

# SCBC Year-end Report

1 January – 31 December 2015 | The Swedish Covered Bond Corporation,  
SCBC

## January–December 2015 (January–December 2014)

- Operating profit totalled SEK 1,543 million (1,064). Exclusive of net income/expense from financial transactions, it amounted to SEK 1,559 million (883).
- Net interest income amounted to SEK 2,280 million (1,775).
- Expenses totalled SEK 627 million (826).
- Loan losses amounted to a gain of SEK 12 million (gain: 26).
- The Common Equity Tier 1 capital ratio, without transitional regulations, amounted to 86.1% (72.3).
- All funding programmes continue to have the highest credit rating from Moody's.

|   |  |
|---|--|
| <b>Operating profit</b><br>SEK <b>1,543</b> million (1,064)       | <b>Net interest income</b><br>SEK <b>2,280</b> million (1,775)   |
| <b>Common Equity Tier 1 capital ratio</b><br><b>86.1</b> % (72.3) | <b>Lending to the public</b><br>SEK <b>215,8</b> billion (217.6) |

## Operations

The Swedish Covered Bond Corporation ("SCBC") (in Swedish: AB Sveriges Säkerställda Obligationer (publ)) is a wholly-owned subsidiary of SBAB Bank (publ) ("SBAB").

As a wholly-owned subsidiary of SBAB, SCBC has the mandate to issue covered bonds with mortgage credit as collateral, thereby providing the SBAB Group with long-term access to competitive funding. The operation shall be conducted in such a manner as to comply with the requirements specified in the Covered Bonds Issuance Act (2003:1223) and the Swedish Financial Supervisory Authority's regulation FFFS 2013:1.

## Financial performance

### Performance for January–December 2015 compared with January–December 2014

| Summary<br>SEK million   | 2015<br>Jan-Dec | 2014<br>Jan-Dec |
|--|-----------------|-----------------|
| Net interest income  | 2,280           | 1,775           |
| Net commission income  | -106            | -92             |
| Net result from financial transactions (Note 2)                      | -16             | 181             |
| <b>Total operating income</b>  | <b>2,158</b>    | <b>1,864</b>    |
| Costs  | -627            | -826            |
| Loan losses, net (Note 3)  | 12              | 26              |
| <b>Operating profit/loss</b>   | <b>1,543</b>    | <b>1,064</b>    |
| <i>Operating profit excl. net result from financial transactions</i> | <i>1,559</i>    | <i>883</i>      |
| Tax  | -340            | -226            |
| <b>Profit/loss for the period</b>                                    | <b>1,203</b>    | <b>838</b>      |
| <b>Balance sheet items</b>   |                 |                 |
| Lending to the public, SEK billion                                   | 215.8           | 217.6           |
| <b>Key figures</b>   |                 |                 |
| Common Equity Tier 1 capital ratio <sup>1)</sup>                     | 86.1%           | 72.3%           |
| <b>Rating, long-term funding</b>                                     |                 |                 |
| Moody's  | Aaa             | Aaa             |

<sup>1)</sup> Without transition rules

### Operating profit

SCBC's operating profit increased to SEK 1,543 million (1,064). The increase was chiefly driven by the lower cost of funding for covered bonds and an increased lending volume. Operating profit, excluding net income/expense from financial transactions, increased to SEK 1,559 million (883).

### Net interest and net commission

SCBC's net interest income increased to SEK 2,280 million (1,775). The higher net interest income is mainly due to a reduction of SCBC's funding costs. Net commission amounted to an expense of SEK 106 million (expense: 92), including a fee of SEK 71 million (66) for the government stability fund.

### Expenses

SCBC's expenses decreased to SEK 627 million (826) and consisted primarily of payments to SBAB for administrative services provided in accordance with the applicable outsourcing agreement.

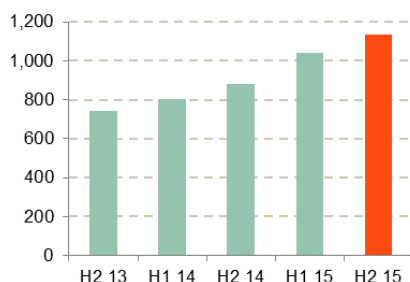
### Loan losses

The net effect of loan losses was a gain of SEK 12 million (gain: 26). Confirmed loan losses remained low.

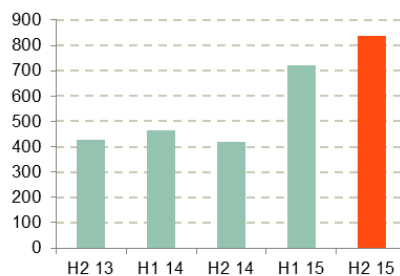
## Net income/expense from financial transactions

Net income/expense from financial transactions measured at fair value amounted to an expense of SEK 16 million (income: 181). The greatest factor impacting earnings was unrealised market value changes on derivative instruments. For further information regarding how unrealised changes in market values affected profit/loss for the period, please see Note 2.

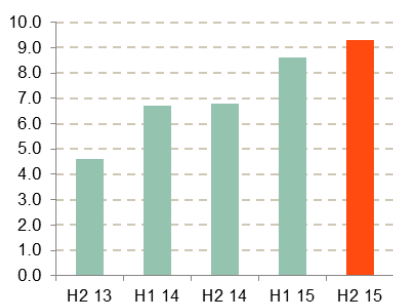
### Operating income, excluding net income/expense from financial instruments (SEK million)



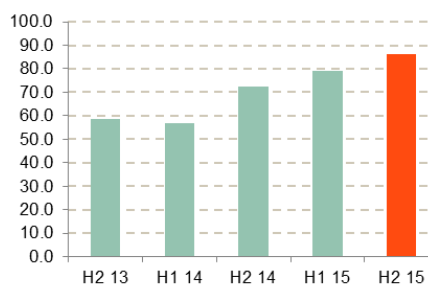
### Operating profit/loss, excluding net income/expense from financial instruments (SEK million)



### Return on equity (%)



### Common Equity Tier 1 capital ratio without transitional regulations (%)



## Lending

SCBC does not conduct any new lending activities itself, but instead acquires loans from SBAB Bank, on an on-going basis or as necessary. The aim of securing these loans is to increase the collateral for investors who are holders of SCBC's covered bonds. The lending portfolio within SCBC comprises loans for residential mortgages, with the retail market as the largest segment. At the end of 2015, SCBC's lending totalled SEK 215.8 billion (217.6).

Information regarding SCBC's lending, the cover pool, is published monthly on the website [www.sbab.se](http://www.sbab.se).

## Funding

SCBC's funding is conducted through the issuance of covered bonds, and to a certain extent through repo transactions. In the third quarter, SCBC issued a public five-year bond of EUR 750 million. The issue was met with favourable demand. This was the second public issue in Euro in 2015. SCBC is a regular issuer in the Swedish and European markets.

SCBC uses three funding programmes: a Swedish mortgage bond programme for the issuance of covered bonds without a preset limit, a EUR 10 billion Euro Medium Term Covered Note Programme (EMTCN programme), and an AUD 4 billion Australian Covered Bonds Issuance Programme. All

funding programmes have received the highest possible credit rating of Aaa from the rating agency Moody's.

Covered bonds are the SBAB Group's principal source of funding, and at 31 December 2015, the total value of covered debt securities in issue under SCBC's lending programme was SEK 187.3 billion (175.0), distributed as follows: Swedish covered bonds SEK 109.9 billion (102.2) and the Euro Medium Term Covered Note Programme SEK 77.4 billion (72.8). During the year, securities valued at SEK 56.9 billion were issued. At the same time, bonds valued at SEK 10.5 billion were repurchased, while bonds for SEK 31.7 billion matured. Alongside revaluations (both up and down) of liabilities due to changes in premiums/discounts, and changes in exchange rates for the SEK, this has caused issued securities to increase in value by SEK 12.3 billion.

### Capital adequacy and risk

SCBC primarily recognises credit risk pursuant to the internal ratings-based approach (IRB approach) and operational and market risk in accordance with the standardised approach.

SCBC's total capital ratio and Common Equity Tier 1 capital ratio under Pillar 1, without transitional regulations, amounted to 86.1% (72.3) at 31 December 2015. For other capital ratios, refer to the tables starting on page 9. The internally assessed capital requirement amounted to SEK 3,897 million (3,735).

Management of liquidity risks for SCBC is integrated with SBAB. In addition, SCBC has a liquidity facility agreement with SBAB, under which SCBC can borrow money for its operations from the Parent Company, when necessary.

## Other significant information

### Risks and uncertainties

The economic trend in Sweden is the primary risk factor for SCBC's future earnings capacity, and the quality of the assets is mainly exposed to credit risks in the Swedish housing market. The management of interest-rate and currency risks entails some exposure to price risks. Household demand shows a stable trend, underpinned by low inflation, low interest-rates and rising stock market and property prices. A housing market with soaring prices and growing household indebtedness among retail customers make the Swedish economy sensitive to changes in interest-rates and house prices. The risks associated with these factors are expected to increase as long as house prices and indebtedness continue to rise faster than incomes. Extensive regulatory developments in the residential mortgage market are an uncertainty factor.

The Swedish economy is susceptible to global economic developments and conditions in the international financial markets.

For further information on SCBC's risks and risk management, please refer to the Risk Management section and Note 2 in the 2014 Annual Report.

### Financial calendar

Interim report January–June 2016  
Year-end report 2016

19 July 2016  
8 February 2017

### Review Report

This report has been reviewed by the company's auditor. The review report is given on page 15.

---

The CEO affirms that this interim report provides an accurate overview of the operations, financial position and performance of the company and describes the significant risks and uncertainties faced by the company.

Solna, 4 February 2016

Mikael Ingländer  
CEO

### **Contacts**

For further information, contact Mikael Ingländer, CEO, +46 8 614 43 28, [mikael.inglander@sbab.se](mailto:mikael.inglander@sbab.se).

*The information in this report is such that the Swedish Covered Bond Corporation is required to disclose in accordance with the Swedish Financial Instruments Trading Act and/or the Swedish Securities Market Act. The information was submitted for publication on 5 February 2016 at 8.00 a.m. (CET).*

## Income statement

| SEK million                                     | 2015<br>Jul-Dec | 2015<br>Jan-Jun | 2014<br>Jul-Dec | 2015<br>Jan-Dec | 2014<br>Jan-Dec |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| Interest income                                 | 1,904           | 2,293           | 2,745           | 4,197           | 5,739           |
| Interest expense                                | -717            | -1,200          | -1,817          | -1,917          | -3,964          |
| <b>Net interest income</b>                      | <b>1,187</b>    | <b>1,093</b>    | <b>928</b>      | <b>2,280</b>    | <b>1,775</b>    |
| Commission income                               | 5               | 5               | 5               | 10              | 9               |
| Commission expense                              | -58             | -58             | -53             | -116            | -101            |
| Net result from financial transactions (Note 2) | -17             | 1               | 134             | -16             | 181             |
| Other operating income                          | -               | -               | -               | -               | -               |
| <b>Total operating income</b>                   | <b>1,117</b>    | <b>1,041</b>    | <b>1,014</b>    | <b>2,158</b>    | <b>1,864</b>    |
| General administrative expenses                 | -309            | -317            | -477            | -626            | -824            |
| Other expenses                                  | 1               | -2              | -1              | -1              | -2              |
| <b>Total expenses before loan losses</b>        | <b>-308</b>     | <b>-319</b>     | <b>-478</b>     | <b>-627</b>     | <b>-826</b>     |
| <b>Profit/loss before loan losses</b>           | <b>809</b>      | <b>722</b>      | <b>536</b>      | <b>1,531</b>    | <b>1,038</b>    |
| Loan losses, net (Note 3)                       | 11              | 1               | 15              | 12              | 26              |
| <b>Operating profit/loss</b>                    | <b>820</b>      | <b>723</b>      | <b>551</b>      | <b>1,543</b>    | <b>1,064</b>    |
| Tax   | -180            | -160            | -121            | -340            | -226            |
| <b>Profit/loss for the period</b>               | <b>640</b>      | <b>563</b>      | <b>430</b>      | <b>1,203</b>    | <b>838</b>      |

## Statement of comprehensive income

| SEK million                                      | 2015<br>Jul-Dec | 2015<br>Jan-Jun | 2014<br>Jul-Dec | 2015<br>Jan-Dec | 2014<br>Jan-Dec |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Profit/loss for the period</b>                | <b>640</b>      | <b>563</b>      | <b>430</b>      | <b>1,203</b>    | <b>838</b>      |
| Changes related to cash flow hedges, before tax  | 253             | -72             | 128             | 181             | 128             |
| Tax attributable to cash flow hedges             | -56             | 16              | -28             | -40             | -28             |
| Other comprehensive income, net after tax        | 197             | -56             | 100             | 141             | 100             |
| <b>Total comprehensive income for the period</b> | <b>837</b>      | <b>507</b>      | <b>530</b>      | <b>1,344</b>    | <b>938</b>      |

## Balance sheet

| SEK million   | 31/12/2015     | 31/12/2014     |
|---|----------------|----------------|
| <b>ASSETS</b>   |                |                |
| Lending to credit institutions                                    | 1,219          | 2,841          |
| Lending to the public (Note 4)                                    | 215,774        | 217,579        |
| Change in value of interest-rate-hedged items in portfolio hedges | 717            | 1,193          |
| Derivative instruments (Note 5)                                   | 4,784          | 6,315          |
| Deferred tax assets   | -              | 17             |
| Other assets  | 695            | 329            |
| Prepaid expenses and accrued income                               | 122            | 175            |
| <b>TOTAL ASSETS</b>   | <b>223,311</b> | <b>228,449</b> |
| <b>LIABILITIES AND EQUITY</b>                                     |                |                |
| <b>Liabilities</b>  |                |                |
| Liabilities to credit institutions                                | 2,143          | 4,080          |
| Debt securities in issue  | 187,280        | 174,986        |
| Derivative instruments (Note 5)                                   | 2,437          | 2,866          |
| Other liabilities   | 10             | 19             |
| Accrued expenses and prepaid income                               | 2,201          | 2,472          |
| Deferred tax liabilities  | 131            | -              |
| Subordinated debt to the Parent Company (Note 9)                  | 14,920         | 31,181         |
| <b>Total liabilities</b>  | <b>209,122</b> | <b>215,604</b> |
| <b>Equity</b>   |                |                |
| <b>Restricted equity</b>  |                |                |
| Share capital   | 50             | 50             |
| Shareholder contribution  | 9,550          | 9,550          |
| <b>Total restricted equity</b>                                    | <b>9,600</b>   | 9,600          |
| <b>Unrestricted equity</b>  |                |                |
| Fair value reserve  | 241            | 100            |
| Retained earnings   | 3,145          | 2,307          |
| Profit for the period   | 1,203          | 838            |
| <b>Total unrestricted equity</b>                                  | <b>4,589</b>   | 3,245          |
| <b>Total equity</b>   | <b>14,189</b>  | <b>12,845</b>  |
| <b>TOTAL LIABILITIES AND EQUITY</b>                               | <b>223,311</b> | <b>228,449</b> |
| <b>Memorandum items</b>   |                |                |
| Assets pledged for own liabilities                                | 211,420        | 211,651        |

## Statement of changes in equity

| SEK million                               | Restricted equity | Unrestricted equity |                          |                   |                    | Total equity |
|---|-------------------|---------------------|--------------------------|-------------------|--------------------|--------------|
|   | Share capital     | Fair value reserve  | Shareholder Contribution | Retained earnings | P/L for the period |              |
| Opening balance, 1 January 2015           | 50                | 100                 | 9,550                    | 3,145             |                    | 12,845       |
| Other comprehensive income, net after tax |                   | 141                 |                          |                   |                    | 141          |
| Profit/loss for the year                  |                   |                     |                          |                   | 1,203              | 1,203        |
| Total comprehensive income for the year   | 50                | 241                 | 9,550                    | 3,145             | 1,203              | 14,189       |
| Closing balance, 31 December 2015         | 50                | 241                 | 9,550                    | 3,145             | 1,203              | 14,189       |

| SEK million                               | Share capital | Fair value reserve | Shareholder Contribution | Retained earnings | P/L for the period | Total equity |
|---|---------------|--------------------|--------------------------|-------------------|--------------------|--------------|
| Opening balance, 1 January 2014           | 50            | -                  | 9,550                    | 2,307             |                    | 11,907       |
| Other comprehensive income, net after tax |               | 100                |                          |                   |                    | 100          |
| Profit/loss for the year                  |               |                    |                          |                   | 838                | 838          |
| Total comprehensive income for the year   | 50            | 100                | 9,550                    | 2,307             | 838                | 12,845       |
| Closing balance, 31 December 2014         | 50            | 100                | 9,550                    | 2,307             | 838                | 12,845       |

The shareholder's contribution that was paid is conditional and the Parent Company SBAB Bank AB (publ) is entitled to reimbursement for the contribution from the Swedish Covered Bond Corporation's disposable earnings, provided that the Annual General Meeting grants approval thereof.

## Cash flow statement

| SEK million  | 31/12/2015    | 31/12/2014    |
|--|---------------|---------------|
| Cash and cash equivalents at the beginning of the period | 2,841         | 11,179        |
| Cash flow from operating activities                      | -1,622        | -9,038        |
| Cash flow from investing activities                      | -             | -             |
| Cash flow from funding activities                        | -             | 700           |
| <b>Increase/Decrease in cash and cash equivalents</b>    | <b>-1,622</b> | <b>-8,338</b> |
| Cash and cash equivalents at the end of the period       | 1,219         | 2,841         |

Cash and cash equivalents are defined as lending to credit institutions with a maturity not later than three months from the acquisition date.



## Own funds

Disclosures in accordance with Article 5 of Commission Implementing Regulation (EU) No 1423/2013

| SCBC, SEK million  | 31 Dec 2015   | 31 Dec 2014   | Amounts subject to pre-regulation or prescribed residual amount* |
|--|---------------|---------------|--|
| <b>Common Equity Tier 1 capital: instruments and reserves</b>  |               |               |  |
| Capital instruments and associated share premium reserves  | 9,600         | 9,600         | N/A  |
| Retained earnings  | 3,145         | 2,307         | N/A  |
| Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses according to applicable accounting standards)   | 241           | 100           | N/A  |
| Interim profit/loss after deduction of foreseeable costs and dividends, verified by persons in an independent position   | 1,203         | 838           | N/A  |
| <b>Common Equity Tier 1 capital before regulatory adjustments</b>  | <b>14,189</b> | <b>12,845</b> | N/A  |
| <b>Common Equity Tier 1 capital: regulatory adjustments</b>  |               |               |  |
| Additional value adjustments (negative amount)   | -7            | -9            | N/A  |
| Reserves in fair value related to profit or loss on cash flow hedging  | -241          | -100          | N/A  |
| Negative amounts following the calculation of expected loss amounts  | -34           | -36           | N/A  |
| Gains or losses on liabilities valued at fair value that result from changes in the own credit standing of the institution   | -1            | 0             | N/A  |
| <b>Total regulatory adjustments to the Common Equity Tier 1 capital</b>  | <b>-283</b>   | <b>-145</b>   | N/A  |
| <b>Common Equity Tier 1 capital</b>  | <b>13,906</b> | <b>12,700</b> | N/A  |
| <b>Additional Tier 1 instruments: instruments</b>  |               |               |  |
| <b>Additional Tier 1 instruments before regulatory adjustments</b>   | -             | -             | N/A  |
| <b>Additional Tier 1 instruments: Regulatory adjustments</b>   |               |               |  |
| <b>Total regulatory adjustments of additional Tier 1 instruments</b>   | -             | -             | N/A  |
| <b>Additional Tier 1 instruments</b>   | -             | -             | N/A  |
| <b>Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + additional Tier 1 instruments)</b>  | <b>13,906</b> | <b>12,700</b> | N/A  |
| <b>Tier 2 capital: instruments and allocations</b>   |               |               |  |
| <b>Tier 2 capital before regulatory adjustments</b>  | -             | -             | N/A  |
| <b>Tier 2 capital: regulatory adjustments</b>  |               |               |  |
| <b>Total regulatory adjustments of Tier 2 capital</b>  | -             | -             | N/A  |
| <b>Tier 2 capital</b>  | -             | -             | N/A  |
| <b>Total capital (total capital = Tier 1 capital + Tier 2 capital)</b>   | <b>13,906</b> | <b>12,700</b> | N/A  |
| <b>Total risk-weighted assets</b>  | <b>16,151</b> | <b>17,565</b> | N/A  |
| <b>Capital ratios and buffers</b>  |               |               |  |
| Common Equity Tier 1 (as a percentage of total risk exposure amount)   | 86.1%         | 72.3%         | N/A  |
| Tier 1 (as a percentage of total risk exposure amount)   | 86.1%         | 72.3%         | N/A  |
| Total capital (as a percentage of total risk exposure amount)  | 86.1%         | 72.3%         | N/A  |
| Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount) | 8.0%          | 7.0%          | N/A  |
| <i>of which: capital conservation buffer requirement</i>   | 2.5%          | 2.5%          | N/A  |
| <i>of which: countercyclical buffer requirement</i>  | 1.0%          | -             | N/A  |
| <i>of which: systemic risk buffer requirement</i>  | -             | -             | N/A  |
| <i>of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer</i>  | -             | -             | N/A  |
| Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)   | 78.1%         | 64.3%         | N/A  |

\* Amounts that are subject to the provisions preceding Regulation (EU) No 575/2013 ("CRR") or the prescribed residual amount according to Regulation (EU) No 575/2013

## Capital requirements

| SCBC, SEK million  | 31 Dec 2015              |                         | 31 Dec 2014              |                         |
|--|--------------------------|-------------------------|--------------------------|-------------------------|
|  | Capital require-<br>ment | Risk exposure<br>amount | Capital require-<br>ment | Risk exposure<br>amount |
| <b>Credit risk recognised in accordance with IRB approach</b>                |                          |                         |                          |                         |
| Exposures to corporates  | 379                      | 4,743                   | 371                      | 4,633                   |
| Retail exposures   | 628                      | 7,856                   | 684                      | 8,560                   |
| - of which exposures to SME  | 78                       | 980                     | 104                      | 1,301                   |
| - of which retail exposures secured by immovable property                    | 550                      | 6,876                   | 580                      | 7,259                   |
| <b>Total exposures in accordance with IRB approach</b>                       | <b>1,007</b>             | <b>12,599</b>           | <b>1,055</b>             | <b>13,193</b>           |
| <b>Credit risk reported in accordance with standardised approach</b>         |                          |                         |                          |                         |
| Exposures to governments and central banks                                   | 0                        | 0                       | 0                        | 0                       |
| Exposures to regional governments or local authorities                       | 0                        | 0                       | 0                        | 0                       |
| Exposures to institutions*   | 27                       | 335                     | 37                       | 463                     |
| - of which, derivatives according to CRR, Appendix 2                         | 26                       | 319                     | 4                        | 54                      |
| - of which, repos  | 1                        | 14                      | 32                       | 405                     |
| Exposures to corporates  | -                        | -                       | 1                        | 12                      |
| Retail exposures   | -                        | -                       | 1                        | 12                      |
| Exposures in default   | -                        | -                       | -                        | -                       |
| Exposures in the form of covered bonds                                       | -                        | -                       | -                        | -                       |
| Exposures to institutions and corporates with a short-term credit assessment | 0                        | 0                       | 1                        | 11                      |
| Other items  | 64                       | 798                     | 100                      | 1,246                   |
| <b>Total exposures in accordance with standardised approach</b>              | <b>91</b>                | <b>1,133</b>            | <b>140</b>               | <b>1,744</b>            |
| <b>Market risk</b>   | <b>29</b>                | <b>361</b>              | <b>31</b>                | <b>392</b>              |
| - of which, position risk  | -                        | -                       | -                        | -                       |
| - of which, currency risk  | 29                       | 361                     | 31                       | 392                     |
| <b>Operational risk</b>  | <b>150</b>               | <b>1,874</b>            | <b>147</b>               | <b>1,836</b>            |
| <b>Credit valuation adjustment risk</b>                                      | <b>15</b>                | <b>184</b>              | <b>32</b>                | <b>400</b>              |
| <b>Total capital requirements and risk exposure amount</b>                   | <b>1,292</b>             | <b>16,151</b>           | <b>1,405</b>             | <b>17,565</b>           |
| <b>Capital requirements for capital conservation buffer</b>                  | <b>404</b>               |                         | <b>439</b>               |                         |
| <b>Capital requirements for countercyclical buffer</b>                       | <b>162</b>               |                         | -                        |                         |
| <b>Total capital requirements</b>  | <b>1,858</b>             |                         | <b>1,844</b>             |                         |

\* The risk-weighted exposure amount for counterparty risk according to CRR, Article 92, item 3(f), amounts to SEK 333 million (459).

## Capital adequacy

| SCBC, SEK million                    | 31 Dec 2015 | 31 Dec 2014 |
|--------------------------------------|-------------|-------------|
| Common Equity Tier 1 capital         | 13,906      | 12,700      |
| Tier 1 capital                       | 13,906      | 12,700      |
| Total own funds                      | 13,906      | 12,700      |
| <b>Without transition rules</b>      |             |             |
| Risk exposure amount                 | 16,151      | 17,565      |
| Common Equity Tier 1 capital ratio   | 86.1%       | 72.3%       |
| Excess* Common Equity Tier 1 capital | 13,179      | 11,909      |
| Tier 1 capital ratio                 | 86.1%       | 72.3%       |
| Excess* Tier 1 capital               | 12,937      | 11,646      |
| Total capital ratio                  | 86.1%       | 72.3%       |
| Excess* total capital                | 12,614      | 11,295      |
| <b>With transition rules</b>         |             |             |
| Own funds                            | 13,940      | 12,736      |
| Risk exposure amount                 | 115,555     | 113,258     |
| Total capital ratio                  | 12.1%       | 11.2%       |

\* Surplus of capital has been calculated based on the minimum capital requirements (without buffer requirements)

## Notes

### Note 1 Accounting policies

SCBC applies statutory IFRS, which means that this interim report has been prepared in compliance with IFRS, subject to the additions and exceptions that ensue from the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities, the Swedish Financial Supervisory Authority's regulations and general guidelines on the annual accounts of credit institutions and securities companies (FFFS 2008:25) and the Annual Accounts Act for Credit Institutions and Securities Companies. SCBC prepares interim reports in accordance with IAS 34, taking into account the exceptions from and additions to IFRS as detailed in RFR 2.

The accounting policies and calculation methods are unchanged in comparison with the 2014 Annual Report.

According to SCBC's preliminary assessment, new or changed international accounting standards that have been published but not yet applied will have a limited effect on the financial reports. As regards IFRS 9, which will become mandatory on 1 January 2018, no complete assessment has as yet been made.

### Note 2 Net income/expense from financial transactions

| SEK million   | 2015       |            | 2015     | 2014       | 2014       |
|---|------------|------------|----------|------------|------------|
|   | Jan-Dec    | Jul-Dec    | Jan-Jun  | Jul-Dec    | Jan-Dec    |
| <b>Gains/losses on interest-bearing financial instruments</b> |            |            |          |            |            |
| - Change in value of hedged items in hedge accounting         | 896        | 365        | 531      | -325       | -961       |
| - Derivative instruments                                      | -936       | -388       | -548     | 504        | 1,176      |
| - Loan receivables  | 106        | 58         | 48       | 44         | 75         |
| - Realised expense from financial liabilities                 | -82        | -52        | -30      | -90        | -110       |
| <b>Currency translation effects</b>                           | 0          | 0          | 0        | 1          | 1          |
| <b>Total</b>  | <b>-16</b> | <b>-17</b> | <b>1</b> | <b>134</b> | <b>181</b> |

#### Fair value recognition

The currency and interest-rate risk inherent in funding conducted in foreign currency is generally hedged throughout the maturity of the funding through currency interest-rate derivatives, known as basis swaps. According to IFRS, all derivative instruments are to be recognised at fair value (market value). Major variations in the actual market value between reporting periods could result in significant changes in the carrying amount and hence also in capital adequacy. However, changes in the form of losses/gains remain unrealised as long as the basis swap is not closed prematurely. In cases where the derivative is held to maturity, earnings are not affected by the accumulated changes since the market value of each derivative contract starts and ends at zero. Most of SCBC's basis swaps are held to maturity.

**Note 3 Loan losses, net**

| SEK million   | 2015      |           | 2015      |           | 2014      |           |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
|   | Jan-Dec   | Jul-Dec   | Jan-Jun   | Jul-Dec   | Jan-Dec   | Jan-Dec   |
| <b>CORPORATE MARKET</b>   |           |           |           |           |           |           |
| <b>INDIVIDUAL PROVISION FOR CORPORATE MARKET LOANS</b>  |           |           |           |           |           |           |
| Provision for probable loan losses for the period   | 5         | 5         | -0        | 0         | 1         | 1         |
| Guarantees  | -1        | 1         | -2        | 2         | 2         | 2         |
| <b>Net cost for the period for individual provisions for corporate market loans</b>   | <b>4</b>  | <b>6</b>  | <b>-2</b> | <b>2</b>  | <b>3</b>  | <b>3</b>  |
| <b>RETAIL MARKET</b>  |           |           |           |           |           |           |
| <b>INDIVIDUAL PROVISION FOR RETAIL MARKET LOANS</b>   |           |           |           |           |           |           |
| Write-off of confirmed loan losses for the period   | -         | -         | -         | -3        | -3        | -3        |
| Reversal of prior year provisions for probable loan losses recognised as confirmed loan losses in the financial statements for the period | -         | -         | -         | 3         | 3         | 3         |
| Provision for probable loan losses for the period   | -         | -         | -         | -         | -         | -         |
| <b>Net cost for the period for individual provisions for retail market loans</b>  | <b>-</b>  | <b>-</b>  | <b>-</b>  | <b>0</b>  | <b>0</b>  | <b>0</b>  |
| <b>COLLECTIVE PROVISION FOR RETAIL MARKET LOANS</b>   |           |           |           |           |           |           |
| Write-off of confirmed loan losses for the period   | -0        | -0        | -0        | 0         | -0        | -0        |
| Recoveries in respect of confirmed loan losses in prior years   | -         | -         | -         | -         | -         | -         |
| Allocation to/redemption of collective provisions   | 16        | 8         | 8         | 14        | 30        | 30        |
| Guarantees  | -8        | -3        | -5        | -1        | -7        | -7        |
| <b>Net income/cost for the period for collective provisions for retail market loans</b>   | <b>8</b>  | <b>5</b>  | <b>3</b>  | <b>13</b> | <b>23</b> | <b>23</b> |
| <b>NET INCOME/COST FOR THE PERIOD FOR LOAN LOSSES</b>   | <b>12</b> | <b>11</b> | <b>1</b>  | <b>15</b> | <b>26</b> | <b>26</b> |

The guarantees pertain to received or expected receivables from the National Board of Housing, Building and Planning, insurance companies and banks.

**Note 4 Lending to the public**

| SEK million                               | 31/12/2015     |            | 31/12/2014     |            |
|---|----------------|------------|----------------|------------|
|   | Lending        | Provision  | Lending        | Provision  |
| Single-family dwellings and holiday homes | 86,975         | -32        | 92,119         | -54        |
| Tenant-owner rights                       | 71,668         | -30        | 63,213         | -31        |
| Tenant-owner associations                 | 38,436         | -5         | 43,911         | -8         |
| Private multi-family dwellings            | 18,414         | -1         | 17,986         | -5         |
| Municipal multi-family dwellings          | 349            | -          | 434            | -          |
| Commercial properties*                    | -              | -          | 14             | -          |
| Provision for probable loan losses        | -68            | -          | -98            | -          |
| <b>Total</b>                              | <b>215,774</b> | <b>-68</b> | <b>217,579</b> | <b>-98</b> |

\*Refers only to non-pure commercial properties

| Doubtful and non-performing loan receivables                      | 31/12/2015 | 31/12/2014 |
|---|------------|------------|
| a) Doubtful loan receivables                                      | -          | -          |
| b) Specific provisions for individually measured loan receivables | -          | -          |
| c) Collective provisions for corporate market loans               | 6          | 13         |
| d) Collective provisions for retail market loans                  | 62         | 85         |
| e) Total provisions (b+c+d)                                       | 68         | 98         |
| f) Doubtful loan receivables after individual provisions (a-b)    | -          | -          |
| g) Provision ratio for individual provisions (b/a)                | -          | -          |

In certain partnerships on the lending side, the partner may be able to acquire brokered loans.

## Note 5 Derivative instruments

| SEK million           | 31/12/2015                    |                                    |                      |
|-----------------------|-------------------------------|------------------------------------|----------------------|
|                       | Assets measured at fair value | Liabilities measured at fair value | Total nominal amount |
| Interest-rate related | 3,281                         | 861                                | 55,328               |
| Currency related      | 1,503                         | 1,576                              | 143,672              |
| <b>Total</b>          | <b>4,784</b>                  | <b>2,437</b>                       | <b>199,000</b>       |

Currency interest-rate swaps are classified as currency-related derivative instruments.

## Note 6 Classification of financial instruments

| Financial assets<br>SEK million                                   | 31/12/2015                                |  |                  |                |                  |
|---|---|--|------------------|----------------|------------------|
|   | Assets measured at fair value through P/L | Hedge-accounted derivative instruments | Loan receivables | Total          | Total fair value |
| Lending to credit institutions                                    |   |  | 1,219            | 1,219          | 1,219            |
| Lending to the public   |   |  | 215,774          | 215,774        | 216,887          |
| Change in value of interest-rate-hedged items in portfolio hedges |   |  | 717              | 717            | -                |
| Derivative instruments  | 165                                       | 4,619                                  |                  | 4,784          | 4,784            |
| Other assets  |   |  | 695              | 695            | 695              |
| Prepaid expenses and accrued income                               |   |  | 122              | 122            | 122              |
| <b>Total</b>  | <b>165</b>                                | <b>4,619</b>                           | <b>218,527</b>   | <b>223,311</b> | <b>223,707</b>   |

| Financial liabilities<br>SEK million    | 31/12/2015                                     |  |                             |                |                  |
|---|--|--|-----------------------------|----------------|------------------|
|   | Liabilities measured at fair value through P/L | Hedge-accounted derivative instruments | Other financial liabilities | Total          | Total fair value |
| Liabilities to credit institutions      |  |  | 2,143                       | 2,143          | 2,143            |
| Debt securities in issue                |  |  | 187,280                     | 187,280        | 188,108          |
| Derivative instruments                  | 134  | 2,303                                  |                             | 2,437          | 2,437            |
| Other liabilities                       |  |  | 10                          | 10             | 10               |
| Accrued expenses and prepaid income     |  |  | 2,201                       | 2,201          | 2,201            |
| Subordinated debt to the Parent Company |  |  | 14,920                      | 14,920         | 14,920           |
| <b>Total</b>                            | <b>134</b>                                     | <b>2,303</b>                           | <b>206,554</b>              | <b>208,991</b> | <b>209,819</b>   |

### Fair value measurement of financial instruments

The principles for the measurement of financial instruments recognised at fair value in the balance sheet are provided in Note 1 Accounting Policies in the 2014 Annual Report. In the column "Total fair value" above, information is also provided on the fair value of financial instruments that are recognised at amortised cost in the balance sheet. The carrying amount for current receivables and liabilities has been assessed to be equal to the fair value, Level 3. For "Lending to the public", where there are no observable credit margin data at the time of measurement, the credit margin on the most recent stipulated date of expiry is applied, Level 3. Debt securities in issue are measured at the Group's current borrowing rate, Level 2.

**Note 7 Information about fair value**

| SEK million                       | 31/12/2015                     |  |                                    | Total        |
|-----------------------------------|--------------------------------|--|------------------------------------|--------------|
|                                   | Quoted market prices (Level 1) | Other observable market data (Level 2) | Unobservable market data (Level 3) |              |
| <b>Assets</b>                     |                                |  |                                    |              |
| Derivatives in the category trade | -                              | 165                                    | -                                  | 165          |
| Other derivatives                 | -                              | 4,619                                  | -                                  | 4,619        |
| <b>Total</b>                      |                                | <b>4,784</b>                           |                                    | <b>4,784</b> |
| <b>Liabilities</b>                |                                |  |                                    |              |
| Derivatives in the category trade | -                              | 134                                    | -                                  | 134          |
| Other derivatives                 | -                              | 2,303                                  | -                                  | 2,303        |
| <b>Total</b>                      |                                | <b>2,437</b>                           |                                    | <b>2,437</b> |

The principles for the measurement of financial instruments recognised at fair value in the balance sheet are provided in Note 1 Accounting Policies in the 2014 Annual Report. In the table, financial assets and liabilities recognised at fair value in the balance sheet are divided on the basis of the measurement methods used. There have been no transfers between the levels in 2015.

**Quoted market prices (Level 1)**

Measurement at quoted prices in an active market for identical assets and liabilities. A market is deemed to be active if the price data is easily accessible and corresponds to actual regularly occurring transactions. This valuation method is currently not used on any asset or liability.

**Measurement based on observable data (Level 2)**

Measurement aided by external market information other than quoted prices included in Level 1, such as quoted interest-rates or prices for closely related instruments. Level 2 is used for financial instruments that are not traded on an active market. This group includes all non-quoted derivative instruments.

**Measurement based in part on unobservable data (Level 3)**

Measurement whereby a material component of the model is based on estimates or assumptions that do not originate directly from the market. This method is currently not used on any asset or liability.

**Note 8 Subordinated debt to Parent Company**

| SEK million                             | 31/12/2015    | 31/12/2014    |
|---|---------------|---------------|
| Subordinated debt to the Parent Company | 14,920        | 31,181        |
| <b>Total</b>                            | <b>14,920</b> | <b>31,181</b> |

**Terms and conditions governing subordination**

The subordinated debt is issued by the Parent Company. The subordinated debt is subordinate to the company's other liabilities in the event of bankruptcy or liquidation, which means that it carries an entitlement to payment after other claimants have received payment.

## Review Report

To the Board of Directors of AB Sveriges Säkerställda Obligationer (publ) (The Swedish Covered Bond Corporation – SCBC)  
Corp. ID No. 556645-9755

### Introduction

We have reviewed the summary financial information (the interim report) for the Swedish Covered Bond Corporation - SCBC as of 31 December 2015, and for the twelve-month period ended on that date. The Board of Directors and the CEO are responsible for the preparation and fair presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies. Our responsibility is to express a conclusion on this interim report based on our review.

### The direction and extent of the review

We have performed this review in accordance with the International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making enquiries, primarily to persons responsible for financial and accounting matters, performing an analytical review and undertaking other review measures. A review differs from an audit conducted in accordance with the International Standards on Auditing and generally accepted auditing practices as it has another direction and is substantially more limited in scope. The measures undertaken in a review do not afford us the certainty of knowing that we are aware of all significant matters that might otherwise have been identified in an audit. Therefore, the conclusion expressed here, which is based on a review, does not provide the same level of assurance as a conclusion expressed based on an audit would.

### Opinion

On the basis of our review, nothing has come to our attention that gives us cause to believe that the enclosed year-end report has not been prepared, in all essentials, in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm, 4 February 2016

KPMG AB

Anders Tagde

Authorised Public Accountant