CREDIT OPINION
1 October 2024

Update

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RATINGS

Swedish Export Credit Corporation	
Domicile	STOCKHOLM, Sweden
Long Term CRR	Aa1
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	Aa1
Type	Senior Unsecured - Fgn Curr
Outlook	Stable
Long Term Deposit	Not Assigned

Please see the ratings section at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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Swedish Export Credit Corporation

Update to credit analysis following periodic review

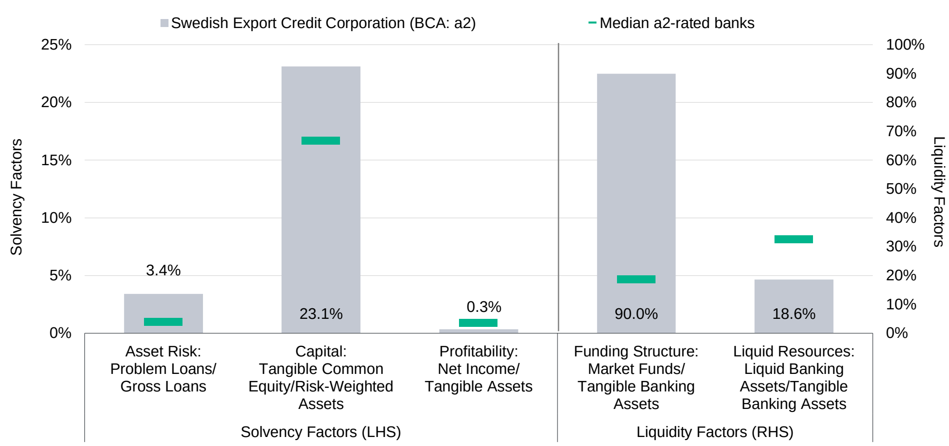
Summary

Swedish Export Credit Corporation (SEK) is fully owned by the Government of Sweden (Aaa stable) and has a public policy mandate to support the Swedish export industry.

SEK's a2 Baseline Credit Assessment (BCA) is supported by its public policy mandate to act as Sweden's export credit agency, strong asset quality and robust capital, balanced against its moderate profitability and high reliance on market funding.

SEK's long-term senior unsecured ratings of Aa1, with a stable outlook, benefit from a two-notch uplift from its a2 BCA based on our Advanced Loss Given Failure (LGF) analysis, given the sizeable buffer of loss-absorbing liabilities. Following the owner's additional commitment to SEK during the coronavirus pandemic, we assess government support to be very high for all debt classes. This results into a two-notch additional uplift to SEK's senior unsecured ratings.

Exhibit 1
Rating Scorecard - Key financial ratios



The ratio's represent our Banks methodology scorecard ratios, whereby asset risk and profitability reflect the weaker of either the three-year average or the latest annual figure. The capital ratio is the latest reported figure. Funding structure and liquid resource ratios reflect the latest fiscal year-end figures.
Source: Moody's Ratings

Credit strengths

» A government-owned entity with a public policy mandate to support the Swedish export industry

» Strong asset quality, benefiting from guarantees and insurance

» Robust capitalisation

Credit challenges

» Moderate profitability

» High reliance on wholesale funding, although largely match-funded

Outlook

The outlook on SEK's senior unsecured debt ratings is stable, reflecting our expectation that the export credit agency's public policy role will be maintained along with an unchanged willingness to support from the Swedish government.

Factors that could lead to an upgrade

Increasing support from the Government of Sweden in the form of a direct and unconditional guarantee could result in upward rating pressure.

Factors that could lead to a downgrade

Significant downward pressure on SEK's BCA, including that triggered by a dilution of its policy mandate to act as Sweden's export credit agency, or any lowering of Moody's assessment of government support could potentially put downward pressure on the ratings.

Key indicators

Exhibit 2

Swedish Export Credit Corporation (Consolidated Financials) [1]

	06-24[2]	12-23[2]	12-22[2]	12-21[2]	12-20[2]	CAGR/Avg.[3]
Total Assets (SEK Million)	363,320.0	349,954.0	356,000.0	317,357.0	310,371.0	4.6[4]
Total Assets (USD Million)	34,307.2	34,725.1	34,166.7	35,078.9	37,792.3	(2.7)[4]
Tangible Common Equity (SEK Million)	23,318.0	22,846.0	21,574.0	20,771.0	20,050.0	4.4[4]
Tangible Common Equity (USD Million)	2,201.8	2,267.0	2,070.5	2,295.9	2,441.4	(2.9)[4]
Problem Loans / Gross Loans (%)	3.4	3.4	2.6	1.0	0.7	2.2[5]
Tangible Common Equity / Risk Weighted Assets (%)	23.1	21.8	21.4	22.5	22.5	22.3[6]
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	37.9	39.2	30.8	10.9	7.3	25.2[5]
Net Interest Margin (%)	0.9	0.9	0.7	0.6	0.6	0.7[5]
PPI / Average RWA (%)	2.1	2.0	1.5	1.4	1.5	1.7[6]
Net Income / Tangible Assets (%)	0.3	0.4	0.3	0.3	0.3	0.3[5]
Cost / Income Ratio (%)	32.2	30.7	37.6	34.6	29.9	33.0[5]
Market Funds / Tangible Banking Assets (%)	89.1	89.8	89.9	92.5	92.7	90.8[5]
Liquid Banking Assets / Tangible Banking Assets (%)	23.2	18.6	25.1	24.9	22.7	22.9[5]

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Sources: Moody's Ratings and company filings

Profile

SEK is a credit institution that provides long-term financial solutions to the Swedish export sector. As of 30 June 2024, SEK reported total consolidated assets of SEK374.3 billion (€32.9 billion).

SEK has a public policy mandate from the Swedish government to support the Swedish export industry. The institution delivers on this mandate by lending to Swedish companies that export their products and services. In addition, it lends to foreign buyers of Swedish exports (end-customer financing), supporting Swedish companies and the economy.

SEK was established in 1962, under the joint ownership of the state and Swedish commercial banks, with a mandate of providing long-term credit solutions to Swedish exporters and their customers. SEK is wholly owned by the Swedish government and managed through the Ministry of Enterprise and Innovation.

Detailed credit considerations

A government-owned entity with a public policy mandate to support the Swedish export industry

SEK is a wholly owned agency of the Swedish government with the mission to support the country's export industry by providing both Swedish exporters and their foreign customers with corporate and export lending, structured financing, project and trade financing and leasing solutions. SEK does not take deposits and funds the aforementioned loans by actively borrowing in the global wholesale markets.

SEK has a public policy mandate as it manages the export credit system on behalf of the government — and in line with the Organisation for Economic Co-Operation and Development's (OECD) rules on state support — and collaborates extensively with Exportkreditnamnden, a Swedish government agency that guaranteed around 43% of SEK's lending as of year-end 2023.

The Swedish government has generally supported its fully owned companies in the past, and SEK in particular. During the global financial crisis, SEK received a capital injection of SEK5.4 billion and a credit facility at the Swedish National Debt Office (SNDO), and during the pandemic in spring 2020, the credit facility at the SNDO was increased to SEK200 billion[1]. The commitment as an owner and the proven support by the Swedish government to SEK result in our assessment of a very high probability of government support for SEK's senior, junior senior (often referred to as senior non-preferred) and subordinated debt classes.

As a company established with an explicit public policy mandate, SEK benefits from an entrenched franchise in a niche market. These conditions provide stability to all aspects of SEK's operations and result in a low risk profile. This feature is reflected in a qualitative positive adjustment of one notch for Business Diversification in our scorecard.

SEK's BCA is supported by Sweden's sound operating environment

We assess that SEK's weighted macro profile reflects the average macro profile of the countries in which the institution has its net exposures (after taking guarantees and credit derivatives into consideration). SEK's combined Strong+ macro profile is in line with that of Sweden (see Sweden's Macro Profile: Strong+, published on 12 July 2023), where the institution had around 78% of its net exposures as of the end of June 2024. The remaining exposures are mostly towards other European countries for which the combined macro profile is Strong.

Good asset quality, benefiting from guarantees and insurance

SEK's problem loan ratio has been historically low, which reflects the credit institution's good asset quality, underwriting standards and guarantees. The ratio slightly increased to 3.42% as of the end of June 2024 from 3.26% as of the end of June 2023, mainly as a result of two exposures that have been moved to Stage 3 since Q2 2023. SEK has experienced a rise in net credit losses during 2023 and 2024, surpassing levels seen in prior years. However, they do not consider this increase to be due to an underlying structural issue with their lending portfolio.

As the turbulent macroeconomic environment persists with higher interest rates and geopolitical tensions, loan demand for SEK's export credit financing declined during the first half of 2024, compared with that in the year-earlier period. SEK's lending portfolio decreased by 2% in the first six months of 2024, compared with a 5% increase in the first six months of 2023. Out of the new lending for the first six months of 2023, 40% was to Swedish exporters and 60% to end customers.

SEK underwrites loans at prevailing fixed or floating market interest rates (65% of its book as of the end of June 2024), as well as loans under the State Support System (the S-system, a state-support credit system, including the Commercial Interest Reference Rate [CIRR] system, which accounts for the remaining 35% of the book), which is administered on behalf of the state in return for a fixed compensation. As of the end of June 2024, 22% of SEK's net credit exposure was outside Sweden, including relatively small exposures in weaker countries such as Italy, Spain and Portugal.

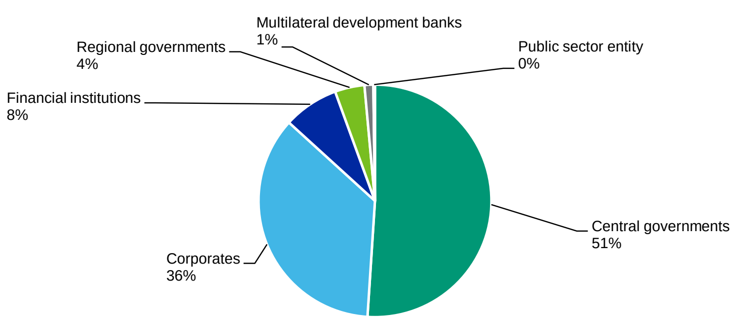
Because of the nature of its lending, SEK has significant single-name concentration, also after taking the guarantees into account.

SEK uses various mechanisms to mitigate credit risk under its operations: most importantly, the agency transfers a sizeable part of its private-sector credit risk by collaborating with export credit agencies. This results in a high exposure to central and regional governments, which consequently represented a combined 51% of SEK's net exposure as of the end of June 2024 (see Exhibit 3). Additionally, SEK uses credit default swaps (CDS) to mitigate credit risk. This effectively transfers credit risk to the CDS counterparties whose creditworthiness could deteriorate. To minimize this credit counterparty risk, SEK has signed Internal Swaps and Derivatives Association agreements and credit support annexes with all counterparties with whom it enters into derivatives contracts. In addition, SEK is working with private insurance companies to mitigate credit risk.

Exhibit 3

SEK's net exposures as of the end of June 2024

A significant proportion of SEK's net exposures is to central and regional governments



Source: Company reports

Our assigned a3 Asset Risk score reflects SEK's low problem loan ratio and its guarantees, as well as its high single-name concentration.

Strong capitalisation with significant excess capital above regulatory requirements

Our assigned Capital score of aa2 reflects SEK's strong capital position and expected trend. The substantial volumes of capital above regulatory requirements enable the credit institution to increase its balance sheet considerably. Considering the agency's role as a promoter of Swedish exports, we expect SEK's balance sheet to grow in times of crisis, ensuring that Swedish exporters have continued access to credit.

SEK reported Common Equity Tier 1 (CET1) capital and total capital ratios of 22.6% as of the end of June 2024, which were higher than 21.3% as of year-end 2023, as a result of higher retained earnings. The CET1 and total capital ratio requirements as of the end of June 2024 were 12.2% and 17.3%, respectively, leading to a solid headroom of 10.4 percentage points for the CET1 ratio and 5.3 percentage points for the total capital ratio. SEK's capital current target is to exceed the CET1 requirement by 200-400 basis points and the total capital requirement by two to four percentage points. If demand for SEK's lending increases, we expect capitalisation to be managed closer to targets.

SEK has a target of distributing 20%-40% of its profit in dividends, according to their dividend policy. No dividend was paid in 2023 for Fiscal year 2022 as a result of weaker growth and the difficult operating environment. In 2024 they paid out a dividend of SEK248 million, corresponding to 20% of the net profit from 2023.

SEK's tangible common equity/risk-weighted assets increased to 23.1% as of the end of June 2024 from 21.8% as of year-end 2023. Furthermore, SEK reported an 8.7% Tier 1 leverage ratio as of the end of June 2024, equivalent to Moody's-adjusted tangible common equity/tangible assets of 6.4% as of the same date.

Moderate profitability supported by higher interest rates, partly offset by credit losses

SEK reported an operating profit of SEK794 million for H1 2024, driven by higher interest rates and despite a curb in new lending demand, up from SEK646 million in the year-earlier period. As a result, the reported return on equity (ROE) increased to 5.5% for H1 2024, exceeding on the company's long-term target of 5.0%.

Net interest income (NII), which constitutes most of the company's net revenue, rose by 12% year over year in H1 2024 to SEK1,660 million from SEK1,479 million in H1 2023, driven by a higher net interest margin of 0.94% (from 0.81%).

Bottom-line profitability was hurt by net credit losses of SEK281 million in the first half of 2024 (compared with SEK239 million in the year-earlier period), driven mainly by an increase in Stage 3 loans relating to two individual exposures. Operating expenses also increased by 7% in H1 2024 compared with the year-earlier period because of increases in personnel and administrative expenses.

As a result, SEK's Moody's-adjusted cost-to-income ratio decreased to 32% for H1 2024, from 35% in the year-earlier period. The Swedish risk tax that was introduced in 2022 is accounted for in "taxes other than income taxes" in our accounts, which is included in operating expenses, thus affecting the Moody's-calculated cost-to-income ratio.

Our assigned ba2 Profitability score captures SEK's stable (driven by its mandate and stable business model), although moderate, profitability.

Match funded balance sheet mitigates the reliance market funding

SEK's assigned Funding score of a3 reflects SEK's prudent asset liability management whereby loan commitments are pre-funded with matching liability maturities. This match-funded strategy largely mitigates the full reliance on wholesale funding markets. SEK also has a good funding diversification, strong name recognition and market access along with a large liquidity portfolio. SEK's risk appetite ensures a diversified funding profile to fund all credit commitments through maturity, and sizeable liquidity to be able to support new lending even during times of financial stress.

As of the end of June 2024, SEK reported outstanding debt (including borrowing from credit institutions) of SEK327 billion or 87% of its balance sheet. This reliance on confidence-sensitive funding is slightly mitigated by funding diversification in currency. Out of the issued funding, 64% was in US dollars, 19% in euro, 4% in Australian dollars and the rest in other major currencies as of the end of June 2024. SEK has a strong track record of market access. Refinancing risks are limited as assets and liabilities are matched both by maturity and in terms of currencies, directly or through the use of derivatives.

Although SEK is a registered credit institution, formally subject to the EU's Bank Recovery and Resolution Directive (BRRD), we expect the Government of Sweden to inject capital — if needed — well ahead of any potential breach of SEK's minimum regulatory requirements, significantly reducing the risk of loss to all creditor classes.

SEK was until mid 2023 considered a systemically important financial institution by the SNDO and, therefore, needed to fulfill the recapitalisation amount of the minimum requirement of own funds and eligible liabilities (MREL). The SNDO conducted a review during 2023 about the handling of SEK in a crisis event. In June 2023, the SNDO communicated that they are not considering SEK to be a systemically important financial institution anymore, and as a result, the requirement for SEK to hold Senior Non Preferred MREL-capital from January 1st 2024 was revoked. SEK now only needs to meet an MREL requirement of a loss absorption amount equal to SEK's Pillar 1 and Pillar 2 requirements. Therefore, we do not expect SEK to issue any senior non-preferred debt.

SEK's liquidity management is prudent

SEK reported liquidity investments of SEK77.4 billion as of the end of June 2024. The lender reported a liquidity coverage ratio (LCR) of 670% as of the end of June 2024, up from 329% as of June 2023 and 494% as of year-end 2023. SEK's LCR tends to show significant fluctuations during the year because of variations in funding maturities. However, unlike other deposit taking banks, it does not need to stress deposit outflows, and has a net positive cash flow in case the institution unwinds with no new business or funding.

As of June 2024, SEK had an NSFR ratio of 133% and a ratio of HQLA/tangible banking assets of 20.3%.

Whereas SEK does not have direct access to the Riksbank, it benefits from a SEK150 billion credit facility with the SNDO, which SEK can use to finance the state-supported export financing system, the CIRR system. The CIRR system allows exporters' clients to obtain financing at fixed interest rates and these are governed by the OECD's Arrangement on Officially Supported Export Credits. The last time this credit facility was tested was in 2020 when SEK10 billion was utilized due to increased demand for CIRR credits. This amount was repaid to the SNDO in H1 2022.

The credit facility was increased to SEK200 billion from SEK125 billion during the first quarter of 2020; however, the credit facility was revised to SEK175 billion from January 2022 and from half-year 2024 the facility is SEK150 billion.

Our baa1 Liquidity score reflects SEK’s large liquidity portfolio, large liquidity facility and prudent asset liability management.

Source of facts and figures cited in this report

Unless noted otherwise, the bank-specific figures originate from bank's reports and Moody's Banking Financial Metrics. All figures are based on our own chart of accounts and may be adjusted for analytical purposes. Please refer to the document Financial Statement Adjustments in the Analysis of Financial Institutions, published on 8 April 2024.

ESG considerations

Swedish Export Credit Corporation's ESG credit impact score is CIS-2

Exhibit 4

ESG credit impact score

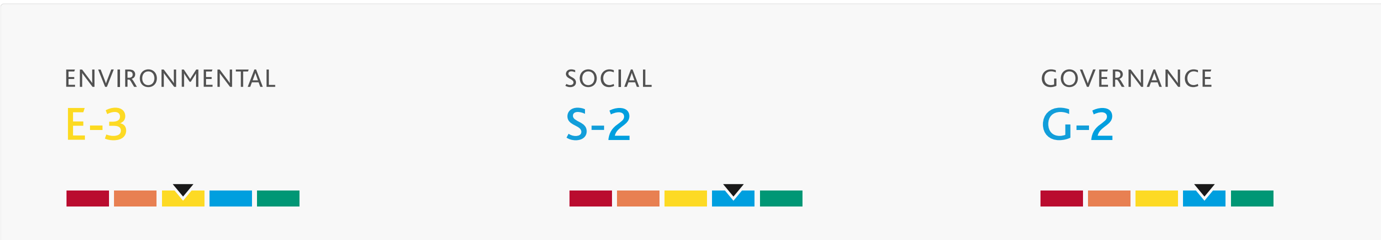
CIS-2

ESG considerations do not have a material impact on the current rating.

Source: Moody's Ratings

SEK's **CIS-2** indicates that ESG considerations do not have a material impact on the current rating. This reflects the limited credit impact of environmental and social risk factors on the rating to date, and the neutral-to-low governance risks.

Exhibit 5
ESG issuer profile scores



Source: Moody's Ratings

Environmental
SEK faces moderate environmental risks, specifically in relation to carbon transition risk. This is because of the structure of its portfolio which includes loans to Swedish large corporates and to foreign customers of Swedish exports. Like other banks, the bank is facing mounting business risks and stakeholder pressure to meet more demanding carbon transition targets.

Social
SEK faces low social risks due to the rather narrow and small scale of its business. SEK faces social risks through its often complex exposures in terms of financing arms exports and investments in emerging markets. To meet these risks, SEK has a more rigorous and in depth assessment of these risks than industry standards. Cyber and personal data risks are mitigated by the lender's IT and cyber framework.

Governance
SEK has low governance risks. Its management, policies and procedures are in line with industry best practices. As a government owned company established with an explicit public policy mandate, SEK benefits from an entrenched franchise in a niche market. These conditions provide stability to all aspects of SEK's operations, and results in a low risk profile. Governance risks related to ownership concentration are mitigated by the large presence of independent directors, the alignment between the bank's public policy role and the interest of the controlling shareholders as well as the developed institutional framework within Sweden.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

Support and structural considerations

Loss Given Failure (LGF) analysis
We apply our Advanced LGF analysis for SEK because the institution — as a registered credit institution — is subject to the EU BRRD, which we consider an Operational Resolution Regime. For this analysis, we assume that equity and losses are 3% and 8%, respectively, of tangible banking assets in a failure scenario.

Our Advanced LGF analysis indicates a very low Loss Given Failure for senior unsecured creditors, resulting in a two-notch uplift of the relevant ratings, from the credit institution's a2 Adjusted BCA. SEK's junior senior and subordinated (P) ratings are positioned one notch below the Adjusted BCA per our LGF analysis.

Government support considerations
We assess government support to be very high for all of SEK's debt classes. This is based on the 100% ownership by the Swedish government, its public policy mandate to support the country's export industry (including managing the CIRR system) along with the owner's demonstrated support in terms of capital injections and credit facilities in the past.

The commitment as an owner and the proven support by the Swedish government to SEK result in our assessment of a very high probability of government support for SEK's senior, junior senior and subordinated debt classes, which results in a two-notch uplift to SEK's senior unsecured obligations, resulting in Aa1 ratings; a four-notch uplift to the (P) junior senior, resulting in (P)Aa2 ratings; and a three-notch uplift to the subordinated ratings, resulting in (P)Aa3 ratings. The rating differential to junior senior unsecured ratings reflects the structural subordination of the subordinated debt class, as well as the small residual risk that the holders' capital instruments might be treated differently in the case of stress.

Methodology and scorecard

About Moody's Bank Scorecard

Our scorecard is designed to capture, express and explain in summary form our Rating Committee's judgement. When read in conjunction with our research, a fulsome presentation of our judgement is expressed. As a result, the output of our scorecard may materially differ from that suggested by raw data alone (though it has been calibrated to avoid the frequent need for strong divergence). The scorecard output and the individual scores are discussed in rating committees and may be adjusted up or down to reflect conditions specific to each rated entity.

Rating methodology and scorecard factors

Exhibit 6
Rating Factors

Macro Factors		
Weighted Macro Profile	Strong +	100%

Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2
Solvency						
Asset Risk						
Problem Loans / Gross Loans	3.4%	a3	↔	a3	Quality of assets	Single name concentration
Capital						
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	23.1%	aa1	↔	aa2	Risk-weighted capitalisation	Expected trend
Profitability						
Net Income / Tangible Assets	0.3%	ba2	↔	ba2	Earnings quality	Expected trend
Combined Solvency Score		a2		a3		
Liquidity						
Funding Structure						
Market Funds / Tangible Banking Assets	89.8%	caa3	↔	a3	Term structure	Market funding quality
Liquid Resources						
Liquid Banking Assets / Tangible Banking Assets	18.6%	baa2	↑↑	baa1	Stock of liquid assets	Access to committed facilities
Combined Liquidity Score		b2		a3		
Financial Profile				a3		
Qualitative Adjustments				Adjustment		
Business Diversification				1		
Opacity and Complexity				0		
Corporate Behavior				0		
Total Qualitative Adjustments				1		
Sovereign or Affiliate constraint				Aaa		
BCA Scorecard-indicated Outcome - Range				a1 - a3		
Assigned BCA				a2		
Affiliate Support notching				0		
Adjusted BCA				a2		

Balance Sheet	in-scope (SEK Million)	% in-scope	at-failure (SEK Million)	% at-failure
Other liabilities	28 912	8.0%	28 912	8.0%
Senior unsecured bank debt	323 508	89.0%	323 508	89.0%
Equity	10 900	3.0%	10 900	3.0%
Total Tangible Banking Assets	363 320	100.0%	363 320	100.0%

Debt Class	De Jure waterfall		De Facto waterfall		Notching		LGF Notching Guidance vs. Adjusted BCA	Assigned LGF notching	Additional Notching	Preliminary Rating Assessment
	Instrument volume + subordination	Sub-ordination	Instrument volume + subordination	Sub-ordination	De Jure	De Facto				
Counterparty Risk Rating	92.0%	92.0%	92.0%	92.0%	3	3	3	3	0	aa2
Counterparty Risk Assessment	92.0%	92.0%	92.0%	92.0%	3	3	3	3	0	aa2 (cr)
Senior unsecured bank debt	92.0%	3.0%	92.0%	3.0%	2	2	2	-	-	-
Junior senior unsecured bank debt	3.0%	3.0%	3.0%	3.0%	-1	-1	-1	-1	0	a3
Dated subordinated bank debt	3.0%	3.0%	3.0%	3.0%	-1	-1	-1	-1	0	a3

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	3	0	aa2	1	Aa1	Aa1
Counterparty Risk Assessment	3	0	aa2 (cr)	1	Aa1(cr)	
Senior unsecured bank debt	-	-	-	2	Aa1	Aa1
Junior senior unsecured bank debt	-1	0	a3	4	(P)Aa2	(P)Aa2
Dated subordinated bank debt	-1	0	a3	3	(P)Aa3	(P)Aa3

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.
Source: Moody's Ratings

Ratings

Exhibit 7

Category	Moody's Rating
SWEDISH EXPORT CREDIT CORPORATION	
Outlook	Stable
Counterparty Risk Rating	Aa1/P-1
Baseline Credit Assessment	a2
Adjusted Baseline Credit Assessment	a2
Counterparty Risk Assessment	Aa1(cr)/P-1(cr)
Issuer Rating	Aa1
Senior Unsecured	Aa1
Junior Senior Unsecured MTN	(P)Aa2
Subordinate MTN	(P)Aa3
Commercial Paper	P-1
Other Short Term	(P)P-1

Source: Moody's Ratings

Endnotes

1 Currently, the credit facility with the SNDO is up to SEK150 billion and can be used when the Swedish export industry's demand for financing is particularly high.

REPORT NUMBER 1419060

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454