD)	45% <sup>1</sup>	Internal estimate
Maturity (M)	2.5 years <sup>1</sup>	Internal estimate
Correlations	Basel formula <sup>2</sup>	Internal estimate

<sup>1</sup> Risk parameters according to the CRR. 45% and 2.5 years are normally applicable.

<sup>2</sup> 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.

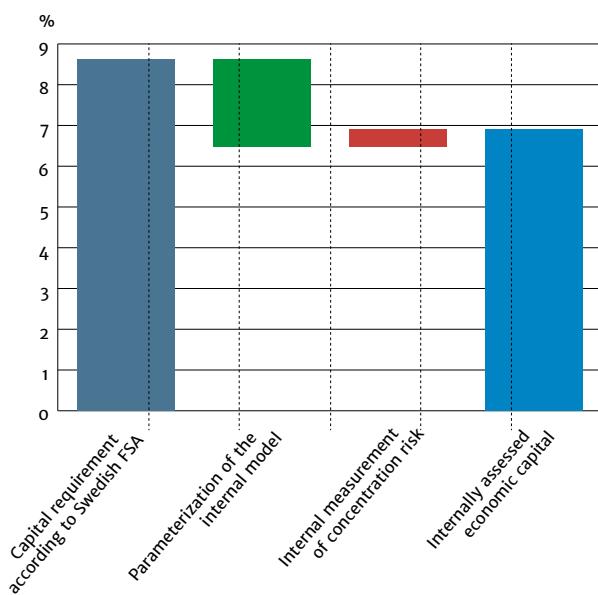
The counterparties' probability of default is based on the same PD estimate that is used in the minimum capital requirement calculation. SEK's model also takes into consideration rating migrations and the unrealized value changes that these migrations result in. Output from the model comprises a probability 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 two types: (i) parameterization of the internal model and (ii) 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. 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 2,608 million (2,665), 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 Monitoring

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 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.

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. The Board's Credit Committee also approves risk classification methods and the Finance and Risk Committee approves risk parameters, such as PD estimates.

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 and 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.

#### 4.4.1 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**

Skr mn	Exposure at default		Minimum capital requirement		Internally assessed economic capital	
	2017	2016	2017	2016	2017	2016
<b>Credit risk standardized method</b>						
Central governments	-	145,531	-	77	-	1,594
Regional governments	-	19,904	-	-	-	134
Multilateral development banks	-	1,900	-	-	-	2
Corporates	1,316	1,450	105	116	96	52
<b>Total credit risk standardized method</b>	<b>1,316</b>	<b>168,785</b>	<b>105</b>	<b>193</b>	<b>96</b>	<b>1,782</b>
<b>Credit risk IRB method</b>						
Central governments	161,429	-	747	-	828	-
Financial institutions	38,163	44,947	1,015	1,127	470	509
Corporates	104,630	95,519	4,301	4,088	5,504	5,190
Assets without counterparty	121	123	10	10	-	-
<b>Total credit risk IRB method</b>	<b>304,343</b>	<b>140,589</b>	<b>6,073</b>	<b>5,225</b>	<b>6,802</b>	<b>5,699</b>
<b>Total credit risk</b>	<b>305,659</b>	<b>309,374</b>	<b>6,178</b>	<b>5,418</b>	<b>6,898</b>	<b>7,481</b>

**Table 4.3: Exposure guaranteed by government export credit agencies**

Skr bn	Guaranteed exposure		Percentage	
	2017	2016	2017	2016
Swedish Export Credits Guarantee Board (EKN)	137.5	130.5	91%	86%
Bpifrance Assurance Export	7.8	10.3	5%	7%
Export-Import Bank of the United States	2.4	3.8	2%	2%
Euler Hermes Kreditversicherungs AG	1.4	2.6	1%	2%
Other	2.2	4.6	1%	3%
<b>Total</b>	<b>151.3</b>	<b>151.8</b>	<b>100%</b>	<b>100%</b>

#### 4.4 Exposure and capital requirements

SEK's risk exposure amounts, and minimum capital requirements to central and regional governments and to multilateral development banks increased mainly due to the expanded IRB Approach. Beginning March 31, 2017 the IRB Approach is also applied to SEK's exposures to central and regional governments and to multilateral development banks.

Table 4.4: Effect of credit exposure mitigation at December 31, 2017

Skr bn	Gross exposures by exposure class					
	Central governments	Regional governments	Public Sector Entity	Financial institutions	Corporates	Total
Amounts related to credit risk mitigation issued by:						
Central governments	49.3	0.5	-	0.4	104.4	154.6
<i>of which guarantees by the Swedish Export Credit Agency</i>	48.2	0.5	-	0.2	88.6	137.5
<i>of which guarantees by other export credit agencies</i>	1.1	-	-	0.2	12.5	13.8
<i>of which other guarantees</i>	-	-	-	-	3.3	3.3
Regional governments	-	0.0	-	5.9	0.6	6.5
Multilateral development banks	-	-	-	-	0.0	0.0
Financial institutions	0.0	-	-	0.0	8.0	8.0
<i>of which credit default swaps</i>	-	-	-	-	1.0	1.0
<i>of which other guarantees</i>	0.0	-	-	0.0	7.0	7.0
Corporates	-	-	-	0.0	3.1	3.1
<i>of which credit insurance from insurance companies</i>	-	-	-	-	2.5	2.5
<i>of which other guarantees</i>	-	-	-	0.0	0.6	0.6
<b>Total mitigated exposures</b>	<b>49.3</b>	<b>0.5</b>	<b>-</b>	<b>6.3</b>	<b>116.1</b>	<b>172.2</b>
Non-mitigated exposures	12.4	5.0	0.4	30.6	106.6	155.0
<b>Total</b>	<b>61.7</b>	<b>5.5</b>	<b>0.4</b>	<b>36.9</b>	<b>222.7</b>	<b>327.2</b>

#### 4.4.2 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 on the next page provides a comparison for the years 2008–2017, 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 that the exposure defaulted.

Five defaults occurred in the classes exposures to corporates and exposures to financial institutions under the IRB Approach between 2008 and 2017. Only three of these defaults resulted in actual losses and the sum of these losses totaled Skr 474 mn (Skr 453 mn), which can be compared with the sum of the expected loss amounts for these nine years which totaled Skr 1,514 mn (Skr 1,338 mn). Since 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	Corpo- rates	Financial institu- tions	Central govern- ments and central banks	Total
<b>2008</b>				
Expected loss amount	37	25	n.a.	62
Actual loss	–	389	n.a.	389
<b>2009</b>				
Expected loss amount	64	46	n.a.	110
Actual loss	31	–	n.a.	31
<b>2010</b>				
Expected loss amount	89	51	n.a.	140
Actual loss	–	–	n.a.	–
<b>2011</b>				
Expected loss amount	97	46	n.a.	143
Actual loss	–	–	n.a.	–
<b>2012</b>				
Expected loss amount	111	36	n.a.	147
Actual loss	–	–	n.a.	–
<b>2013</b>				
Expected loss amount	133	27	n.a.	160
Actual loss	–	–	n.a.	–
<b>2014</b>				
Expected loss amount	167	24	n.a.	191
Actual loss	–	–	n.a.	–
<b>2015</b>				
Expected loss amount	182	18	n.a.	200
Actual loss	33	–	n.a.	33
<b>2016</b>				
Expected loss amount	170	15	n.a.	185
Actual loss	–	–	n.a.	–
<b>2017</b>				
Expected loss amount	154	15	7	176
Actual loss	21	–	–	21

## 4.5 Counterparty credit risk

### 4.5.1 Management

Counterparty credit risk arises when SEK enters into derivative transactions with a counterparty. Most of SEK's derivatives transactions have the purpose of mitigating market risks, with the exception of a few credit derivatives, which SEK has purchased to reduce the credit risks 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 jurisdic-

tions 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 collateral. 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.

Central clearing reduces bilateral counterparty credit risk. Since end of the 2016, SEK clears, in accordance with the European Markets Infrastructure Regulation (EMIR), the interest-rate derivatives with central counterparties.

No transactions with material specific correlation risk have been identified.

### 4.5.2 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. The mark-to-market method is also used for calculation of minimum capital requirements and internally assessed economic capital for counterparty 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.

### 4.5.3 Monitoring

SEK's counterparty credit risk exposures are analyzed and reported to the management and the Board of Directors regularly. In addition, SEK's stress test program also include counterparty credit risk exposures.

### 4.5.4 Exposure and capital requirement

All of SEK's counterparties 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 marked-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**

Skr mn	Exposure	
	2017	2016
Positive market value of derivative contracts	7,803	12,005
Exposure reduction from netting agreements	-5,603	-8,675
<b>Exposure after netting</b>	<b>2,200</b>	<b>3,330</b>
Exposure reduction from collaterals received	-1,705	-2,950
<b>Exposure after netting and collaterals</b>	<b>495</b>	<b>380</b>
Regulatory add-on for potential future credit exposure	3,636	4,135
<b>Total exposure amount from counterparty risk</b>	<b>4,131</b>	<b>4,515</b>
<b>Minimum capital requirement</b>	<b>126</b>	<b>143</b>

#### 4.6 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**

Skr mn	Risk exposure amount		Minimum capital requirement	
	2017	2016	2017	2016
Credit valuation adjustment risk	1,989	2,526	159	202

# 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, risk strategy and risk policy. The Board's Finance and Risk Committee decides on the limit structure that defines the permitted net market risk exposures and instructions established by the CEO regulate SEK's management of market risks. SEK's Chief Risk Officer decides on the methodology for measurement 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 reported by the risk control function to the CEO on a daily basis 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 by the CRO to the CEO and the Board's Finance and Risk Committee. SEK conducts no active trading and the SEK's business model entails that all transactions are normally held to maturity.

### 5.1.2 Risk mitigation methods

As a rule, the company funds itself by issuing debt, both plain vanilla and structured, 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 the 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

In 2017 SEK fully implemented Value at Risk (VaR) as the main method for measuring market risk. It is reported for the company as a whole as well as separate for the Liquidity portfolio. VaR is complemented by the aggregated risk measure, which is based on a monthly worst-case scenario, as well as risk specific measures and various stress tests (see sections 5.2.2 to 5.2.4 below).

### 5.2.1 Value at Risk

VaR is a statistical technique used to measure and quantify the level of financial risk over a specific time frame at a predefined confidence level. SEK uses a historic simulation VaR model that applies historic market movements on current positions and estimates the expected loss for a time horizon of one day at a 99% confidence level. Market parameters used as risk factors are:

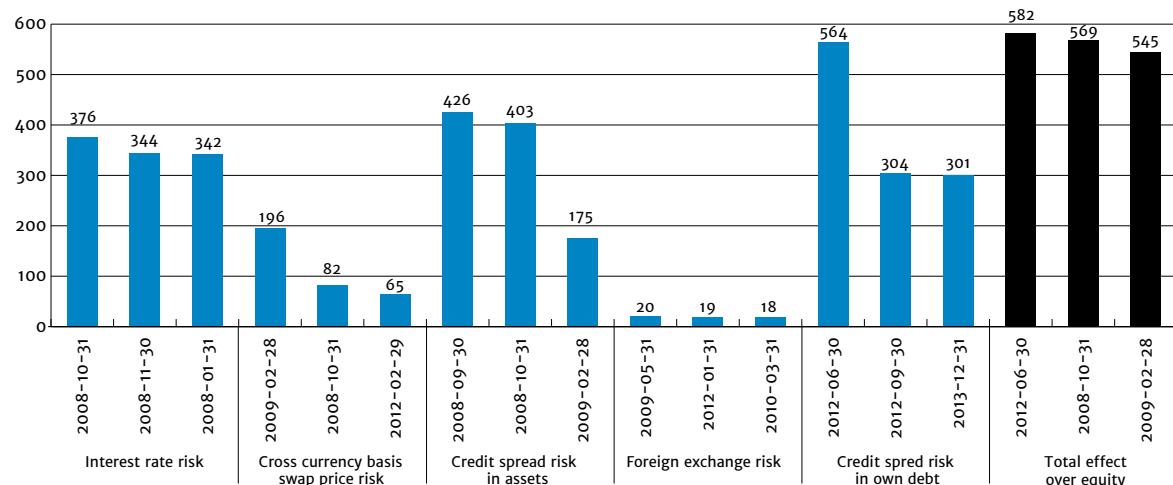
- Interest rates
- Cross currency basis spreads
- Credit spreads
- Foreign exchange
- Equities
- Indices
- Commodities
- Volatilities

The VaR simulations are based on two years daily market movements. In addition to VaR also stressed VaR is calculated on a daily basis. The market data time series used for stressed VaR starts in 2006 and includes periods with extreme market movements, such as the bankruptcy of Lehman Brothers in 2008 and the euro crisis taking off in 2010, allowing for the identification of a worst case scenario. Stressed VaR is based on daily market movements for one year during the stressed period.

VaR is calculated for the potential impact on own funds. It includes positions measured at fair value in the balance sheet, excluding effects from changes in own credit spread, plus foreign exchange risk originating from positions held at amortized cost.

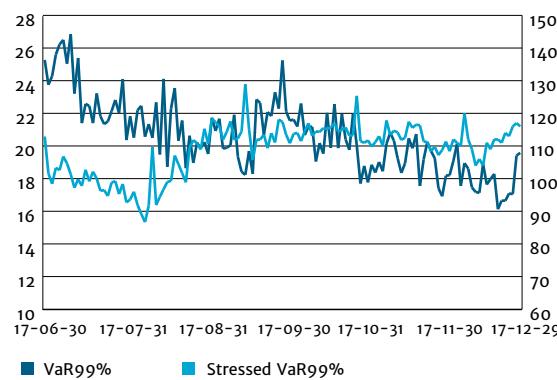
The main risk drivers for the daily VaR are interest rates, credit and basis spreads. See section 5.2.3 Risk specific measures for a more detailed description of the risk drivers.

Chart 5.2: 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 5.2 represents the date at which the worst scenario would have occurred measured on the exposures outstanding at 2017-12-31. For total effect on equity, the three dates represents the dates at which equity had been most negatively impacted measured on the exposures outstanding at 2017-12-31.

Chart 5.1: VaR and Stressed VaR, Skr mn



### 5.2.2 Stress test-based aggregated risk measure

The aggregated risk measure is based on a number 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 evaluates 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 for the aggregated risk measure of Skr 1,100 million is measured against the worst scenario which, for SEK at the end of 2017, was the scenario based on the market movements from June 2012.

### 5.2.3 Risk specific measures

VaR and the aggregated risk measure 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:

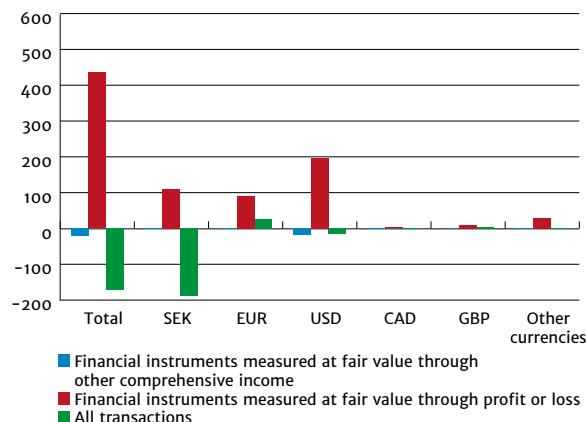
- Interest rate risk affecting Economic Value of Equity (EVE)
- Interest rate risk affecting Net Interest Income (NII).

#### Interest rate risk affecting EVE

The interest rate risk affecting 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 5.3, SEK's risk appetite for market risk due to the unmatched cash flow is low.

SEK's interest rate affecting EVE is shown in chart 5.3. Total interest rate risk, netted over currencies, amounted to Skr -171 million at year-end 2017 (year-end 2016: Skr -223 million). The total interest rate risk in Skr amounted to Skr -188 million (year-end 2016: Skr -213 million).

**Chart 5.3: Interest rate risk by currency, +100 BP, at December 31, 2017, Skr mn**



#### Interest rate risk affecting 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 take 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 due to changes in 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, foreign exchange exposures 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 foreign exchange risk exposure 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 foreign exchange 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.

#### Other risks

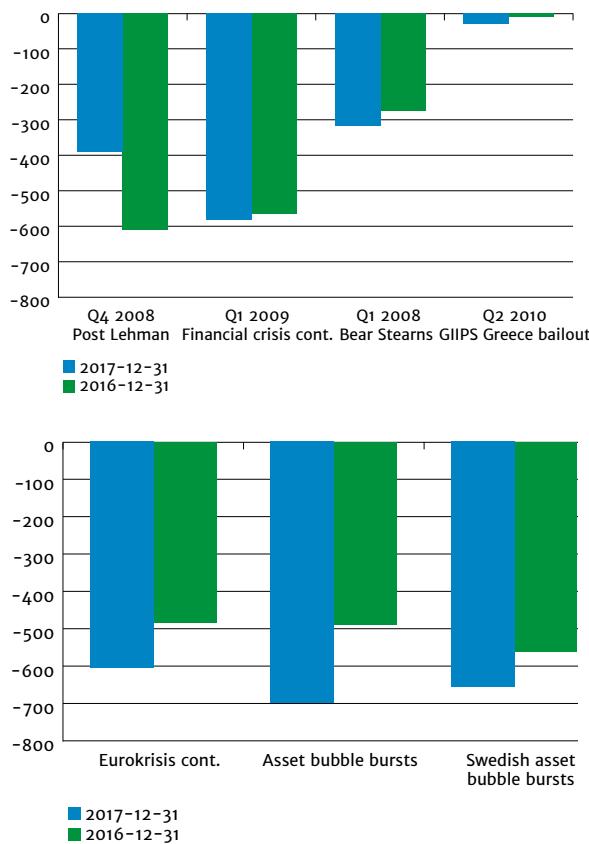
SEK's equity and commodity risks and volatility risk from equity and commodity arise only from structured borrowing. Even though all cash flows in structured funding are matched through hedging swaps an impact on the result arises. This is because the valuation of the bond takes SEK's own credit spread into account, whereas the swap's valuation is not affected by this credit spread. Furthermore, structured borrowings may include early redemp-

tion 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.

#### 5.2.4 Stress testing

SEK regularly stress tests the market risk 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, 2017, Skr mn**



#### 5.2.5 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: (i) scenario analysis for EVE, (ii) stress testing for EVE and (iii) NII

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 2017 amounted to Skr 1,573 million (2016: Skr 1,597 million).

#### 5.3 Monitoring

Market risks are measured, analyzed and reported to management on a daily basis. Limit breaches are reported, escalated and managed according to documented internal procedures. A more thorough analysis of markets, market risk trends and stress tests of the portfolio is performed and reported to management on a monthly basis and to the Board quarterly.

#### 5.4 Exposure and capital requirements

SEK's market risk exposure measured by VaR has declined since implementation in July, primarily due to decreased credit spread exposure in the Liquidity portfolio. The increased risk exposures indicated by the stress tests above are essentially driven by USD interest rate risk from benchmark issues during the first six months of the year, which thereafter decreased in line with the decline in VaR.

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

**Table 5.3: SEK's significant risk measures and limits at December 31, 2017 (and 2016)**

Skr mn	Limit		Risk exposure	
	2017	2016	2017	2016
<b>Risk measure</b>				
Aggregated risk measure	1,100	1,300	582	621
<b>Interest-rate risk in the banking book</b>				
Interest-rate risk to change in the EVE	500	600	171	223
Interest risk to the NII, within one year	250	250	193	188
<b>Spread risks</b>				
Credit spread risk in assets	500	500	210	274
Credit spread risk in own debt	1,000	1,000	601	668
Cross-currency basis swap price risk	450	450	161	184
Risk to the NII from cross-currency basis swaps	100	150	23	28
<b>Other risks</b>				
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 and 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. The total internally assessed capital requirement is defined as max of (Scenario analysis EVE + Foreign exchange risk + Commodity risk), Stress test EVE and Net Interest Income risk. Table 5.4 shows SEK's capital requirement for year-end 2017 and 2016.

**Table 5.4: SEK's Minimum capital requirement and internally assessed economic capital for market risk at December 31, 2017 (and 2016)**

	Minimum capital requirement		Internally assessed capital requirement	
	2017	2016	2017	2016
Scenario analysis				
EVE			1,466	1,516
Foreign exchange risk	106	80	106	80
Commodity risk	1	1	1	1
Stress test EVE			912	1,142
Net interest income risk			286	310
<b>Total = max ([Scenario-analysis+FX+Comm], Stress-test, NII)</b>	<b>107</b>	<b>81</b>	<b>1,573</b>	<b>1,597</b>

## 5.5 Fair value of financial instruments

### 5.5.1 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 essential 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.

### 5.5.2 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. The risk management responsibilities follows the three lines of defense where managers are responsible for the identification and management of operational risks within their own function. The responsibility for monitoring and reporting operational risk, lies with the independent Risk function. The Risk 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.

## 6.2 Risk identification

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

### 6.2.1 Risk workshops

SEK conducts yearly risk workshops with all functions. The workshops are based on self-assessment with the Risk Function making an independent reasonability control. Risks are identified both through top-down executive management involvement, Risk workshop with the Executive management team, and bottom-up through the Risk workshops with the individual functions.

Based on identified operational risks, action plans are developed for the management or reduction of identified risks. Any identified risk that are not within the Risk appetite of the company are to be closed. The independent Risk function carries out an aggregated analysis and monitoring of all identified 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 the strategic planning.

### 6.2.2 Internal Control

The Internal Control framework is foremost aimed at ensuring adequate internal control of identified risks. However, when identifying the completeness of implemented Internal Controls, the functional manager performs an additional risk identification work, complementing the risk workshop.

In order to ensure correct and reliable Financial Reporting as well as control of Operational- and Regulatory risks, 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.

### 6.2.3 Incident management

SEK views incident reports as an important part of its continuous improvement measures and these reports comprise a key source of information. The company separate IT incidents from Business incidents. When operational risk events – incidents – occur, the immediate focus lies on resolving the direct event in order to minimize damage, independently of type of incident. After having resolved the incident, 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. All IT- incidents that can be connected to operational risks are also reported as a business incident to enable calculation of economic capital, see section 6.2 below. Business 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.

### 6.2.4 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.

### 6.2.5 Information security

The identification of Risks related to Information security is integrated in the Risk workshops conducted with all functions. In addition, the Chief Security Officer conducts an independent overall risk assessment. 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.

#### 6.2.6 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 process for providing information regarding suspicion of money laundering to the Swedish National Police Board.

### 6.3 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 five components:

- Risks identified in risk workshops and in the ongoing business
- Monitoring incidents and follows up on provisions
- 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

### 6.4 Monitoring

#### 6.4.1 Operational risk appetite

The Risk function monitors the compliance with the Risk appetite on a continuous basis. Compliance with the Risk appetite is followed up both with a forward looking evalua-

tion, i.e. one year expected loss from identified risks, as well as a backward looking approach, i.e. actual realized losses.

#### 6.4.2 Key risk indicators

SEK follows a selection of indicators that give an early warning of increased levels of operational risk including IT-risks. 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.

#### 6.4.3 Incidents

Chart 6.1 shows reported business incidents per incident type. The loss resulting from reported incidents was Skr 0,65 million (2016: Skr 2,3 million). Only a small portion of the incidents results in a loss, Chart 6.2 shows portion of incidents resulting in loss.

Chart 6.1: Incidents per incident type

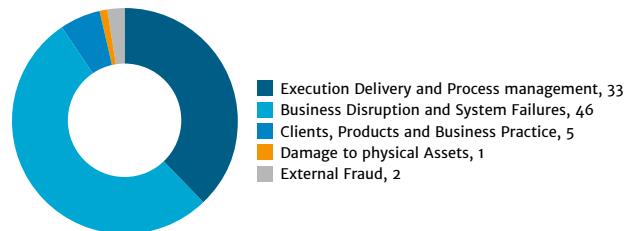
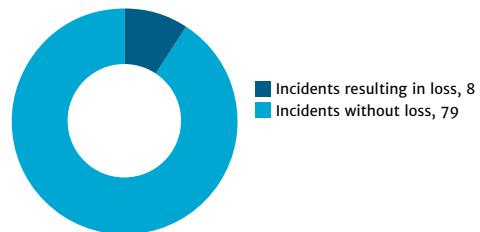


Chart 6.2: Incidents resulting in loss



#### 6.4.4 Internal controls

The Risk function monitors and reports both the overall appropriateness of implemented Internal Controls as well as the results from the testing activities to the Risk and Compliance Committee and to the Audit Committee.

### 6.5 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 2017, 87 incidents were reported (2016:116 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.

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

## Operational risk

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 2017.

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

SKR mn	2017		2016	
	Minimum capital requirement	Internally assessed economic capital	Minimum capital requirement	Internally assessed economic capital
Operational risk	263	142	293	182
<b>Total</b>	<b>263</b>	<b>142</b>	<b>293</b>	<b>182</b>

# 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. The Board's Finance and Risk Committee decides on the limit structure that clearly defines the permitted net liquidity risk exposures. In addition, instructions established by the CEO regulate SEK's management of liquidity risks. 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. 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 Swedish National 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, 2018 and entitles SEK to receive financing over the maturities of the underlying CIRR credits. The credit facility is renewed annually and serves as a cushion in extreme stress scenarios.

The primary tools to avoid a deficit in the short term are to control the maturity profile of the liquidity portfolio. A sound maturity profile is maintained by adapting the volume of overnight deposits in accordance with current needs and market conditions. To ensure availability to long term funding SEK ensures access to a diversified funding base. 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 Commission's regulations. According to the 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. The requirement of the Swedish FSA ceases to apply starting from January 1, 2018. LCR reporting in accordance with the EU Commission's delegated act started on October 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 to be repaid 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 measure 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 with a duration exceeding one year. Minimum requirements, in accordance with the CRR, will be in place in 2019 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 for CIRR-credits.
- 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, 2017 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 2017, which was the same outcome as at year-end 2016.

## 7.3 Monitoring

Liquidity risk is monitored through regular analysis and reporting to the Board, CEO and the Treasury function. Board reports are produced on a quarterly basis and include follow-up of LCR, NSFR, internal measurements, portfolio composition and liquidity stress tests. Daily follow-up of liquidity risk and cash flow forecasts is reported to the Treasury function.

## 7.4 Exposure and capital requirements

### 7.4.1 Liquidity portfolio

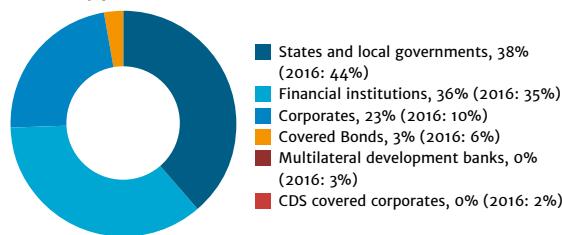
A fundamental concept in SEK's liquidity and funding risk management is that the liquidity investments will be held to maturity. Instead of selling assets as funds are needed, the maturity profiles of the liquidity investments are matched against funds expected to be paid out. SEK's liquidity investments 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, 2017, the size of SEK's liquidity investments was Skr 55.7 billion (2016: Skr 72.3 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 2017, the volume of agreed but undisbursed credits, including CIRR credits, amounted to Skr 72.9 billion (2016: Skr 54.8 billion). The aim for SEK's lending capacity is to provide at least four months' new lending in line with SEK's business plan. At year-end 2017, new lending capacity corresponded to 15 months (nine). 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, 2017. See Appendix tables 23, and 24 for further breakdowns.

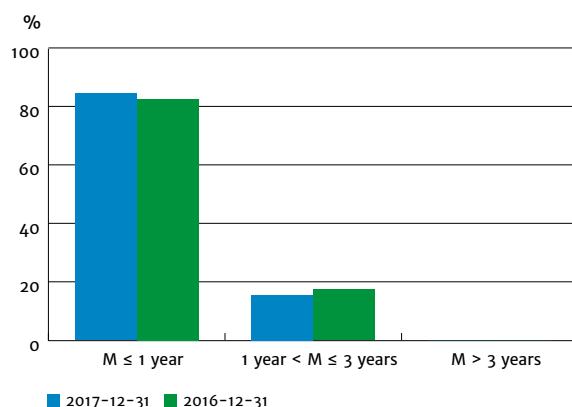
### 7.4.2 Liquidity reserve

SEK's liquidity reserve is a part of the liquidity portfolio and comprises highly liquid assets including balances with other banks and National Debt Office. 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.

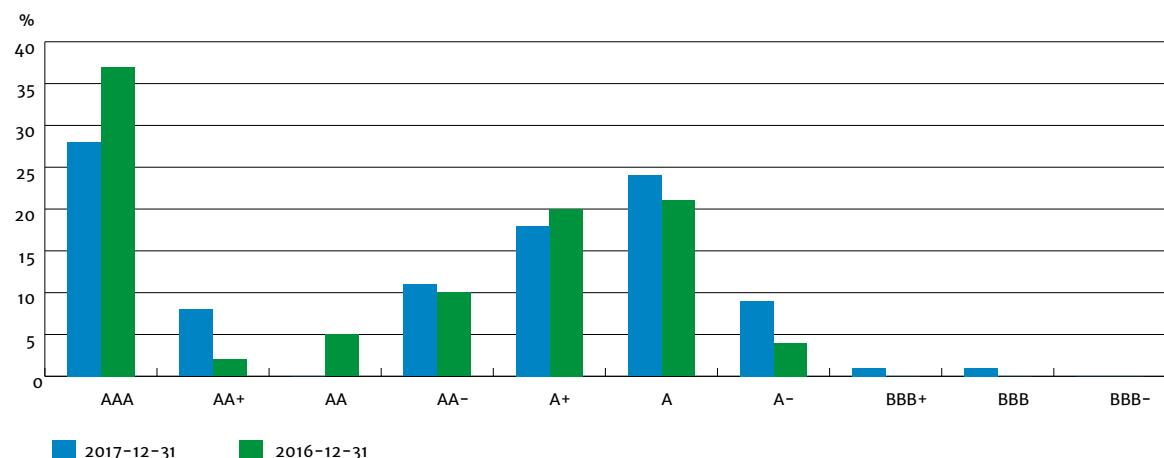
**Chart 7.1: SEK's liquidity investments at December 31, 2017 (and 2016), by exposure class/type**



**Chart 7.2: Remaining maturity (M) in SEK's Liquidity investments at December 31, 2017 (and 2016)**



**Chart 7.3: SEK's liquidity investments at December 31, 2017 (and 2016), by rating**

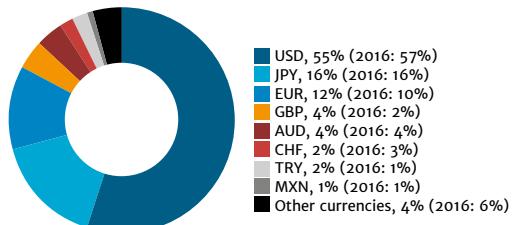


#### 7.4.3 Funding portfolio

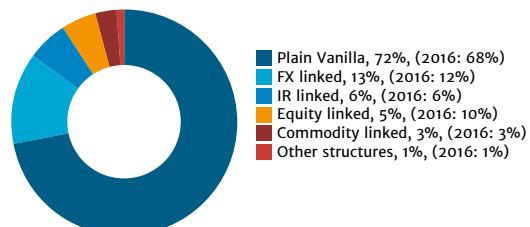
To secure access to large volumes of funding and to ensure that insufficient liquidity in individual funding sources does not pose an obstacle to operations, SEK issues bonds with different structures, currencies and maturities. In addition, SEK also carries out issues in many different geographical markets. As a general rule, SEK converts the proceeds from bonds denominated in other foreign currencies than EUR and USD 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 single investor's position exceeded 6% of total outstanding funding at December 31, 2017. 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 219.1 billion at December 31, 2017.

## Liquidity risk

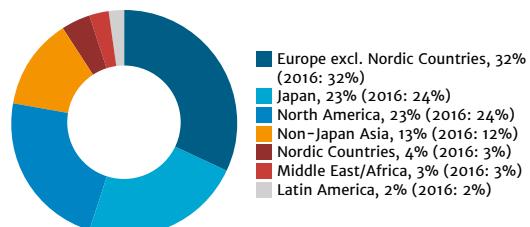
**Chart 7.4: Long-term funding at December 31, 2017 (and 2016), by issue currency**



**Chart 7.5: Long-term funding as of December 31, 2017 (and 2016), by structure type**



**Chart 7.6: Long-term funding as of December 2017 (and 2016), by region**



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, 17 percent (year-end 2016: 16 percent) of the volume outstanding includes such early-redemption clauses at December 31, 2017. 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.

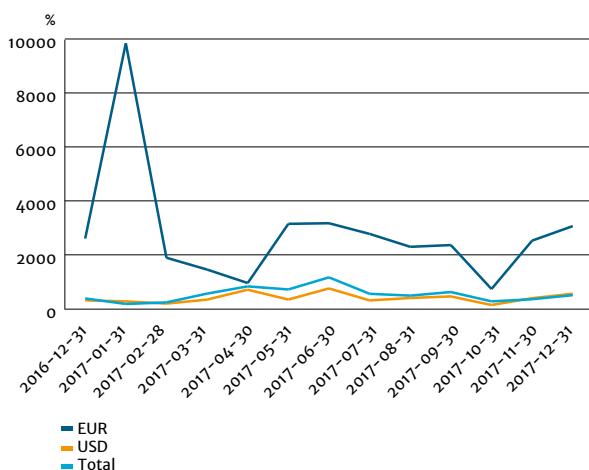
**Table 7.1: Short-term funding programs**

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, 2017	USD 200 mn	USD 0 mn
Maturity	Maximum 270 days	Maximum 364 days

### 7.4.4 Liquidity risks during 2017

SEK's liquidity situation has been stable over the year. The following chart 7.7 illustrates the development of the liquidity measure LCR according to the Swedish FSA. At December 31, 2017, the volume of LCR eligible assets was Skr 13.5 billion and SEK fulfilled the Swedish LCR regulatory requirements by having an LCR ratio at an aggregate level of 505 percent, a ratio for EUR of 3,064 percent and a ratio for USD of 557 percent. At December 31, 2017, SEK also complied with LCR regulations according to the EU Commission's regulation by having an LCR ratio at an aggregate level of 169 percent. At December 31, 2017, the NSFR was 140 percent (132).

**Chart 7.7: LCR according to Swedish FSA over time as of December 31, 2017**



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.

### 7.4.5 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, 2017	Consolidated balance sheet at December 31, 2016	Cross reference to row number in Table 2
<b>Assets</b>			
Cash and cash equivalents	1,231	7,054	
Treasuries/government bonds	4,382	3,687	
Other interest-bearing securities except loans <i>of which: the exposure amount of securitisation positions which qualify for a RW of 1,250%, where the institution opts for the deduction alternative</i>	39,807	49,901	20c
Loans in the form of interest-bearing securities	41,125	46,222	
Loans to credit institutions	23,198	26,190	
Loans to the public	141,111	147,909	
Derivatives	7,803	12,005	
Property, plant, equipment and intangible assets <i>of which: intangible assets</i>	88	123	
Other assets	66	101	8
Prepaid expenses and accrued revenues	3,556	4,167	
<b>Total assets</b>	<b>264,392</b>	<b>299,442</b>	
<b>Liabilities and equity</b>			
Borrowing from credit institutions	2,317	3,756	
Borrowing from the public	0	0	
Senior securities issued <i>of which: gains or losses on liabilities valued at fair value resulting from changes in own credit standing</i>	222,516	249,192	14
Derivatives	446	281	
Other liabilities	16,480	22,072	
Accrued expenses and prepaid revenues	826	2,374	
Deferred tax liabilities	2,063	2,036	
Provisions	531	559	
Subordinated securities issued <i>of which: T2 capital instruments and the related share premium accounts<sup>1</sup></i>	45	51	
	2,040	2,266	
<b>Total liabilities</b>	<b>246,818</b>	<b>282,306</b>	<b>46</b>
Share capital	3,990	3,990	1
Reserves <i>of which: accumulated other comprehensive income</i>	30	130	
<i>of which: fair value reserves related to gains or losses on cash flow hedges</i>	30	130	3
<i>of which: regulatory adjustments relating to unrealised gains pursuant to Article 468</i>	25	96	11
Retained earnings <i>of which: independently reviewed interim profits net of any foreseeable charge or dividend</i>	13,554	13,016	26a
<i>of which: retained earnings</i>	540	546	5a
	12,782	12,236	2
<b>Total equity</b>	<b>17,574</b>	<b>17,136</b>	
<b>Total liabilities and equity</b>	<b>264,392</b>	<b>299,442</b>	

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

Appendix

**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, 2017	Amount at Dec 31, 2016	Regulation (EU) no 575/2013 article reference	Amounts subject to preregulation (EU) no 575/2013 treatment or pre- scribed residual amount of Regulation (EU) no 575/2013
<b>Common Equity Tier 1 capital: instruments and reserves</b>				
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	12,782	12,236	26 (1) (c)	
3 Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	30	130	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	540	546	26 (2)	
6 <b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>17,342</b>	<b>16,902</b>		
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>				
7 Additional value adjustments (negative amount)	-396	-444	34, 105	-
8 Intangible assets (net of related tax liability) (negative amount)	-66	-101	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	-25	-96	33 (a)	-
12 Negative amounts resulting from the calculation of expected loss amounts	-65	-	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	446	281	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, 2017	Amount at Dec 31, 2016	Regulation (EU) no 575/2013 article reference	Amounts subject to preregulation (EU) no 575/2013 treatment or pre- scribed 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, 2017	Amount at Dec 31, 2016	Regulation (EU) no 575/2013 article reference	Amounts subject to preregulation (EU) no 575/2013 treatment or pre- scribed 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)	
<b>28 Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>-106</b>	<b>-360</b>		
<b>29 Common Equity Tier 1 (CET1) capital</b>	<b>17,236</b>	<b>16,542</b>		
<b>Additional Tier 1 (AT1) capital: instruments</b>				
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)	
<b>36 Additional Tier 1 (AT1) capital before regulatory adjustments</b>	<b>-</b>	<b>-</b>		
<b>Additional Tier 1 (AT1) capital: regulatory adjustments</b>				
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, 2017	Amount at Dec 31, 2016	Regulation (EU) no 575/2013 article reference	Amounts subject to preregulation (EU) no 575/2013 treatment or pre- scribed 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)	17,236	16,542		
<b>Tier 2 (T2) capital: instruments and provisions</b>				
46 Capital instruments and the related share premium accounts	2,049	2,267	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, 2017	Amount at Dec 31, 2016	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	62 (c) & (d)	
<b>51 Tier 2 (T2) capital before regulatory adjustments</b>	<b>2,049</b>	<b>2,279</b>		
<b>Tier 2 (T2) capital: regulatory adjustments</b>				
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 2 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	-	-		
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, 2017	Amount at Dec 31, 2016	Regulation (EU) no 575/2013 article reference	Amounts subject to preregulation (EU) no 575/2013 treatment or pre- scribed 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	2,049	2,279		
59 Total capital (TC = T1 + T2)	19,285	18,821		
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 liability, 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	83,831	74,937		
<b>Capital ratios and buffers</b>				
61 Common Equity Tier 1 (as a percentage of risk exposure amount)	20.6%	22.1%	92 (2) (a), 465	
62 Tier 1 (as a percentage of risk exposure amount)	20.6%	22.1%	92 (2) (b), 465	
63 Total capital (as a percentage of risk exposure amount)	23.0%	25.1%	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)	8.4%	8.0%	CRD 128, 129, 130	
65 of which: capital conservation buffer requirement	2.5%	2.5%		
66 of which: countercyclical buffer requirement	1.4%	1.0%		

Skr mn	Amount at Dec 31, 2017	Amount at Dec 31, 2016	Regulation (EU) no 575/2013 article reference	Amounts subject to prerulegulation (EU) no 575/2013 treatment or prescribed residual amount of Regulation (EU) no 575/2013
<b>67 of which: systemic risk buffer requirement</b>				
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)	14.6%	16.1%	CRD 128	
69 [non relevant in EU regulation]				
70 [non relevant in EU regulation]				
71 [non relevant in EU regulation]				
<b>Amounts below the thresholds for deduction (before risk weighting)</b>				
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)	
<b>Applicable caps on the inclusion of provisions in Tier 2</b>				
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	62	
79 Cap for inclusion of credit-risk adjustments in T2 under internal ratings-based approach	455	392	62	
<b>Capital instruments subject to phase-out arrangements (only applicable between Jan. 1, 2013 and Jan. 1, 2022)</b>				
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, 2017**

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
<b>Regulatory treatment</b>		
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 575/2013 article 28	Tier 2 capital as published in Regulation (EU) no 575/2013 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
<b>Coupons / dividends</b>		
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

## Appendix

	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.**

Skr bn	31 december 2017								
	Book value	Adjustment from book value to exposure <sup>1</sup>	Central governments	Regional governments	Multilateral development banks	Public Sector Entities	Financial institution	Corporates	
Cash and cash equivalents	1.2	0.0	0.5	-	-	-	-	0.7	-
Treasuries/government bonds	4.4	0.0	4.4	0.0	-	-	-	0.0	0.0
Other interest-bearing securities except loans	39.8	5.4	1.3	0.0	-	0.4	20.1	12.6	
Loans in the form of interest-bearing securities	41.1	-5.2	0.0	4.9	-	-	2.1	39.3	
Loans to credit institutions including cash and cash equivalents <sup>1</sup>	23.2	16.2	1.9	0.0	-	-	4.8	0.3	
Loans to the public	141.1	-87.3	159.0	5.8	-	-	6.1	57.5	
Derivatives	7.8	2.3	0.0	0.7	-	-	4.8	0.0	
Other assets	3.6	3.6	-	-	-	-	-	-	
<b>Total financial assets</b>	<b>262.2</b>	<b>-65.0</b>	<b>167.1</b>	<b>11.4</b>	<b>0.0</b>	<b>0.4</b>	<b>38.6</b>	<b>109.7</b>	
Contingent assets and commitments <sup>2</sup>	0.0	-	-	-	-	-	-	-	
<b>Total</b>	<b>262.2</b>	<b>-65.0</b>	<b>167.1</b>	<b>11.4</b>	<b>0.0</b>	<b>0.4</b>	<b>38.6</b>	<b>109.7</b>	

<sup>1</sup> Skr 7.4 billion (2016: Skr 11.6 billion) of the book value for Loans to credit institutions is Cash collateral under the security agreements for derivative contracts.

<sup>2</sup> 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, 2017<sup>1</sup>**

Country	Exposure at default, Standardized approach (Skr mn)	Exposure at default, IRB approach (Skr mn)	Minimum capital requirement <sup>2</sup> (Skr mn)	Minimum capital requirement weights (decimal)	Countercyclical capital buffer rate <sup>3</sup> (percent)
Sweden	61	70,670	2,832	0.672	2.00%
Finland	-	6,292	302	0.072	-
United States	327	2,080	138	0.033	-
Denmark	-	2,431	114	0.027	-
United Kingdom	22	1,818	99	0.024	-
Mexico	210	1,933	91	0.021	-
Norway	-	2,327	89	0.021	2.00%

Country	Exposure at default, Standardized approach (Skr mn)	Exposure at default, IRB approach (Skr mn)	Minimum capital requirement <sup>2</sup> (Skr mn)	Minimum capital requirement weights (decimal)	Countercyclical capital buffer rate <sup>3</sup> (percent)
Chile	–	1,667	70	0.017	–
Turkey	4	1,651	68	0.016	–
Spain	–	1,606	67	0.016	–
South Africa	–	870	43	0.010	–
Colombia	8	521	30	0.007	–
Peru	–	1,141	29	0.007	–
Luxembourg	–	231	28	0.007	–
Thailand	181	598	27	0.006	–
Tanzania	–	400	25	0.006	–
China	–	890	20	0.005	–
<b>Brazil</b>	<b>211</b>	<b>26</b>	<b>18</b>	<b>0.004</b>	<b>–</b>
Canada	–	327	13	0.003	–
Netherlands	13	189	13	0.003	–
Saudi Arabia	–	205	11	0.003	–
Iceland	–	164	10	0.002	1.25%
United Arab Emirates	–	158	9	0.002	–
Vietnam	118	–	9	0.002	–
Ireland	–	365	7	0.002	–
Italy	17	96	7	0.002	–
Indonesia	87	0	7	0.002	–
Switzerland	–	175	6	0.001	–
Korea	–	167	5	0.001	–
Singapore	–	48	5	0.001	–
Belgium	–	151	4	0.001	–
India	–	88	4	0.001	–
Hungary	44	–	4	0.001	–
Qatar	–	69	3	0.001	–
Russian Federation	–	40	3	0.001	–
Pakistan	–	38	2	0.000	–
Congo	–	16	1	0.000	–
Japan	–	14	1	0.000	–
Uzbekistan	–	5	1	0.000	–
Sri Lanka	13	–	1	0.000	–
France	–	0	0	0.000	–
<b>Total</b>	<b>1,316</b>	<b>99,467</b>	<b>4,216</b>	<b>1</b>	<b>–</b>

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, 2017.

**Table 6. Amount of institution-specific countercyclical capital buffer**

Skr mn	2017	2016
Total risk exposure amount	83,831	74,937
Institution specific countercyclical buffer rate (percent)	1.4%	1.0%
Institution specific countercyclical buffer requirement	1,174	781

## Appendix

**Table 7: Summary reconciliation of accounting assets and leverage ratio exposures at December 31, 2017**

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

Skr mn	Item	2017
1	Total assets as per published financial statements	264,392
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	-13,937
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	42,168
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	-1,211
8	<b>Total leverage ratio exposure</b>	<b>291,412</b>

**Table 8: Leverage ratio common disclosure at December 31, 2017**

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

		CRR leverage ratio exposures
		2017
	Skr mn	
<b>On-balance sheet exposures (excluding derivatives and SFTs)</b>		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	255,509
2	Asset amounts deducted in determining Tier 1 capital	-131
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	255,378
<b>Derivative exposures</b>		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	495
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	3,685
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	-10,314
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)	-6,134
<b>Securities financing transaction exposures</b>		
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)	-
<b>Other off-balance sheet exposures<sup>1</sup></b>		
17	Off-balance sheet exposures at gross notional amount	121,243
18	Adjustments for conversion to credit equivalent amounts	-79,075
19	Other off-balance sheet exposures (sum of lines 17 to 18)	42,168
<b>Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)</b>		
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)	-
<b>Capital and total exposures</b>		
20	Tier 1 capital	17,236
21	Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	291,412
<b>Leverage ratio</b>		
22	Leverage ratio	5.9%
<b>Choice on transitional arrangements and amount of derecognised fiduciary items</b>		
EU-23	Choice on transitional arrangements for the definition of the capital measure	Fully phased in <sup>2</sup>
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	-

<sup>1</sup> Inclusive of non-binding offers. Nominal amounts for these are at December 31, 2017 Skr 43,212mn of which 10 percent is included in leverage ratio exposure measure. In other tables regarding total credit-risk exposures non-binding offers are excluded.

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

## Appendix

**Table 9: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) at December 31, 2017**

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

Skr mn	CRR leverage ratio exposures	2017
EU-1	<b>Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:</b>	245,195
EU-2	Trading book exposures	–
EU-3	Banking book exposures, of which:	245,195
EU-4	<i>Covered bonds</i>	1,507
EU-5	<i>Exposures treated as sovereigns</i>	108,962
EU-6	<i>Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns</i>	291
EU-7	<i>Institutions</i>	30,908
EU-8	<i>Secured by mortgages of immovable properties</i>	–
EU-9	<i>Retail exposures</i>	–
EU-10	<i>Corporate</i>	103,340
EU-11	<i>Exposures in default</i>	21
EU-12	<i>Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)</i>	166

**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, 2017 was 5.9 percent (year-end 2016: 5.3 percent), an increase of 0.6 percentage point compared to the previous year. The numerator of the ratio, that is the Tier 1 capital, amounts to Skr 17,236 million (16,542), and the increase of 4 percent compared to the previous year is primarily attributable to an increase in retained earnings. The denominator of the ratio, that is the exposure measure, amounted to Skr 291,412 million (313,950). The decrease of 7 percent from the previous year is mainly due to a reduction in liquidity investments and loans disbursed, while committed undisbursed loans have increased during the same period.

**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: Gross and net exposures under the standardized approach per quality step at December 31, 2017 (and 2016)<sup>1</sup>**

Skr bn	1		2		3-6		Not rated		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>Net exposures</b>										
Central governments	-	166.5	-	6.1	-	1.1	-	-	-	173.7
Regional governments	-	19.9	-	-	-	-	-	-	-	19.9
Multilateral development banks	-	1.9	-	-	-	-	-	-	-	1.9
Corporates	-	-	-	-	-	-	1.3	1.5	1.3	1.5
<b>Gross exposures</b>										
Central Governments	-	14.6	-	2.8	-	51.4	-	0.6	-	69.4
Regional governments	-	13.2	-	-	-	0.6	-	-	-	13.8
Multilateral development banks	-	1.9	-	-	-	-	-	-	-	1.9
Public Sector Entities	-	-	-	-	-	-	-	0.4	-	0.4
Institutions	-	-	-	-	-	1.2	-	0.7	-	1.9
Corporates	-	-	0.4	0.6	5.5	1.2	30.3	32.0	36.2	33.8

<sup>1</sup> SEK transferred from the standardized approach to apply the internal rating-based (IRB) approach to exposures to central and regional governments and to multilateral development banks during 2017. Export credits guaranteed by EKN or other ECA:s are still calculated according to the standardized approach while the net exposure to the guarantor, EKN and ECA, are calculated according to the IRB approach. This provides a difference between gross and net exposures in 2017.

**Table 13: Total gross and net exposure by exposure class, at December 31, 2017 (and 2016) and average during 2017**

Skr bn	Gross exposure			Net exposure		
	2017	Average 2017 <sup>1</sup>	2016	2017	Average 2017 <sup>1</sup>	2016
Central governments	61.7	65.8	69.4	167.1	169.1	173.7
Regional governments	5.5	9.3	13.8	11.4	15.3	19.9
Multilateral development banks	-	0.5	1.9	0.0	0.5	1.9
Public Sector Entities	0.4	0.1	0.4	0.4	0.1	-
Institutions	36.9	45.0	42.9	38.6	47.4	45.2
Corporates	222.7	220.1	212.3	109.7	108.4	100.0
<b>Total</b>	<b>327.2</b>	<b>340.8</b>	<b>340.7</b>	<b>327.2</b>	<b>340.8</b>	<b>340.7</b>

<sup>1</sup> Average amounts are based on monthly exposures

**Table 14: Average credit conversion factor (CCF) for off-balance exposures by exposure class at December 31, 2017 (and 2016)**

Skr bn	Exposure after risk mitigation		Exposure at default		Average CCF	
	2017	2016	2017	2016	2017	2016
<b>Standardized approach</b>						
Central governments	-	56.4	-	28.2	-	50%
Corporate	0.0	0.0	0.0	0.0	59%	50%
<b>IRB approach</b>						
Central governments	70.0	-	52.5	-	75%	-
Institutions	1.8	0.9	1.3	0.7	75%	75%
Corporate	6.3	5.3	2.6	2.3	41%	43%

## Appendix

**Table 15: Specialized lending at December 31, 2017 (and 2016)**

Category	Exposure at default		Risk exposure amount		
	Skr bn	2017	2016	2017	2016
1		2.5	2.6	1.6	1.7
2		-	0.3	-	0.2
3		-	-	-	-
4		-	-	-	-
5		-	-	-	-
<b>Total</b>		<b>2.5</b>	<b>2.9</b>	<b>1.6</b>	<b>1.9</b>

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, 2017 (and 2016)**

Skr bn	Middle East/ Africa/ Turkey												North America			Latin America			Western European countries			Central-East European countries			Total	
	2017	2016	2017	2016	Japan	Japan	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	
Central governments	1.8	2.1	5.6	8.2	4.0	2.8	-	-	-	-	-	42.7	43.1	7.4	10.0	0.2	3.2	-	-	61.7	69.4					
Regional governments	0.6	0.6	-	-	-	-	-	-	-	-	-	-	-	4.8	11.5	0.1	1.7	-	0.0	5.5	13.8					
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.9	-	-	-	-	1.9				
Public Sector Entities	-	0.4	-	-	-	-	-	-	-	-	-	-	-	-	-	0.4	-	-	-	-	0.4	0.4				
Institutions	-	1.9	3.1	1.3	0.0	0.9	9.1	8.3	1.1	0.6	1.2	1.3	11.3	11.8	10.8	16.5	0.3	0.3	36.9	42.9						
Corporates	23.0	20.7	14.6	17.9	0.2	2.7	53.5	30.7	0.1	0.2	9.9	12.3	74.3	72.0	39.9	45.6	7.2	10.2	222.7	212.3						
<b>Total</b>	<b>25.4</b>	<b>25.7</b>	<b>23.3</b>	<b>27.4</b>	<b>4.2</b>	<b>6.4</b>	<b>62.6</b>	<b>39.0</b>	<b>1.2</b>	<b>0.8</b>	<b>53.8</b>	<b>56.7</b>	<b>97.8</b>	<b>105.3</b>	<b>51.4</b>	<b>68.9</b>	<b>7.5</b>	<b>10.5</b>	<b>327.2</b>	<b>340.7</b>						

**Table 17: Net exposure by exposure class and region at December 31, 2017 (and 2016)**

Skr bn	Middle		Asia excl.		North		Latin		Western		Central-		Total	
	East/	Africa/	Japan	Japan	America	Oceania	America	Sweden	European	countries	East			
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
<b>IRB approach</b>														
Central governments	-	-	0.7	-	4.0	-	2.4	-	-	0.9	-	145.1	-	10.9
Regional governments	-	-	-	-	-	-	-	-	-	-	-	11.2	-	0.2
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	0.0	-	-
Public Sector Entities	-	-	-	-	-	-	-	-	-	-	-	0.4	-	-
Financial institutions	-	-	3.0	1.1	0.5	1.4	9.6	9.2	1.2	0.6	1.1	1.3	6.9	7.2
Corporates	4.9	3.9	3.4	1.5	1.7	1.4	2.6	2.3	-	2.9	2.7	71.9	68.3	20.9
<b>Standardized approach</b>														
Central governments	-	-	-	3.6	-	2.8	-	3.8	-	-	0.9	-	140.7	-
Regional governments	-	-	-	-	-	-	-	-	-	-	-	18.0	-	1.9
Multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	1.9
Corporates	0.0	-	0.2	0.3	-	-	0.3	0.1	-	-	0.4	0.5	0.3	0.4
<b>Total</b>	<b>4.9</b>	<b>3.9</b>	<b>7.3</b>	<b>6.5</b>	<b>6.2</b>	<b>5.6</b>	<b>14.9</b>	<b>15.4</b>	<b>1.2</b>	<b>0.6</b>	<b>5.3</b>	<b>5.4</b>	<b>235.4</b>	<b>234.6</b>

**Table 18: Corporate exposure by industry (GICS) at December 31, 2017 (and 2016)**

Skr bn		Gross exposure		Net exposure	
		2017	2016	2017	2016
IT and telecom		88.4	74.8	12.9	10.7
Industrials		41.9	45.2	36.4	34.5
Financials		32.2	28.6	19.9	15.1
Materials		21.9	22.2	16.8	15.8
Consumer goods		18.3	16.3	15.9	13.4
Utilities		14.1	13.4	4.4	4.4
Health care		3.0	6.1	2.7	5.3
Energy		2.9	5.3	0.7	0.8
Other		-	0.4	-	0.0
<b>Total</b>		<b>222.7</b>	<b>212.3</b>	<b>109.7</b>	<b>100.0</b>
<i>of which: small and medium-sized enterprises</i>		0.5	0.5	0.3	0.3

Appendix

**Table 19: Gross exposure by European countries, excluding Sweden, and exposure class at December 31, 2017 (and 2016)**

Skr bn	Central governments		Regional governments		Multilateral development banks		Financial institutions		Corporates		Public Sector Entities		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Spain	-	-	-	-	-	-	0.1	0.1	12.4	18.0	-	-	12.5	18.1
Finland	0.2	0.3	0.1	0.1	-	0.6	-	0.4	7.1	6.2	-	-	7.4	7.6
Norway	-	-	-	-	-	-	3.3	2.9	2.5	1.9	-	-	5.8	4.8
United Kingdom	-	-	-	-	-	-	2.2	4.1	3.1	4.0	-	-	5.3	8.1
The Netherlands	-	-	-	-	-	-	2.2	2.3	2.1	2.7	-	-	4.3	5.0
Italy	-	-	-	-	-	-	-	-	4.2	2.3	-	-	4.2	2.3
France	-	-	-	-	-	-	1.6	1.6	2.5	3.2	-	-	4.1	4.8
Russian Federation	-	-	-	-	-	-	-	-	4.0	6.6	-	-	4.0	6.6
Denmark	-	-	-	1.5	-	-	1.1	2.4	2.8	3.2	-	-	3.9	7.1
Poland	-	-	-	-	-	-	-	-	3.1	3.3	-	-	3.1	3.3
Luxembourg	-	1.9	-	-	-	1.3	0.0	0.0	1.2	1.2	-	-	1.2	4.4
Switzerland	-	-	-	-	-	-	-	1.0	0.9	0.8	-	-	0.9	1.8
Germany	-	0.5	-	-	-	-	0.3	1.7	-	-	0.4	-	0.7	2.2
Iceland	-	-	-	-	-	-	-	-	0.5	0.6	-	-	0.5	0.6
Ireland	-	-	-	-	-	-	-	-	0.4	1.1	-	-	0.4	1.1
Belgium	-	-	-	-	-	-	0.0	0.0	0.3	0.3	-	-	0.3	0.3
Latvia	-	-	-	-	-	-	0.2	0.3	-	-	-	-	0.2	0.3
Estonia	-	-	-	-	-	-	0.1	-	-	0.1	-	-	0.1	0.1
Greece	-	-	-	-	-	-	-	-	0.0	0.0	-	-	0.0	0.0
Hungary	-	-	-	-	-	-	-	-	0.0	0.1	-	-	0.0	0.1
Ukraine	-	-	-	-	-	-	-	-	0.0	0.1	-	-	0.0	0.1
Austria	-	0.5	-	-	-	-	-	-	-	0.0	-	-	-	0.5
Portugal	-	-	-	-	-	-	-	-	-	0.1	-	-	-	0.1
Other Countries	-	-	-	0.0	-	-	-	-	-	-	0.1	-	-	0.1
<b>Total</b>	<b>0.2</b>	<b>3.2</b>	<b>0.1</b>	<b>1.6</b>	<b>-</b>	<b>1.9</b>	<b>11.1</b>	<b>16.8</b>	<b>47.1</b>	<b>55.9</b>	<b>0.4</b>	<b>-</b>	<b>58.9</b>	<b>79.4</b>

**Table 20: Net exposure by European countries, excluding Sweden, and exposure class at December 31, 2017 (and 2016)**

Skr bn	Multilateral													
	Central governments		Regional governments		development banks		Financial institutions		Corporates		Public Sector Entities		Total	
2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	
France	7.8	10.3	-	-	-	-	2.5	3.7	0.0	0.0	-	-	10.3	14.0
United Kingdom	0.5	1.1	-	-	-	-	1.7	3.9	5.5	3.5	-	-	7.7	8.5
Finland	0.5	0.8	0.3	0.3	-	0.6	-	0.5	6.3	5.6	-	-	7.1	7.8
Norway	0.5	0.6	-	-	-	-	3.4	4.2	2.3	1.1	-	-	6.2	5.9
Denmark	0.2	0.1	-	1.6	-	-	2.2	4.0	2.4	2.7	-	-	4.8	8.4
Germany	1.4	3.1	-	-	-	-	2.0	3.0	0.9	0.8	0.4	-	4.7	6.9
Poland	3.1	3.3	-	-	-	-	-	0.0	-	-	-	-	3.1	3.3
Netherlands	-	-	-	-	-	-	2.4	2.5	0.2	0.3	-	-	2.6	2.8
Spain	-	-	-	-	-	-	0.9	0.4	1.7	1.7	-	-	2.6	2.1
Belgium	-	-	-	-	-	-	0.7	0.4	0.2	0.2	-	-	0.9	0.6
Switzerland	-	-	-	-	-	-	0.2	1.3	0.3	0.3	-	-	0.5	1.6
Luxembourg	0.0	1.9	-	-	0.0	1.3	0.0	0.0	0.4	1.6	-	-	0.4	4.8
Ireland	-	-	-	-	-	-	-	0.0	0.4	0.4	-	-	0.4	0.4
Latvia	-	-	-	-	-	-	0.2	0.3	-	-	-	-	0.2	0.3
Iceland	-	0.1	-	-	-	-	-	-	0.2	0.2	-	-	0.2	0.3
Italy	-	0.0	-	-	-	-	-	-	0.1	-	-	-	0.1	0.0
Russian Federation	-	-	-	-	-	-	-	-	0.1	0.1	-	-	0.1	0.1
Estonia	-	-	-	-	-	-	0.1	0.1	-	-	-	-	0.1	0.1
Austria	-	0.5	-	-	-	-	0.1	0.1	-	-	-	-	0.1	0.6
Hungary	-	-	-	-	-	-	-	-	0.0	0.1	-	-	0.0	0.1
Portugal	-	0.1	-	-	-	-	-	-	-	-	-	-	-	0.1
<b>Total</b>	<b>14.0</b>	<b>21.9</b>	<b>0.3</b>	<b>1.9</b>	<b>0.0</b>	<b>1.9</b>	<b>16.4</b>	<b>24.4</b>	<b>21.0</b>	<b>18.6</b>	<b>0.4</b>	<b>-</b>	<b>52.1</b>	<b>68.7</b>

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

Skr bn	M<=1 year						1 year < M <= 3			3 year < M <= 5		M>5		Total
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Central government	9.8	14.6	5.2	6.6	1.7	1.9	45.0	46.3	61.7	69.4	-	-	-	-
Regional governments	4.1	13.3	1.0	0.2	0.2	0.1	0.2	0.2	0.2	0.2	5.5	13.8	-	-
Multilateral banks	-	1.9	-	-	-	-	-	-	-	-	-	-	-	1.9
Public Sector Entities	0.2	-	0.2	0.4	-	-	-	-	-	-	0.4	0.4	-	-
Financial institutions	26.4	25.2	4.3	10.2	3.8	3.6	2.4	3.9	36.9	42.9	-	-	-	-
Corporates	55.7	59.3	85.2	65.1	43.4	46.6	38.4	41.3	222.7	212.3	-	-	-	-
<b>Total</b>	<b>96.2</b>	<b>114.3</b>	<b>95.9</b>	<b>82.5</b>	<b>49.1</b>	<b>52.2</b>	<b>86.0</b>	<b>91.7</b>	<b>327.2</b>	<b>340.7</b>	-	-	-	-

**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	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Central government	26.5	-	58.3	-	20.2	-	62.1	-	167.1	-	-	-	-	-	-
Regional governments	4.5	-	2.1	-	3.1	-	1.7	-	11.4	-	-	-	-	-	-
Multilateral banks	0.0	-	0.0	-	-	-	-	-	-	-	-	-	-	-	-
Public Sector Entities	0.2	-	0.2	-	-	-	-	-	-	-	-	-	-	-	-
Financial institutions	29.7	30.7	5.8	11.1	1.9	1.7	1.2	1.7	38.6	45.2	-	-	-	-	-
Corporates	34.9	25.5	28.9	27.6	23.7	26.7	20.9	18.7	108.4	98.5	-	-	-	-	-
<b>Standardized method</b>															
Central government	-	42.2	-	42.3	-	20.7	-	68.5	-	173.7	-	-	-	-	-
Regional governments	-	13.5	-	0.9	-	2.8	-	2.7	-	19.9	-	-	-	-	-
Multilateral banks	-	1.9	-	-	-	-	-	-	-	-	-	-	-	-	1.9
Corporates	0.4	0.5	0.6	0.6	0.2	0.3	0.1	0.1	1.3	1.5	-	-	-	-	-
<b>Total</b>	<b>96.2</b>	<b>114.3</b>	<b>95.9</b>	<b>82.5</b>	<b>49.1</b>	<b>52.2</b>	<b>86.0</b>	<b>91.7</b>	<b>327.2</b>	<b>340.7</b>	-	-	-	-	-

Appendix

**Table 23. Average PD, LGD and risk weight by risk class for net IRB exposures towards Central governments**

	AAA to AA- 0.003%– 0.02%	A+ to A- 0.03 – 0.07%	BBB+ to BBB- 0.12 – 0.32%	BB+ to B- 0.53 – 6.47%	CCC to D 25.29 – 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%
<b>Skr bn</b>	<b>2017</b>						<b>2016</b>			
<b>Central governments</b>										
Loans and interest bearing securities	101.0	7.1	–	0.8	–	–	–	–	–	–
Loan committments and guarantees	70.0	–	–	–	–	–	–	–	–	–
Reduction for loan committments and guarantees <sup>1</sup>	–17.5	–	–	–	–	–	–	–	–	–
Exposure at default	153.5	7.1	–	0.8	–	–	–	–	–	–
Risk exposure amount	7.2	1.3	–	0.8	–	–	–	–	–	–
Average PD in %	0.004	0.04	–	0.9	–	–	–	–	–	–
Average LGD in %	45.0	45.0	–	45.0	–	–	–	–	–	–
Average risk weight in %	4.7	19.0	–	93.6	–	–	–	–	–	–

**Table 24. Average PD, LGD and risk weight by risk class for net IRB exposures towards financial institutions and corporates except specialized lending**

	AAA to AA- 0.01%– 0.04%	A+ to A- 0.06 – 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%
<b>Skr bn</b>	<b>2017</b>						<b>2016</b>			
<b>Financial institutions</b>										
Loans and interest bearing securities	8.3	22.2	1.0	1.2	–	8.4	29.4	0.8	1.3	–
Derivatives	1.0	2.4	0.7	–	–	0.7	2.8	1.0	–	–
Loan committments and guarantees	0.1	1.7	0.0	–	–	0.1	0.7	0.1	–	–
Reduction for loan committments and guarantees <sup>1</sup>	–0.0	–0.4	–0.0	–	–	–0.0	–0.2	–0.1	–	–
Exposure at default	9.4	25.9	1.7	1.2	–	9.2	32.7	1.8	1.3	–
Risk exposure amount	2.1	8.1	1.1	1.4	–	1.8	9.7	1.1	1.5	–
Average PD in %	0.04	0.08	0.23	0.84	–	0.04	0.08	0.20	0.84	–
Average LGD in %	41.6	44.3	45.0	45.0	–	36.7	43.3	45.0	45.0	–
Average risk weight in %	22.3	31.3	65.1	117.8	–	19.6	29.6	61.8	117.8	–
<b>Corporates<sup>2</sup></b>										
Loans and interest bearing securities	7.9	17.6	58.6	15.5	0.0	5.5	19.9	45.6	19.5	0.1
Loan committments and guarantees	–	2.2	1.9	2.0	0.0	–	1.7	1.0	2.2	–
Reduction for loan committments and guarantees <sup>1</sup>	0.0	–1.3	–0.9	–1.3	–	–	–0.9	–0.5	–1.4	–
Exposure at default	7.9	18.5	59.6	16.2	0.0	5.5	20.7	46.1	20.3	0.1
Risk exposure amount	1.5	6.2	30.6	13.8	0.1	1.0	6.7	23.2	18.3	0.0
Average PD in %	0.03	0.10	0.25	0.81	65.59	0.03	0.10	0.24	0.87	81.32
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 %	18.5	33.6	51.3	85.6	127.1	18.6	32.1	50.3	89.92	69.0

<sup>1</sup> Effect from the application of credit conversion factors from nominal amount to exposure value.

<sup>2</sup> There are no derivatives exposures to corporates.

**Table 25: Liquidity investments at December 31, 2017 (and 2016), by country and exposure class/type**  
Net Exposures in Skr bn

Country	Financial institutions		Regional/ Local governments				Covered bonds				CDS covered corporates		Multi-lateral development banks				Total <sup>1</sup>	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Skr bn	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Sweden	0.1	0.0	2.2	6.8	4.9	11.5	1.5	2.5	-	-	5.4	2.4	-	-	14.2	23.2		
Canada	7.9	6.4	-	-	-	-	-	-	-	-	-	-	-	-	-	7.9	6.4	
Japan	0.0	0.9	4.0	2.8	-	-	-	-	-	-	0.2	0.5	-	-	4.2	4.2		
Norway	3.2	2.9	-	-	-	-	-	-	-	-	-	0.0	-	-	3.2	2.9		
China	2.8	-	-	-	-	-	-	-	-	-	-	-	-	-	2.8	-		
United Arab Emirates	-	-	-	-	-	-	-	-	-	-	2.5	1.3	-	-	2.5	1.3		
Netherlands	2.2	2.3	-	-	-	-	-	-	-	-	-	-	-	-	2.2	2.3		
Malaysia	-	-	-	-	-	-	-	-	-	-	1.4	0.7	-	-	1.4	0.7		
Taiwan, Province Of China	-	-	-	-	-	-	-	-	-	-	1.3	-	-	-	1.3	-		
Qatar	-	-	-	-	-	-	-	-	-	-	1.2	1.4	-	-	1.2	1.4		
Australia	1.1	0.5	-	-	-	-	-	-	-	-	-	-	-	-	-	1.1	0.5	
France	1.0	0.9	-	-	-	-	-	-	-	-	0.7	-	-	-	-	1.0	1.6	
Denmark	0.9	0.8	-	-	-	1.6	-	1.4	-	-	-	-	-	-	-	0.9	3.8	
United States	0.6	0.9	-	-	-	-	-	-	-	-	-	-	-	-	-	0.6	0.9	
Finland	-	-	-	-	-	-	-	-	-	-	0.5	-	-	-	0.6	0.5	0.6	
Germany	-	1.4	0.4	0.5	-	-	-	-	-	-	-	-	-	-	-	0.4	1.9	
Belgium	0.0	0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	0.0	0.0	
United Kingdom	0.0	2.0	-	-	-	-	-	-	-	-	0.4	-	-	-	-	0.0	2.4	
Luxembourg	-	-	-	1.9	-	-	-	-	-	-	-	-	-	-	1.3	-	3.2	
Korea, Republic Of	-	-	-	1.4	-	-	-	-	-	-	-	-	-	-	-	-	1.4	
Switzerland	-	1.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.0	
Singapore	-	0.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.8	
Austria	-	-	-	0.5	-	-	-	-	-	-	-	-	-	-	-	-	0.5	
<b>Total</b>	<b>19.9</b>	<b>20.7</b>	<b>6.6</b>	<b>13.8</b>	<b>4.9</b>	<b>13.0</b>	<b>1.5</b>	<b>3.9</b>	<b>-</b>	<b>1.1</b>	<b>12.6</b>	<b>6.4</b>	<b>-</b>	<b>1.9</b>	<b>45.5</b>	<b>60.9</b>		

<sup>1</sup> The table excludes contracts that are not settled and SEK's loan facility with the Swedish National Debt Office. Deposits over all maturities are included.

## Appendix

**Table 26: Liquidity investments at December 31, 2017 (and 2016), by country and rating**

Net exposures in Skr bn

Country	AAA		AA+ to AA-		A+ to A-		BBB+ to BBB-		Total <sup>1</sup>		
	Skr bn	2017	2016	2017	2016	2017	2016	2017	2016	2017	
Sweden		4.7	18.2	5.6	3.4	3.3	1.6	0.6	0.0	14.2	
Canada		-	-	1.7	-	6.2	6.4	0.0	-	7.9	
Japan		-	-	0.2	0.5	4.0	3.7	0.0	-	4.2	
Norway		-	-	0.0	-	3.2	2.9	0.0	-	3.2	
China		-	-	0.8	-	2.0	-	0.0	-	2.8	
United Arab Emirates		-	-	1.7	1.3	0.8	-	0.0	-	2.5	
Netherlands		0.3	0.1	0.2	0.8	1.7	1.4	0.0	-	2.2	
Malaysia		-	-	0.0	-	1.4	0.7	0.0	-	1.4	
Taiwan, Province Of China		-	-	0.0	-	1.3	-	0.0	-	1.3	
Qatar		-	-	0.0	-	1.2	1.4	0.0	-	1.2	
Australia		-	-	0.2	0.1	0.9	0.5	0.0	-	1.1	
France		-	-	0.0	-	1.0	1.6	0.0	-	1.0	
Denmark		-	1.6	0.0	-	0.9	2.2	0.0	-	0.9	
United States		-	-	0.0	-	0.6	0.9	0.0	-	0.6	
Finland		-	0.6	0.0	-	0.0	-	0.5	-	0.5	
Germany		0.4	0.5	0.0	-	0.0	1.4	0.0	-	0.4	
Belgium		-	-	0.0	0.0	0.0	-	0.0	-	0.0	
United Kingdom		-	-	0.0	-	0.0	2.4	0.0	-	0.0	
Luxembourg		-	1.3	-	1.9	-	-	-	-	3.2	
Korea, Republic Of		-	-	-	1.4	-	-	-	-	1.4	
Switzerland		-	-	-	-	-	1.0	-	-	1.0	
Singapore		-	-	-	0.8	-	-	-	-	0.8	
Austria		-	-	-	0.5	-	-	-	-	0.5	
<b>Total</b>		<b>5.3</b>	<b>22.4</b>	<b>10.5</b>	<b>10.6</b>	<b>28.5</b>	<b>27.9</b>	<b>1.1</b>	<b>0.0</b>	<b>45.5</b>	<b>60.9</b>

<sup>1</sup> The table excludes contracts that are not settled and SEK's loan facility with the Swedish National Debt Office. Deposits over all maturities are included.

**Table 27: Liquidity reserve<sup>1</sup> at December 31, 2017**

Market values in Skr bn	SKR	EUR	USD	Other	Total
Balances with other banks and National Debt Office	2.0	2.5	6.0	-	10.5
Securities issued or guaranteed by sovereigns, central banks or multilateral development banks	1.3	-	0.5	0.2	2.0
Covered bonds issued by other institutions	-	0.6	0.4	-	1.0
Securities issued or guaranteed by municipalities or other public entities	-	-	-	-	-
<b>Total liquidity reserve</b>	<b>3.3</b>	<b>3.1</b>	<b>6.9</b>	<b>0.2</b>	<b>13.5</b>

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

**Table 28: Net long-term funding amount, at December 31, 2017 (and 2016), by region and structure type**

Net total long-term funding amount when swaps are taken into account: Skr 219.1 billion at December 31, 2017.

Region	Plain vanilla		FX linked		Equity linked		IR linked		Commodity linked		Other structures		Total		
	Skr bn	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Europe excl.															
Nordic Countries	60.1	70.6	0.1	0.1	0.1	0.1	9.5	10.2	-	-	0.9	0.9	70.7	82.0	
Japan	12.0	9.9	28.3	29.2	9.9	21.5	0.2	0.4	0.3	0.3	0.4	0.4	51.0	61.7	
North America	42.6	49.7	-	-	1.6	3.1	0.6	0.6	5.3	6.8	-	-	50.1	60.2	
Non-Japan Asia	26.5	27.6	-	0.4	-	-	2.8	3.3	-	-	-	-	29.4	31.3	
Nordic Countries	7.8	6.6	-	-	0.0	-	-	-	-	-	0.8	0.8	8.6	7.5	
Middle East/Africa	5.6	6.6	-	-	-	-	-	-	-	-	-	-	5.6	6.6	
Latin America	2.8	5.7	0.3	0.4	-	-	-	-	-	-	-	-	3.2	6.0	
Oceania	0.6	0.6	-	-	-	-	-	-	-	-	-	-	0.6	0.6	
<b>Total</b>	<b>157.9</b>	<b>177.3</b>	<b>28.7</b>	<b>3,0</b>	<b>11.7</b>	<b>24.8</b>	<b>13.1</b>	<b>14.5</b>	<b>5.5</b>	<b>7.1</b>	<b>2.1</b>	<b>2.2</b>	<b>219.1</b>	<b>255.9</b>	

Negative amounts in tables 29–32 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 29: Past due, impaired exposures, specific and general provisions by exposure class, 2017**

Skr mn	Past due but not impaired	Impaired	Specific provisions, 2017		General provisions, 2017		Specific provisions, accumulated		General provisions, accumulated	
			Impaired	2017	General provisions, 2017	Specific provisions, accumulated	General provisions, accumulated			
Central governments	-	7	-	-	-	3	-	-	-	-
Regional governments	-	-	-	-	-	-	-	-	-	-
Multilateral development banks	-	-	-	-	-	-	-	-	-	-
Institutions	-	-	-	-	-	-	-	-	-	-
Corporates	146	714	29	-80	-80	63	90			
Securitizations										
<b>Total</b>	<b>146</b>	<b>721</b>	<b>29</b>	<b>-80</b>	<b>-80</b>	<b>65</b>	<b>90</b>			

**Table 30: 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	
			Impaired	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	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>99</b>	<b>2,392</b>	<b>17</b>	<b>0</b>	<b>84</b>	<b>170</b>				

Appendix

**Table 31: Past due, impaired exposures, specific and general provisions by geographical area**

Skr mn	Past due but not impaired	Impaired	Specific provisions, 2017	General provisions, 2017	Specific provisions, accumulated	General provisions, accumulated
North America	-	-	-	-	-	-
Latin America	11	63	22	-	38	-
Sweden	5	7	-18	-80	2	-90
Central-East European countries	-	-	-	0	-	0
West European countries excl. Sweden	115	17	4	-	4	-
Africa	0	-	-	-	-	-
Asia	15	634	21	-	21	-
<b>Total</b>	<b>146</b>	<b>721</b>	<b>29</b>	<b>-80</b>	<b>65</b>	<b>90</b>

**Table 32: Reconciliation of changes in the specific and general provisions**

Skr mn	Opening balance	Increases in provisions during 2017	Decreases in provisions during 2017	Transfers between specific and general provisions	Other adjustments	Closing balance	Recoveries recorded directly to the income statement
<b>Specific provisions</b>							
Central governments	3	-	-1	-	-	2	-
Regional governments	0	-	-	-	-	0	-
Multilateral development banks	0	-	-	-	-	0	-
Institutions	0	-	-	-	-	0	-
Corporates	81	48	-68	-	2	63	0
Securitizations	0	-	-	-	-	0	-
<b>Total specific provisions</b>	<b>84</b>	<b>48</b>	<b>-69</b>	<b>0</b>	<b>2</b>	<b>65</b>	<b>0</b>
<b>General provisions</b>							
Central governments	0					0	
Regional governments	0					0	
Multilateral development banks	0					0	
Institutions	0					0	
Corporates	160		-80		10	90	
Securitizations	10				-10	0	
<b>Total general provisions</b>	<b>170</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>170</b>	
<b>Total provisions</b>	<b>254</b>	<b>48</b>	<b>-149</b>	<b>0</b>	<b>2</b>	<b>155</b>	

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 33: Encumbered and unencumbered assets at December 31, 2017**

Skr mn	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Debt securities	-	-	85,314	86,541
Other assets	9,766	9,766	169,312	173,389
<b>Total assets</b>	<b>9,766</b>	<b>9,766</b>	<b>254,626</b>	<b>259,930</b>

**Table 34: Collateral received not recognised in statement of financial position  
at December 31, 2017**

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	-	-
<b>Total collateral received</b>	<b>-</b>	<b>-</b>
Own debt securities issued other than own covered bonds or ABSs	639	639

**Table 35: Encumbered assets/collateral received and associated liabilities  
at December 31, 2017**

Skr mn	Matching liabilities, contingent liabilities or securities lent covered bonds and ABS encumbered	Assets, collateral received and own debt securities issued other than covered bonds and ABS
Carrying amount of selected financial liabilities	9,766	10,405

# Glossary

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