FROM DREAM TO HOME

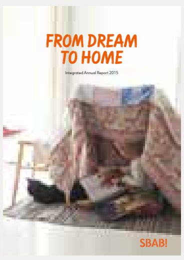
Annual Report 2015

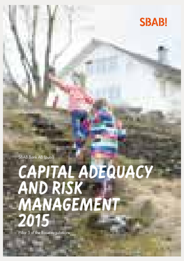
SCBC

Covered Bonds of SBAB

Financial calender

Annual General Meeting (Solna)	28 April 2016
Interim report January–June 2016	19 July 2016
Year-end report 2016	8 February 2017





Read our other reports!

While every care has been taken in the translation of this annual report, readers are reminded that the original annual report, signed by the Board of Directors, is in Swedish.

2015

IN BRIEF

Operating profit, SEK million
excluding net income/expense from financial instruments

1,559

2014: SEK 883 million

Operating profit, SEK million

1,543

2014: SEK 1,064 million

- Favourable demand for the Company's bonds
- All funding programmes have the highest credit rating from Moody's

SCBC IN BRIEF

	Jan–Dec 2015	Jan–Dec 2014
Income statement items		
Net interest income, SEK million	2,280	1,775
Operating profit excluding net income/expense from financial transactions, SEK million	1,559	883
Operating profit, SEK million	1,543	1,064
Net profit for the year, SEK million	1,203	838
Balance sheet items		
Lending to the public, SEK billion	215.8	217.6
Key figures		
Level of loan losses, %[1]	0.01	0.01
Capital adequacy without transitional regulations		
Common Equity Tier 1 capital ratio, %	86.1	72.3
Tier 1 capital ratio, %	86.1	72.3
Total capital ratio, %	86.1	72.3
Capital adequacy with transitional regulations		
Total capital ratio, %	12.1	11.2
Rating, long-term funding		
Moody's[2]	Aaa	Aaa

[1] Net effect of loan losses in relation to the opening balance for lending to the public.
[2] Moody's Investors Service Limited.

OPERATIONS

The principal operations within the Swedish Covered Bond Corporation ("SCBC") entail issuing covered bonds to finance the SBAB Group's lending operations. SBAB Bank AB (publ), "SBAB", is the Parent Company in the SBAB Group and is wholly-owned by the Swedish state.

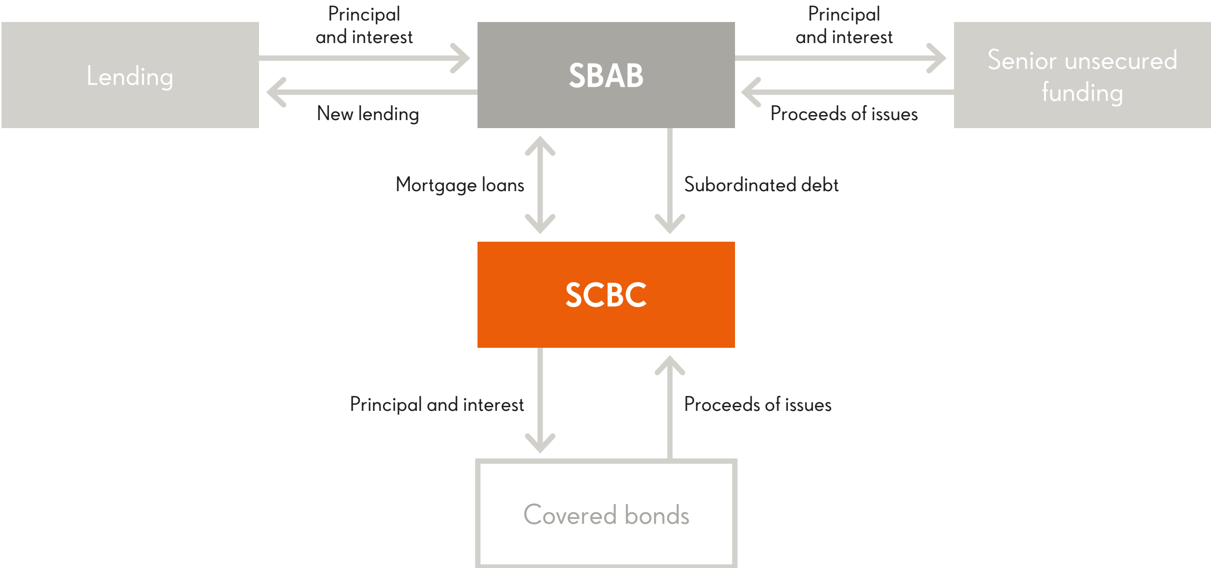
The Swedish Covered Bond Corporation (SCBC), Corp. ID. No. 556645-9755, is a wholly-owned subsidiary of SBAB Bank AB, Corp. ID. No. 556253-7513.

SCBC is a credit market company and is regulated by the Swedish Act on Banking and Financing Activities (2004:297) and subject to supervision by the Swedish Financial Supervisory Authority.

The primary operations within SCBC comprise the issuance of covered bonds in accordance with the Swedish Covered Bonds Issuance Act (2003:1223) and the Swedish Financial Supervisory Authority's regulation FFFS 2013:1. Issues are conducted in both Swedish and international capital markets.

SCBC is domiciled in Stockholm and its operating activities are mainly outsourced to the Parent Company.

SCBC'S ROLE IN THE SBAB GROUP



LENDING

SCBC does not conduct any new lending activities itself, but instead acquires loans, primarily from SBAB Bank, on an on-going basis or as necessary. The aim of these acquisitions is for the loans to be included either entirely or in part in the asset pool that serves as collateral for holders of SCBC's covered bonds and for derivative counterparties.

Lending portfolio

As at 31 December 2015, lending to the public amounted to SEK 215.8 billion (217.6). The portfolio within SCBC mainly comprises loans for residential mortgages, with the retail market as the largest segment. The underlying collateral consists primarily of mortgage deeds in single and multi-family dwellings and of collateral in tenant-owner rights. All provision of credit is conducted in the Swedish market and is geographically concentrated in the metropolitan areas, university cities and growth regions.

Cover pool

SCBC's total loan portfolio consists of 98 percent (97) of assets that qualify for inclusion in the cover pool in the issuance of covered bonds. Of the loans in the cover pool, approximately 99 percent (99) consist of loans against collateral in mortgage deeds or tenant-owner rights. In calculating the loan-to-value ratio for these loans, the upper limit of the loans' (or group of loans) loan-to-value ratio in the pledge is used – known as the Max LTV[1].

[1] LTV = Loan-to-Value.

KEY FIGURES FOR THE COVER POOL

	31 December 2015
Total cover pool, SEK billion	211.4
Loan portfolio, SEK billion	215.8
Weighted average max LTV, %	53.4
Average loan amount, SEK thousand	661
Weighted average seasoning, years	6.8
Average remaining maturity, years[2]	1.4
Substitute collateral, SEK billion	–

[2] Regarding maturity until the next date for changes in terms for all borrower categories.

MAX LTV FOR COVER POOL

Mortgage deeds and tenant-owner rights	31 December 2015		
	LOAN AMOUNT		
Max LTV, %	Number[3]	SEK million	%
0–20	25,175	10,315	4.9
20–40	45,385	33,869	16.1
40–50	29,172	27,228	13.0
50–60	32,148	36,257	17.3
60–70	31,417	39,218	18.7
70–75	53,059	63,259	30.1
Total	**216,356**	**210,146**	**100.0**

[3] "Mortgage deeds" refers to the number of blocks of mortgage deeds. "Tenant-owner rights" refers to the number of loans.

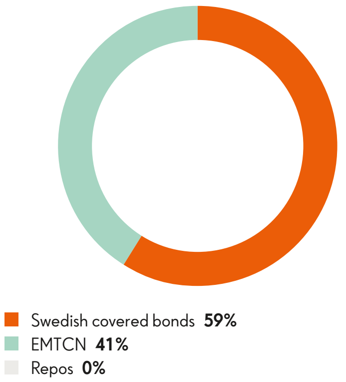
FUNDING

Over the year, SCBC encountered favourable demand for its bonds among investors in the markets in which the company is active.

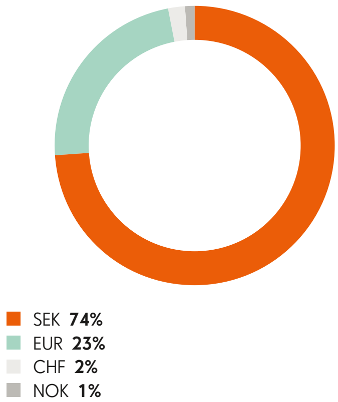
SCBC operates primarily in the Swedish and European covered bond markets. The issuance of covered bonds through SCBC is one of the SBAB Group's key sources of funding. The annual funding requirement is affected by both lending and deposit volumes. Over the year, lending grew more than deposits; accordingly, funding from covered bonds was somewhat higher than previously forecasted. The company does not conduct any lending activities itself, but instead acquires loans from SBAB that are included wholly or in part in the cover pool that serves as collateral for SCBC's covered bonds.

Over the year, SCBC encountered favourable demand for its bonds among investors in the markets in which the company is active. In 2015, SCBC issued two EUR transactions The first, a 7-year transaction on EUR 500 million, was issued in June. At the end of September, SCBC also issued a 5-year EUR transaction totalling EUR 750 million. These transactions were met by favourable demand in the investor community.

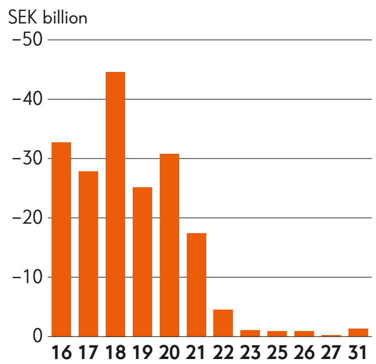
FUNDING
DEBT OUTSTANDING AT 31 DECEMBER 2015: SEK 187,3 BILLION (175)



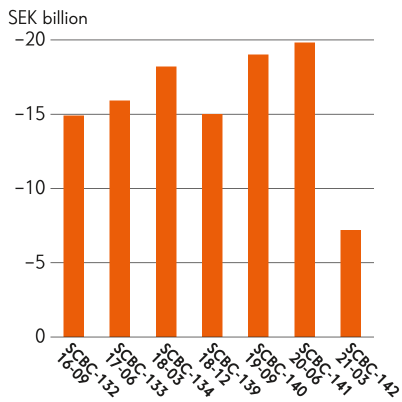
FUNDING – CURRENCY DISTRIBUTION
DEBT OUTSTANDING AT 31 DECEMBER 2015: SEK 187,3 BILLION (175)



TOTAL FUNDING PROFILE – MATURITY PROFILE



OUTSTANDING VOLUME OF SCBC'S SWEDISH COVERED BONDS



Funding programmes

SCBC's primary operations comprise the issuance of covered bonds in the Swedish and international capital markets. To this end, the company makes use of funding programmes. In Sweden, a covered funding programme with no fixed framework amount is used, while in the international market, a EUR 10 billion EMTCN programme (Euro Medium Term Covered Note Programme) is primarily used. SCBC also has an Australian special funding programme for AUD 4 billion.

In 2015, SCBC introduced a new covered bond loan in the Swedish bond market.

As at 31 December 2015, the total value of outstanding debt securities in issue under SCBC's lending programme was SEK 187.3 billion (175), 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, bonds 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.

Rating

All of SCBC's funding programmes have received the highest possible long-term rating of Aaa from the rating agency Moody's.

RISK MANAGEMENT

SCBC's risk taking is low and is kept at a level commensurate with financial targets for return and scope of risk capital. SCBC's risks consist mainly of credit risk through its lending operations. For further information about SCBC's risk management and capital adequacy, refer to Note 2 or visit SBAB's website: www.sbab.se.

Risks in SCBC's operations
Risk is defined as a potentially negative impact that may arise due to on-going internal processes or future internal or external events. The definition of risk includes the probability that an event may occur, as well as the impact that such an event might have on SCBC's profit, equity or value.

Authority and responsibility
SCBC's Board of Directors bears the overarching responsibility for the company's total risk exposure. It is the Board's responsibility to ensure that operations can be conducted with good internal control so that SCBC's ability to meet its obligations is not compromised. As SCBC's operations are outsourced to the Parent Company, SBAB, SBAB's CRO also acts as the CRO of SCBC.

The Managing Director is responsible for on-going administration in accordance with the strategies, guidelines and governance documents adopted by the Board of Directors. The Managing Director also ensures, on an on-going basis, that the reporting to the Board of Directors by each unit, including the independent Risk Control function, is conducted in accordance with the relevant instructions to the Board of Directors.

The independent Risk Control function is responsible for the identification, quantification, analysis and reporting of all risks. The CRO, who reports directly to the Managing Director and Board of Directors of SCBC, is responsible for independent risk control.

Risk	Description
Credit risk	The counterparty does not fulfil its payment obligations.
Market risk	Losses or a decline in future profitability due to market fluctuations.
Operational risk	Losses due to inappropriate or unsuccessful internal processes, human error, incorrect systems or external events, including legal risk.
Capital targets	The levels adopted by the Board of Directors for regulatory capital.
Liquidity risk	The inability to meet payment obligations on the date of maturity without the cost of obtaining payment funds increasing significantly.
Compliance	That SCBC does not comply with legislation, rules, ethical guidelines, good market practices or other relevant regulations of operations requiring licences and therefore is affected by statements or sanctions by the Swedish Financial Supervisory Authority, negative publicity in the media and/or reduced confidence from customers and other stakeholders.

Risk strategy

SCBC shall identify, measure, govern, report internally and maintain control of the risks that SCBC is or may become exposed to. There shall be satisfactory internal control and a functioning and effective risk management system. SCBC shall have knowledge and awareness of any risks to which the Company may be exposed. SCBC shall be able to estimate the size of the risks to which the company is and may become exposed. There shall be an independent function for risk control, which shall have the skills and authority required.

All SCBC employees, who are also employees of SBAB, shall be responsible for managing the Company's risks, as part of the on-going work. Within the framework of the outsourced operations, SCBC regularly informs and provides training to its employees on the Company's risk management framework.

SCBC has a documented process for the approval of new or significantly altered products, services, markets, processes and IT-systems as well as major operational and organisational changes.

Risk taking

The level of risk taking within SCBC shall be low. This is achieved by ensuring that the total risk level is kept at a level compatible with short- and long-term strategic plans, capital plans and financial plans.

An important part of SCBC's business model entails risks being relatively small and predictable, making it possible to maintain a large volume of business in relation to own funds. This does not mean that each individual credit exposure has very low risk, but rather that the total lending portfolio consists largely of low-risk exposures such that SCBC's total risk is limited. The basis for SCBC's appetite for various types of risk is that each risk should fit within a well-defined area of SCBC's risk-bearing capacity. Risk-bearing capacity primarily refers to the capacity to manage unexpected and expected losses by means of own funds or on-going earnings capacity and, secondly, the capacity to minimise unwanted risks by means of appropriate functions, strategies, processes, procedures, internal rules, limits and controls. The total risk exposure may not exceed the total risk-bearing capacity. The scope of the acceptable risk must be clearly linked to how important the prevailing risk is to SCBC's business model and the positive effects anticipated to be achieved in the form of expected revenues, cost savings or reductions in other risk.

RESULTS OF THE OPERATIONS

Operating profit, excluding net income/expense from financial transactions, increased in 2015 to SEK 1,559 million (883). Net interest income increased to SEK 2,280 million (1,775).

Operating profit

Full-year operating profit increased to SEK 1,543 million (1,064) Net interest income increased and amounted to SEK 2,280 million (1,775). The higher net interest income is mainly due to the lower funding cost. At year-end, the lending portfolio amounted to SEK 215.8 billion (217.6).

The net result of financial transactions amounted to an expense of SEK 16 million (income: 181). The single largest factor impacting earnings was unrealised market-value changes on derivative instruments.

Net commission amounted to an expense of SEK 106 million (expense: 92), including a fee of SEK 71 million (66) to the government stability fund.

SCBC's total operating income increased in comparison with the preceding year to SEK 2,158 million (1,864). Expenses for the year decreased to SEK 627 million (826). The principal cause was costs totalling SEK 625 million (822) for payment to SBAB for administrative services provided in accordance with an outsourcing agreement. Net loan losses amounted to an income of SEK 12 million (26), with the outcome chiefly attributable to the redemption of collective provisions.

Capital adequacy

Basel III was implemented on 1 January 2014 and the new regulations entail, among other things, requirements for increased own funds and higher capital requirements compared with earlier regulations.

SCBC has taken this into account in its capital planning and meets the requirements in the new rules. SCBC will implement IFRS 9 as of 1 January 2018. SCBC has carried out a preliminary study regarding impairment and begun the development of a model for the calculation of expected loan losses. In 2016, we will continue working on the project plan and include elements of IFRS 9 Classification and measurement and Hedge accounting. For more information on SCBC's capital adequacy, refer to Note 2.

Dividend policy and distribution of profits

SCBC has no established dividend policy. Dividends are proposed by the Board of Directors in accordance with provisions in the Companies Act and are subsequently determined by the Annual General Meeting. For 2015, it is proposed that no dividend be paid. The complete proposed appropriation of profits is provided on page 34 as an integrated part of the Administration Report.

All shares are owned by the Parent Company, SBAB.

Corporate Governance Report

Information regarding the most important aspects of the Company's system for internal governance and control can be found in the Corporate Governance Report. SCBC's Corporate Governance Report for 2015 is included in this Annual Report, see page 36.

Future prospects, risks and uncertainties

The economic trend in Sweden is the primary risk factor for SCBC's future earnings capacity, and the quality of our 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. Retail demand is expected to show stable growth over the next few years, underpinned by low inflation, low interest-rates and rising stock market and property prices.

The Swedish economy is susceptible to global economic developments and to conditions in the international financial markets. The risks regarding these factors are expected to decrease in coming years but are nonetheless significant. A strained housing market and high household indebtedness among retail customers result in the economy also being 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. For further information on SCBC's risks and risk management, please refer to the Risk Management section and Note 2.

Executive Management and Board of Directors

Mikael Inglander has been the Managing Director of SCBC since 3 November 2014.

The Board of Directors include the following members: Bo Magnusson (Chairman), Jakob Grinbaum (Board Member) and Klas Danielsson (Board Member). Bo Magnusson is the Chairman and Jacob Grinbaum is the Deputy Chairman of SBAB's Board of Directors. Klas Danielsson is the Managing Director of SBAB.

FIVE-YEAR OVERVIEW

SEK million	2015	2014	2013	2012	2011
Interest income	4,197	5,739	6,211	7,902	7,735
Interest expenses	–1,917	–3,964	–4,560	–6,115	–6,046
Net interest income	**2,280**	**1,775**	**1,651**	**1,787**	**1,689**
Other operating income[1)]	–122	89	–275	–1,407	172
Total operating income	**2,158**	**1,864**	**1,376**	**380**	**1,861**
Operating expenses	–627	–826	–656	–587	–563
Total operating expenses	**–627**	**–826**	**–656**	**–587**	**–563**
Profit/loss before loan losses	**1,531**	**1,038**	**720**	**–207**	**1,298**
Loan losses, net	12	26	21	13	–11
Operating profit/loss	**1,543**	**1,064**	**741**	**–194**	**1,287**
Lending portfolio	215,774	217,579	209,982	208,875	210,478
Deferred tax assets	0	17	–	–	–
Other assets	7,537	10,853	18,057	22,202	22,739
Total assets	**223,311**	**228,449**	**228,039**	**231,077**	**233,217**
Debt securities in issue, etc.	187,280	174,986	152,656	152,874	160,671
Other liabilities	6,791	9,437	22,973	27,803	25,207
Deferred tax liabilities	131	–	388	7	106
Subordinated debt to Parent Company	14,920	31,181	40,115	39,602	36,300
Equity	14,189	12,845	11,907	10,791	10,933
Total liabilities and equity	**223,311**	**228,449**	**228,039**	**231,077**	**233,217**

Key figures, %					
Lending					
Investment margin	1.01	0.78	0.72	0.77	0.74
Loan losses					
Loan loss rate	0.01	0.01	0.01	0.01	–0.01
Productivity					
Expenditure/Income ratio	29	44	48	154	30
Return on assets	0.5	0.4	0.2	–0.1	0.4
Return on equity	8.9	6.8	5.0	–1.3	8.9
Capital structure					
Common Equity Tier 1 capital ratio, without transitional regulations	86.1	72.3	58.8	33.6	31.2
Tier 1 capital ratio, without transitional regulations	86.1	72.3	58.8	33.6	31.2
Total capital ratio, without transitional regulations	86.1	72.3	58.8	33.6	31.2
Total capital ratio, with transitional regulations	12.1	11.2	10.6	10.3	10.7
Equity ratio	6.4	5.6	5.2	4.7	4.7
Consolidation ratio	6.4	5.6	5.4	4.7	4.7
Employees					
Number of employees	10	5	1	1	1

1) The item includes net commission, net income/expense from financial transactions and other operating income.

Definitions of key figures

Investment margin	Net interest income in relation to average total assets
Loan loss rate	Net effect of loan losses in relation to the opening balance for lending to the public
Expenditure/Income ratio	Total operating expenses/total income
Return on assets	Operating profit/loss after actual tax, in relation to average total assets
Return on equity	Operating profit/loss after actual tax in relation to average equity
Common Equity Tier 1 capital ratio	Tier 1 capital less additional Tier 1 instruments in relation to risk-weighted assets (RWA)
Total capital ratio	Own funds/risk-weighted assets
Tier 1 capital ratio	Tier 1 capital/risk-weighted assets
Equity ratio	Equity in relation to total assets at year-end
Consolidation ratio	Equity and deferred tax in relation to total assets at year-end
Number of employees	Permanent employees

FINANCIAL STATEMENTS AND NOTES

FINANCIAL STATEMENTS

NOTES

INCOME STATEMENT

SEK million	Note	2015	2014
Interest income	3	4,197	5,739
Interest expenses	3	–1,917	–3,964
Net interest income		**2,280**	**1,775**
Commission income	4	10	9
Commission expense	4	–116	–101
Net income/expense from financial transactions	5	–16	181
Total operating income		**2,158**	**1,864**
General administration expenses	6	–626	–824
Other operating expenses		–1	–2
Total expenses before loan losses		**–627**	**–826**
Profit before loan losses		**1,531**	**1,038**
Loan losses net	7	12	26
Operating profit		**1,543**	**1,064**
Tax	8	–340	–226
Profit for the year		**1,203**	**838**

STATEMENT OF COMPREHENSIVE INCOME

SEK million	Note	2015	2014
Profit for the year		**1,203**	**838**
Changes related to cash flow hedges, before tax	23	181	128
Tax attributable to cash flow hedges		–40	–28
Other comprehensive income for the year, net after tax		141	100
Total comprehensive income for the year		**1,344**	**938**

BALANCE SHEET

SEK million	Note	2015	2014
TILLGÅNGAR			
Lending to credit institutions	9	1,219	2,841
Lending to the public	10	215,774	217,579
Change in value of interest-rate-hedged items in portfolio hedges		717	1,193
Derivative instruments	11	4,784	6,315
Deferred tax assets	21	0	17
Other assets	15	695	329
Prepaid expenses and accrued income	16	122	175
Total assets		**223,311**	**228,449**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	17	2,143	4,080
Debt securities in issue, etc.	18	187,280	174,986
Derivative instruments	11	2,437	2,866
Other liabilities	19	10	19
Accrued expenses and prepaid income	20	2,201	2,472
Deferred tax liabilities	21	131	–
Subordinated debt to Parent Company	22	14,920	31,181
Total liabilities		**209,122**	**215,604**
Equity			
Share capital		50	50
Shareholder contribution		9,550	9,550
Fair value reserve	23	241	100
Retained earnings		3,145	2,307
Profit for the year		1,203	838
Total equity	**23**	**14,189**	**12,845**
Total liabilities and equity		**223,311**	**228,449**
Memorandum items			
Assets pledged for own liabilities		211,420	211,651

STATEMENT OF CHANGES IN EQUITY

		RESTRICTED EQUITY	NON-RESTRICTED EQUITY				
SEK million	**Note**	**Share capital**	**Fair value reserve**	**Shareholder contribution**	**Retained earnings**	**Profit for the year**	**Total equity**
OPENING BALANCE, 1 JANUARY 2014		**50**	**–**	**9,550**	**2,307**		**11,907**
Other comprehensive income, net after tax	23		100				100
Profit for the year						838	838
Total comprehensive income for the year			**100**			**838**	**938**
CLOSING BALANCE, 31 DECEMBER 2014		**50**	**100**	**9,550**	**2,307**	**838**	**12,845**
OPENING BALANCE, 1 JANUARY 2015		**50**	**100**	**9,550**	**3,145**		**12,845**
Other comprehensive income, net after tax	23		141				141
Profit for the year						1,203	1,203
Total comprehensive income for the year			**141**			**1,203**	**1,344**
CLOSING BALANCE, 31 DECEMBER 2015		**50**	**241**	**9,550**	**3,145**	**1,203**	**14,189**

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	**2015**	**2014**
Cash and cash equivalents at the beginning of the year	**2,841**	**11,179**
OPERATING ACTIVITIES		
Interest received	4,213	5,792
Commission received	11	3
Interest paid	–2,947	–4,820
Commission paid	–116	–83
Payments to suppliers	–627	–872
Income tax paid	–597	–848
Change in subordinated debt	–16,261	–8,812
Change in lending to the public	1,947	–7,484
Change in liabilities to credit institutions	–1,936	–10,565
Issuance of long-term funding	56,816	47,239
Repayment of long-term funding	–41,677	–28,818
Change in other assets and liabilities	–448	230
Cash flow from operating activities	**–1,622**	**–9,038**
INVESTING ACTIVITIES		
Cash flow from investing activities	**–**	**–**
FUNDING ACTIVITIES		
Group contribution received	–	700
Cash flow from funding activities	**–**	**700**
Increase/decrease in cash and cash equivalents	**–1,622**	**–8,338**
Cash and cash equivalents at the end of the year[1)]	**1,219**	**2,841**

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

The comparative figures have to some extent been moved between rows within operating activities due to certain changes of the classifications in this part of the cash flow analysis.

NOTES

NOTE 1 Accounting policies

The Swedish Covered Bond Corporation, "SCBC", is a wholly-owned subsidiary of SBAB Bank (publ), "SBAB". SCBC is a credit market company whose operations focus on the issuance of covered bonds. Operations commenced in 2006, when the Company was granted a licence by the Swedish Financial Supervisory Authority to issue covered bonds. The Parent Company, SBAB Bank, is a Swedish public limited banking company domiciled in Stockholm. The address of the Head Office is SBAB Bank AB (publ), Box 27 308, SE-102 04 Stockholm.

This Annual Report has been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. SCBC applies statutory IFRS, which means that the Annual 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 and the Swedish Financial Supervisory Authority's regulations and general guidelines on the annual accounts of credit institutions and securities companies (FFFS 2008:25).

The Annual Report has been prepared in accordance with the acquisition method, apart from derivatives and financial assets and liabilities measured at fair value through the income statement, as well as hedge-accounted items.

On 10 March 2016, the Board of Directors approved the financial statements for publication. They will be finally adopted by the Annual General Meeting on 28 April 2016.

Introduction of new accounting standards

IFRS 9 – Financial Instruments

In 2014, the IASB published IFRS 9 Financial Instruments. IFRS 9 Financial Instruments shall replace IAS 39 Financial Instruments: Classification and measurement regarding classification and measurement, impairment and hedge accounting. Accounting for macro hedges is the subject of an on-going separate project within the IASB.

Classification occurs on the basis of the Company's business model and the characteristic properties of its contractual cash flows. In turn, the classification determines the measurement. The impairment model according to IFRS 9 is based on expected losses rather than loss events that have occurred as in the current model. The purpose of the new model is that expected loan losses should be captured and reported at an earlier stage.

The new standard also requires enhanced disclosures. The new provisions on hedge accounting have a clearer ambition to reflect risk management and entail new disclosures. SCBC has carried out a comprehensive preliminary study of how the new provisions on impairment will affect SCBC, but it has not yet carried out any complete analysis of how the new standard will affect SCBC's financial reports. The standard will be applied from 1 January 2018.

IFRS 15 Revenue from Contracts with Customers

The standard introduces a five-step model for determining when revenues within the scope of IFRS 15 shall be recognised. Depending on when certain criteria are met, income is either recognised over time in a manner that shows the Company's performance, or at a certain point in time when the control over goods or services is transferred The standard will have limited impact on SCBC's financial statements. The standard will be applied from 1 January 2018.

Amendment of IAS 34 Interim Financial Reporting

The amendment will result in a requirement for interim reports to contain a section on financial reports, including notes, similar to annual reports. Disclosures provided in accordance with IAS 34.16A shall either be included in the section that includes financial reports, including notes, or a reference must be included from the notes to a different section in the interim report, where such disclosures are made. This will be applied effective from 1 January 2016.

Introduction of new annual accounts legislation

Due to the new EU accounting directive, amendments to the Swedish Annual Accounts Act (1995:1554) and the Swedish Annual Accounts Act for Credit Institutions and Securities Companies (1995:1559) were adopted. For SCBC, this means that the section of the balance sheet that currently contains information about off-balance sheet items will be removed; this information will instead be provided in a note. Also, the Swedish term *ansvarsförbindelse* (contingent liabilities) will be replaced by the term *eventualförpliktelser* (contingent liabilities). Other examples of situations where information, according to the proposal, shall be provided in a different place in the accounts refer to the disclosure about events after the balance sheet date, which shall now be provided in a note instead in the administration report. The disclosure regarding the appropriation of profits shall be provided both in the administration report and in a note. Other changes in the new annual accounts acts will have no material impact in practice on SCBC's financial statements. These legislative changes will be applied for the first time on 1 January 2016.

The accounting act inquiry also fulfilled its assignment by presenting a final report. It is proposed that the provisions on the preparation of interim reports should be removed from the annual accounts acts and instead be compiled into a new separate act, the Act on interim reports. However, the contents of the provisions will remain unchanged. It is also proposed to change the way the accounts are signed. The provisions requiring the Annual Report to be signed by all Board Members and the Managing Director are supplemented by the possibility to finalise the accounts through a resolution recorded in the minutes of a board meeting where all Board Members and the Managing Director are present, instead of the current signing. It is also proposed to allow the certificate of adoption to be signed by someone other than a Board Member or the Managing Director, to be appointed by the Board of Directors. Other changes in the new annual accounts acts will regarding the contents of the final report have no material impact in practice on SCBC's financial statements. The amendments to the Swedish Annual Accounts Acts will be applied from 1 January 2017.

General accounting policies

Recognition in and derecognition from the balance sheet

Securities in issue and all derivative instruments are recognised on the trade date, meaning the date on which the significant risks and rights are transferred between the parties. Other financial instruments are recognised on the settlement date.

A financial asset is derecognised from the balance sheet when the contractual rights to receive the cash flows from the financial asset expire and the Company has transferred essentially all of the risks and rewards of ownership of the asset. A financial liability is derecognised from the balance sheet when it is extinguished, meaning when the obligation specified in the contract is fulfilled, cancelled or expires.

Recognition of income and expense

Interest income and interest expense (including interest income from impaired receivables) are recognised in accordance with the effective interest method. The calculation of the effective interest-rate includes all fees paid or received between the parties to the contract, including transaction costs.

Since transaction costs in the form of remuneration to business partners or issue expenses attributable to the acquisition of loans constitute part of the acquisition cost of the loan, these costs are recognised in the balance sheet and included in profit or loss via net interest income over the expected maturity of the loan.

Commission income and commission expense are included in profit or loss continuously in accordance with the terms of the contract.

In the event of premature redemption of loans, the customer pays interest compensation intended to cover the cost that arises for SCBC. This compensation is recognised as income directly under the heading "Net income/expense from financial transactions." Other items under this heading are described in the section "Financial instruments."

Financial instruments

Classification

All financial instruments that are covered by IAS 39 and which are not subject to hedge accounting are classified in accordance with this standard in the following categories:

- Financial assets measured at fair value through the income statement
- Loans and receivables
- Financial liabilities measured at fair value through the income statement
- Other financial liabilities

SCBC has not classified any assets as "Held-to-maturity investments" or as "Available-for-sale financial assets."

Cont. **NOTE 1** Accounting policies

Offsetting
A financial asset and a financial liability shall be offset and recognised at the net amount only where the recognised amounts may legally be offset and the intention is to settle the items with a net amount or to simultaneously realise the asset and settle the liability. No financial instruments are recognised at net amounts in the balance sheet.

Fair value measurement
Fair value is defined as the price that would be received on the valuation date at the sale of an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants.

Measurement of the fair value of financial instruments measured at fair value and traded on an active market is based on quoted prices.

If the market for a financial instrument is not active, the fair value is established on the basis of generally accepted measurement methods. Calculations conducted in connection with measurement are based to the greatest extent possible on observable market information. The main tools used are models based on discounted cash flows. In individual cases, the calculations may also be based on assumptions or estimates.

Financial assets and liabilities respectively are measured at fair value through the income statement
The categories "Financial assets measured at fair value through the income statement" and "Financial liabilities measured at fair value through the income statement" are divided into holdings held for trading and financial assets/liabilities that Executive Management has designated as such upon initial recognition. All of SCBC's assets and liabilities in these categories are derivatives and have been classified as held for trading. Both categories include derivatives that are not subject to hedge accounting. Assets and liabilities in these categories are initially recognised at fair value, while related transaction costs are recognised in the income statement.

Changes in fair value and realised gains or losses for these assets and liabilities are recognised in the income statement under the heading "Net income/expense from financial transactions," while the effective interest-rate is recognised in net interest income.

Loans and receivables
On initial recognition, financial assets classified as loans and receivables are recognised at fair value. Loans and receivables are subsequently recognised at amortised cost using the effective interest method. This category consists of assets with fixed or determinable payments that are not quoted in an active market. Loan receivables consist of lending to the public and credit institutions and include associated items.

Changes in value and impairments are recognised as "Loan losses, net," while the effective interest-rate is recognised as interest income. Refer also to the section "Loan losses".

Other financial liabilities
Financial liabilities that are not classified as "Financial liabilities measured at fair value through the income statement" are initially recognised at fair value with an addition for transaction costs and are subsequently recognised at amortised cost using the effective interest method. This category consists mainly of debt securities in issue and liabilities to credit institutions.

Realised profit or loss from the repurchase of own liabilities affects profit or loss when incurred and is recognised under the heading "Net income/expense from financial transactions."

Repos
Repos are agreements where the parties have simultaneously reached agreement on the sale and repurchase of a particular security at a pre-determined price. Securities that have been provided or received according to a repo agreement are not derecognised from or not recognised in the balance sheet, respectively.

Payments received are recognised in the balance sheet as liabilities to credit institutions and payments made are recognised as lending to credit institutions. The impact on profit or loss is attributable to the difference between sale and repurchase prices and is recognised as interest income or interest expense, respectively.

Derivatives and hedge accounting
Derivative instruments are used primarily to eliminate interest-rate and currency risks in the Company's assets and liabilities. Derivatives are recognised at fair value in the balance sheet. For economic hedges where the risk of a significant fluctuation in profit or loss is the greatest and that meet the formal hedge accounting criteria, SCBC has chosen to apply hedge accounting for hedging of the interest-rate and currency risk. There are also other economic hedges for which hedge accounting is not applied These derivatives outside hedge accounting are classified as assets or liabilities, respectively, measured at fair value through the income statement.

Fair value hedging
In the case of fair value hedging, the derivative hedging instrument is measured at fair value at the same time as the hedged asset or liability is measured with an addition for accumulated changes in fair value attributable to the hedged risk associated with the hedged item. Changes in fair value are recognised directly in the income statement under the heading "Net income/expense from financial transactions." The effective interest-rate of the hedge is recognised in net interest income.

When hedging relationships are terminated, the cumulative gains or losses are accrued adjusting the carrying amount of the hedged item in the income statement in accordance with the effective interest method. The accrual extends over the remaining maturity of the hedged item. The realised gain or loss arising from premature closing of a hedging instrument is recognised in the income statement under the heading "Net income/expense from financial transactions."

Macro hedge
In this type of hedging, derivative instruments are used at an aggregated level to hedge structured interest-rate risks. When reporting these transactions, the "carve-out" version of IAS 39 is applied, as adopted by the EU. In the financial statements, derivative instruments designated as macro hedges are treated in the same way as other hedging instruments recognised at fair value.

In fair value hedging of portfolios of assets, the gain or loss attributable to the hedged risk is recognised under the heading "Change in value of interest-rate-hedged items in portfolio hedges" in the balance sheet. The hedged item is a portfolio of lending transactions based on the next contractual renewal date. The hedging instrument used is a portfolio of interest-rate swaps grouped in accordance with renewal intervals based on conditions in the fixed leg of the swap.

Cash flow hedging
In case of cash flow hedging, the hedging instrument (the derivative contract) is valued at fair value. The effective part of the total change in value is reported as a component in other comprehensive income and accumulated in a special reserve (hedge reserve) in equity. The accumulated amount is reversed in the income statement in periods where the hedged item affects the profit or loss. The ineffective part of the change in value is transferred to the income statement under the item "Net result from financial transactions," where the realised gain or loss arising at the end of the hedge relationship is recognised. The effective interest-rate of the derivative is recognised in net interest income.

Loan losses
Loans and receivables recognised at amortised cost
On the balance-sheet date, an assessment takes place of whether there is any objective evidence that an individual loan or group of loans requires impairment. This takes place as a result of events that have occurred after the initial recognition of the asset and which have had an impact on the estimated future cash flows for the loan receivable or group of loan receivables in question. Events that could lead to the loan being impaired include, depending on the circumstances, bankruptcy, suspension of payments, a composition, a court order to pay or a changed credit rating.

The amount of impairment is measured as the difference between the carrying amount of the receivable and the present value of estimated future cash flows discounted at the effective interest-rate of the receivable in accordance with the most recent interest-rate adjustment date. The cash flows attributable to the borrower and any use of the collateral are taken into consideration when assessing the need for impairment. Any expenses associated with the realisation of the pledge are included in the cash flow calculations. Measurement of probable loan losses is effected in gross amounts and, when there is a guarantee, this is recognised as a receivable against the counterparty. If the present value of future cash flows exceeds the carrying amount of the asset, no impairment takes place and the loan receivable is not regarded as doubtful. The impairment amount is recognised in the income statement under the heading "Loan losses, net."

Confirmed loan losses and provisions for probable losses and provisions for probable losses, with deductions for guarantees expected to be utilised or that have been utilised plus any recoveries, are recognised as loan losses. The term "Confirmed loan losses" refers to losses where the amounts are definite or established with a high level of probability and have thus been derecognised.

Individually measured loan receivables
Corporate Market loans (loans to companies and tenant-owner associations) are individually measured for impairment. Retail Market loans are individually measured for impairment if there are special reasons for doing so. Loan receivables not determined to have an individual impairment requirement are included in a group of financial assets with similar credit risk characteristics and are judged on a collective basis in terms of the impairment requirement.

Collectively measured loan receivables
The loan receivables assessed in this group are as follows:
- Retail Market loans not individually measured. These consist of a large number of loans each of a limited amount and with similar credit risk characteristics
- Individually measured loan receivables where no objective evidence of individual impairment requirements has been determined in accordance with the above information on "Individually measured loan receivables"

Impairment of collectively measured loans is identified in two different ways:
- Based on the internal risk classification and adjusted in accordance with the IFRS regulatory framework, groups of loans have been identified that have been subject to events that produce a measurable negative impact on the expected future cash flows
- In addition, groups of loans are identified for which future cash flows have undergone a measurable deterioration due to events that have recently taken place but which have not yet had an impact on the risk classification system

Measurement in relation to the assumption of receivables

Intra-group loan receivables between the Parent Company and the subsidiary, SCBC, are recognised at fair value. When a reserved receivable is transferred between the companies, it is assumed at the net carrying amount after provisions. The selling company recognises the loss as a confirmed loss, while the purchasing company recognises the receivable at the net carrying amount, without provisions. The loan will be recognised as a doubtful receivable in the purchasing company, albeit at the net carrying amount. If it is later established that the receivable can be measured at its original value (after amortisation), the income will be recognised in the income statement under the item "Net profit/loss from financial transactions."

Loans with renegotiated terms and conditions

Loans with renegotiated terms and conditions are receivables where SCBC has granted some form of concession due to a deterioration of the borrower's financial position or because the borrower has encountered other financial problems.

Concessions granted are considered to constitute confirmed loan losses, and they are recognised in the income statement under the item "Net loan losses." Additional information about loans with renegotiated terms and conditions is provided in Note 2a Risk management – Credit risk in lending operations.

Other

Functional currency

Functional currency is the currency used in the primary economic environments in which SCBC operates. SCBC's functional currency and presentation currency is SEK.

Foreign currency translation of receivables and liabilities

Foreign currency transactions are recognised by applying the exchange rate on the date of transaction, and foreign currency receivables and liabilities are translated using the closing day rate. Foreign exchange gains or losses resulting from settlements of foreign currency transactions and from the translation of monetary assets and liabilities in foreign currency are recognised in the income statement under "Net income/expense from financial transactions."

Tax

Total tax consists of current tax and deferred tax. Current tax comprises tax that is to be paid or received for taxable earnings during the current year and adjustments of current tax for previous years. Accordingly, for items recognised in the income statement, the related tax effects are also recognised in the income statement. Tax effects of items recognised in other comprehensive income or equity are recognised in other comprehensive income or equity.

Deferred tax assets and tax liabilities are measured according to the balance sheet method on the basis of temporary differences that arise between the carrying amount and the tax base of an asset or liability. Deferred tax assets are recognised for unutilised tax losses to the extent that it is probable that the carryforwards can be used to offset future taxable profit. Deferred tax is calculated in accordance with the tax rate applicable at the time of taxation.

Cash and cash equivalents

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

Segment reporting

A segment is a part of a business for which independent financial information is available, that conducts business operations from which income can be generated and expenses incurred and whose operations are regularly assessed by the Company's chief operating decision maker as a basis for decisions regarding the allocation of resources to segments and an assessment of the segment's profit or loss. SCBC's operations consist primarily of investments in loan receivables with a risk level permitting the issuance of covered bonds. Consequently, only a single segment is reported, SCBC as a whole.

Dividends

Dividends to the Parent Company are recognised in the balance sheet when the dividend has been approved by the Annual General Meeting.

Group contributions

Group contributions paid or received are recognised as a decrease or increase in unrestricted equity after adjustments for estimated tax, in accordance with the principal rule in RFR 2 IAS 27, p2.

Critical accounting estimates and judgements

Critical assumptions

To prepare the annual accounts in compliance with statutory IFRS, it is required that Executive Management use estimates and judgements based on historical experience and assumptions that are considered to be reasonable and fair. These estimates affect the carrying amounts of assets, liabilities and off-balance sheet commitments, as well as income and expenses presented in the Annual Report. Subsequently, the actual outcome may differ to some extent from the estimates made. The area that primarily entails a risk of causing an adjustment to recognised assets in the next financial year is the measurement of loan receivables. For collectively measured loan receivables, the estimates of future cash flows are based partly on assumptions concerning how observable data may result in loan losses. See also the section "Loan losses" above.

NOTE 2 Risk management and capital adequacy

Risk is a natural component of all business operations and all risks that arise must be managed. SCBC primarily assumes credit risk in its lending operations, although there are also risks in other parts of the operations.

Note 2, Risk management and capital adequacy is divided into the following segments:

2a) Credit risk in lending operations
2b) Credit risk in treasury operations
2c) Liquidity risk
2d) Market risk
2e) Operational risk
2f) Business risk
2g) Concentration risk
2h) Internal capital adequacy assessment
2i) Capital adequacy analysis

NOTE 2a Risk management – Credit risk in lending operations

Credit risk in the lending operations

SCBC does not conduct its own lending operations – instead, all loans have been acquired from the Parent Company. The credit risk in the lending operations is restricted by credit limits decided on for various customers or customer groups. The credit risk is also managed through a credit granting process, whereby the ability of potential borrowers to make their interest payments and pay amortisation is analysed. The loans that have been acquired have been granted to borrowers who are judged to be able to pay interest and amortisation in an interest-rate situation that comfortably exceeds the rate prevailing when the loan decision is taken. A limitation rule has been introduced by the Parent Company for new loans, reducing the size of a loan in relation to income. Furthermore, risk classification is based on the internal ratings-based approach (IRB approach) for the analysis of the credit risk for new and existing customers in the loan portfolios. If any loan remains unsettled after 27 days, it is reacquired by the Parent Company.

SCBC applies the IRB approach for retail loans and loans to tenant-owner associations with a turnover of less than EUR 50 million and the foundation IRB approach (FIRB approach) for corporate loans. For other types of exposures, the standardised approach is used for measurement of credit risk. For cases in which external ratings are used, the lowest rating from either Moody's or Standard & Poor's is selected.

The IRB approach has been used since 2007 used for assessing credit risk where a mortgage deed or a tenant-owner right is used as collateral. In 2015, SCBC received permission to use the IRB approach for excess exposures that are not fully covered by mortgage deeds, property financing using other collateral than directly pledged mortgage deeds and letters of credit. Previously, the standardised approach was used for these exposures.

The credit risk models assess the following parameters:
- Probability of default by the customer – PD (Probability of Default)
- Loss amount in the event of default – LGD (Loss Given Default)
- Conversion factor (KF) – The part of the off-balance sheet commitment that is utilised in the event of default
- The expected exposure in the event of default – EAD (Exposure at default)
- The expected loan loss (EL) is measured using the formula EL = PD*LGD*EAD

On the basis of these, customers are ranked according to risk, and the expected and unexpected loss can be estimated. After assessment, the exposure is allocated to

Cont. NOTE 2a Risk management – Credit risk in lending operations

one of eight risk classes for retail and corporate loans, of which the eighth class comprises customers in default. The development of customers in high-risk classes is monitored thoroughly and, when necessary, the exposure is managed actively by credit monitoring personnel in the credit division. The developed models are validated annually and calibrated as the need arises. Validations conducted in 2015 did not result in any changes to models.

In the financial statements, the calculated loan loss (EL) according to IRB models differs from the provision for probable loan losses. The calculation of EL according to Basel Pillar 1 is governed by the Capital Requirements Regulation ("CRR")[1]. According to the regulation, the risk associated with each individual loan is to be estimated based on historic information, over a longer period of time, using a statistical model. The management of the loss arising in the financial statements is regulated by IAS 39, according to which, assets are to be impaired when there are objective grounds for impairment due to the occurrence of one or more events that have a negative impact on the future cash flows. EL for loans calculated according to IRB models amounts to SEK 89 million (106). The provision for corresponding loans according to the financial statements is SEK 55 million (70). In the capital adequacy calculation, the difference is subtracted in the calculation of the own funds. New future rules in IFRS 9 will change the method used for credit risk provisions.

In connection with the quantitative assessment in lending to companies[2], a systematic qualitative assessment is conducted based on the internal loan regulations by responding to a number of questions. This enables a more uniform risk assessment founded on a larger amount of data.

Collateral in the lending operations

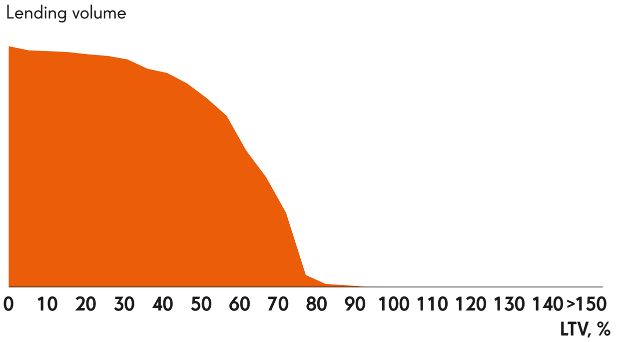
For loans granted by SBAB, adequate collateral must normally be provided. Adequate collateral primarily refers to mortgage deeds in residential properties or shares in tenant-owner associations within a maximum of 75–85 percent of the market value. The 85 percent level only applies if collateral can be obtained with priority right and the customer is included in a lower risk class. The lower risk classes for retail customers, "Retail-R", comprise the levels R1–R4, while the lower risk classes for Corporate customers, "Corporate-C", comprise the levels C3–C4. For other cases, the loan-to-value ratio of 75 percent applies.

In addition to collateral in the form of mortgage deeds in residential property or shares in tenant-owner associations, it is possible to grant loans against, inter alia, collateral in the form of a government guarantee, municipal guarantee, securities, bank guarantee and deposits in a Swedish bank. SCBC does not hold any collateral that has been taken over to protect a receivable. Lending to the public accounts for 97 percent (95) of SCBC's overall assets. Without taking collateral received or any other forms of credit enhancement into account, the maximum credit risk exposure for the lending operations matches the carrying amount.

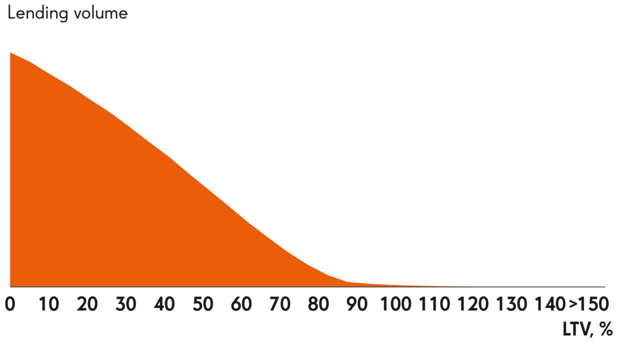
The financial effect of collateral received is illustrated in the diagrams below of loans in relation to the market value of underlying collateral for loans secured on collateral comprising mortgage deeds or shares in tenant-owner associations. The area in the diagrams corresponds to the lending volume and shows that SCBC's lending portfolio has favourable collateral, since the area is greatest in connection with lower loan-to-value ratios. The data encompasses 98 percent (99) of the Company's total lending to the public. Since 98 percent (97) of lending is secured through mortgage deeds in residential properties or shares in tenant-owner associations, between 75 percent and 94 percent (94) of the borrowers are in risk classes 1–4, in which credit quality is judged to be highly favourable.

LOANS IN RELATION TO THE MARKET VALUE OF UNDERLYING COLLATERAL (LTV) FOR LOANS SECURED ON COLLATERAL COMPRISING MORTGAGE DEEDS OR TENANT-OWNER RIGHTS.

EXPOSURES TO CORPORATES



RETAIL EXPOSURES



Segment	Below 50%	Below 75%	Below 100%	Exposure weighted average LTV
Exposures to corporates, %	76.5	99.4	100.0	65.8
Retail exposures, %	82.8	97.9	99.9	57.5
Total, %	**82.2**	**98.0**	**99.9**	**58.2**

Loan portfolios in lending operations allocated by risk class

As per 31 December 2015, SCBC's lending to the public amounted to SEK 216 billion (218). Every customer is allocated to a risk class. Customers with individually reserved loans are always allocated the worst Corporate Market risk class (C8) or the worst Retail Market risk class (R8). Loans covered by collective provisions are obtained for the Corporate Market from risk classes C6–C7, and collectively impaired Retail Market loans comprise loans in risk classes R5–R8. Risk class C0 comprises loans to counterparties with a 0 percent risk weight (Swedish municipalities). Transaction costs of SEK 76 million (51), which were attributable to the loans, are distributed in the table on a pro rata basis.

[1] CRR refers to the European Parliament and Council's recommendation on supervisory requirements for credit institutions and securities companies No. 575/2013.

[2] Retail loans refer to all lending to the public pertaining to single-family homes, holiday homes and tenant-owner rights, as well as loans to tenant-owner associations with a turnover of less than EUR 50 million. Loans to corporates refers to i) loans to legal entities, and ii) other loans to private individuals with property as collateral.

LOAN PORTFOLIO BY RISK CLASS – RETAIL (INCLUDING TENANT-OWNER ASSOCIATIONS)

	2015		2014	
Risk class[1)]	Lending	Provisions/ lending in respective risk class	Lending	Provisions/ lending in respective risk class
R1/C1, %	31.1	0.0	26.4	–
R2/C2, %	32.0	0.0	35.1	–
R3/C3, %	19.8	0.0	21.9	–
R4/C4, %	10.6	0.0	10.0	0.0
R5/C5, %	4.9	0.2	4.7	0.3
R6/C6, %	1.1	0.8	1.3	0.9
R7/C7, %	0.5	2.7	0.6	3.2
R8/C8, %	0.0	5.5	0.0	2.9
	100%	**0.0%**	**100%**	**0.0%**

1) C= Corporate, R=Retail

LOAN PORTFOLIO ALLOCATED BY RISK CLASS – CORPORATE MARKET

	2015		2014	
Risk class[1)]	Lending	Provisions/ lending in respective risk class	Lending	Provisions/ lending in respective risk class
C0, %	0.0	–	0.1	–
C1, %	61.0	–	66.7	–
C2, %	23.3	–	20.7	–
C3, %	13.7	–	9.7	–
C4, %	1.3	0.0	1.2	–
C5, %	0.6	0.3	1.3	0.9
C6, %	0.1	1.2	0.3	4.2
C7, %	0.0	0.0	0.0	1.1
C8, %	–	–	–	–
	100%	**0.0%**	**100%**	**0.0%**

1) C= Corporate

Lending to the public and credit institutions
The table below shows loans to the public and credit institutions in three categories based on the status of the borrower's payments:

- Without past-due unpaid amounts or provisions – the borrower has fulfilled its payment obligations in accordance with the terms of the loans
- With unpaid amounts more than five days past-due – the borrower has not fulfilled its payment obligations
- With individual provisions

For individually reserved loan receivables, an individual assessment of the loan's future cash flow is conducted in conjunction with an estimate of the market value of the underlying collateral, which constitutes the basis for the individual provision. For collective provisions, a change has occurred in the risk associated with a group of loans, but this change cannot be traced to an individual customer. The table provides a specification of provisions without taking guarantees into account, as well as a specification of the guaranteed amount for each group of provisions.

LENDING TO THE PUBLIC AND CREDIT INSTITUTIONS BASED ON THE STATUS OF THE BORROWER'S PAYMENTS

	2015		2014	
SEK million	Public	Credit institutions	Public	Credit institutions
1 Current loans without past-due unpaid amounts or provisions	215,835	1,219	217,671	7,437
2 Loans with unpaid amounts > 5 days past due	7	–	6	–
3 Loans with individual provisions	–	–	–	–
Total outstanding loans	**215,842**	**1,219**	**217,677**	**7,437**
Individual provisions	–	–	–	–
Collective provisions, corporates	–6	–	–13	–
Collective provisions, retail	–62	–	–85	–
Total provisions	**–68**	–	**–98**	**–**
Total lending after provisions	**215,774**	**1,219**	**217,579**	**7,437**
Guarantees for loans with individual provisions	–	–	–	–
Guarantees for loans with collective provisions, corporates	–	–	5	–
Guarantees for loans in collective provisions, corporates	13	–	23	–
Total guarantees	**13**	–	**28**	**–**
Total lending after provisions and guarantees	**215,787**	**1,219**	**217,607**	**7,437**

1 Current loans without past-due unpaid amounts or provisions
The allocation of loans per risk class for the loans that had neither past-due unpaid amounts nor individual provisions shows that on 31 December 2015, 94 percent (94) were in the risk classes C0/R1–C4/R4. Loans for commercial properties are also secured through municipal guarantees or mortgage deeds in residential properties. The allocation includes total transaction costs of SEK 76 million (51), which were allocated among individual loans without past-due unpaid amounts or loans with individual provisions. The transaction costs derive mainly from single-family dwellings and tenant-owner rights.

Cont. **NOTE 2a** Risk management – Credit risk in lending operations

LENDING TO THE PUBLIC BY SEGMENT – CURRENT LOANS WITHOUT PAST-DUE UNPAID AMOUNTS OR PROVISION

	2015						
Risk class, SEK million	**Single-family dwellings and holiday homes**	**Tenant-owner rights**	**Tenant-owner associations**	**Private multi-family dwellings**	**Municipal multi-family dwellings**	**Commercial properties[1)]**	**Total**
C0	–	–	–	–	6	–	6
C/R1	28,403	15,675	17,227	11,317	146	–	72,768
C/R2	26,117	20,384	16,623	4,359	–	–	67,483
C/R3	16,460	18,924	3,689	2,369	194	–	41,636
C/R4	10,088	10,242	451	250	–	–	21,031
C/R5	4,497	4,969	284	107	3	–	9,860
C/R6	897	1,087	126	12	–	–	2,122
C/R7	487	378	36	0	–	–	901
C/R8	21	7	–	–	–	–	28
Total	**86,970**	**71,666**	**38,436**	**18,414**	**349**	–	**215,835**

	2014						
Risk class, SEK million	**Single-family dwellings and holiday homes**	**Tenant-owner rights**	**Tenant-owner associations**	**Private multi-family dwellings**	**Municipal multi-family dwellings**	**Commercial properties[1)]**	**Total**
C0	–	–	–	–	21	–	21
C/R1	25,701	12,395	14,543	12,013	310	–	64,962
C/R2	29,330	18,022	22,588	3,746	64	–	73,750
C/R3	19,937	18,416	5,330	1,735	13	12	45,443
C/R4	10,350	8,853	635	220	6	–	20,064
C/R5	4,777	4,115	541	203	20	2	9,658
C/R6	1,287	1,015	187	62	–	–	2,551
C/R7	171	385	51	7	–	–	1,160
C/R8	17	9	36	–	–	–	62
Total	**92,116**	**63,210**	**43,911**	**17,986**	**434**	**14**	**217,671**

1) Exposures recognised in this category are complemented with municipal guarantees or collateral in residential properties.

2 Loans with unpaid amounts > 5 days past due
The table describes loans with a past-due principal. All amounts are distributed by segment. For loans with past-due amounts in several time intervals are shown in full in the oldest time interval.

Only SEK 7 million (6) of lending had unpaid amounts that were past due or was assessed as doubtful at year-end. Of SCBC's loan portfolio of SEK 215.8 billion (217.6), there is no terminated, past due principal excluding past due amortisation, which is due to the fact that the Parent Company acquires credits from SCBC that remain unsettled for more than 27 days.

LENDING TO THE PUBLIC BY SEGMENT – LOANS WITH UNPAID AMOUNTS MORE THAN FIVE DAYS PAST-DUE[1)]

	2015						
SEK million	**Single-family dwellings and holiday homes**	**Tenant-owner rights**	**Tenant-owner associations**	**Private multi-family dwellings**	**Municipal multi-family dwellings**	**Commercial properties**	**Total**
Past-due 5–30 days[1)]	6	1	–	–	–	–	7
Past due 31–60 days	–	–	–	–	–	–	–
Past due 61–90 days	–	–	–	–	–	–	–
Past due 91–180 days	–	–	–	–	–	–	–
Past due 181–365 days	–	–	–	–	–	–	–
Past due > 365 days	–	–	–	–	–	–	–
Total	**6**	1	–	–	–	–	**7**

1) For the first time interval, amounts past-due by five days or less are not taken into consideration to ensure that the analysis is not distorted by payments delayed because the payment date is a holiday.

SEK million	2014 Single-family dwellings and holiday homes	Tenant-owner rights	Tenant-owner associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties	Total
Past-due 5–30 days[1)]	3	3	–	–	–	–	6
Past due 31–60 days	–	–	–	–	–	–	–
Past due 61–90 days	–	–	–	–	–	–	–
Past due 91–180 days	–	–	–	–	–	–	–
Past due 181–365 days	–	–	–	–	–	–	–
Past due > 365 days	–	–	–	–	–	–	–
Total	**3**	**3**	**–**	**–**	**–**	**–**	**6**

1) For the first time interval, amounts past-due by five days or less are not taken into consideration to ensure that the analysis is not distorted by payments delayed because the payment date is a holiday.

3 Loans with individual provisions
Loans with individual provisions refers to receivables where provisions have been made following individual risk assessment. As at 31 December 2015, there were no loans with individual provisions. There were no such loans in the same period of last year, either.

Loans with renegotiated terms and conditions
In exceptional cases, loans may be renegotiated due to a deterioration of the borrower's financial position or because the borrower has encountered other financial problems. Such receivables are monitored carefully.

Loans that have been renegotiated due to the borrower's inability to fulfil the loan agreement may entail that:
- The terms of the loan are modified by terms that are not normal market terms
- The borrower partly repays the loan by handing over various assets
- The borrower agrees to convert part of the loan receivable into an ownership share
- The borrower is replaced or supplemented by a new borrower

CARRYING AMOUNT OF RENEGOTIATED LOANS BY SEGMENT

SEK million	2015	2014
Single-family dwellings and holiday homes	3	1
Tenant-owner rights	1	1
Tenant-owner associations	–	10
Private multi-family dwellings	–	–
Municipal multi-family dwellings	–	–
Commercial properties	–	–
Total	**4**	**12**

The carrying amount of financial assets that would otherwise have been recognised as past-due or impaired and whose terms have been renegotiated by type of property.

NOTE 2b Risk management – Credit risk in Treasury

In Treasury, credit risk arises when the counterparty is unable to fulfil its payment obligations. In Treasury, credit risk arises in the form of counterparty credit risk associated with the derivative and repo contracts entered into by SCBC to manage its financial risks.

LIMIT UTILISATION

Rating category, SEK million	2015 Limit	2015 Utilised limit	2014 Limit	2014 Utilised limit
AAA	0	0	–	–
AA– to AA+	11,600	734	8,110	1,472
A– to A+	12,910	383	13,610	656
Lower than A–	4,320	0	2,110	0
Total	**28,830**	**1,117**	**23,830**	**2,128**

The "Limit utilisation" table shows the limit and the utilised limit, respectively, for SCBC's counterparties, at an aggregate level per rating category, with each counterparty placed in relation to its lowest rating. The exposure in the summary includes external derivative and repo contracts entered into by SCBC and which are outstanding as of 31 December 2015. At the Group level, limits for each counterparty are set for all investments, derivative contracts and repo contracts. The table above shows the limits for the SBAB Group.

In accordance with the credit instruction, the limits are set by SBAB's Credit Committee within the framework adopted by the Board of the Parent Company. The utilised limit is calculated as the market value of financial derivative instruments, repo contracts and investments. For derivative and repo contracts, the effect of collateral pledged or received according to CSAs or GMRAs is included in the total limit. For derivative contracts, an add-on amount is also calculated for future risk related changes. For counterparties who also are loan customers, the limit is coordinated with the credit limit. The limit can be established for a maximum period of one year before a new assessment must be made. The decisions of the Credit Committee are reported to the Board at the following Board meeting. Unilateral collateral agreements have been set up for all of SCBC's derivatives counterparties.

Counterparty credit risk
Within SCBC, counterparty credit risk consists of exposures to major banks as well as the Parent Company and, for external counterparties is hedged entirely through unilateral collateral agreements in which the counterparty pledges collateral by transferring funds or securities with the purpose of reducing SCBC's exposure – this is referred to as a Credit Support Annex (CSA). Wherever applicable, the received collateral takes the form of cash with a transfer of title that entitles the party that receives the collateral to use the collateral in its operations.

To limit the potential counterparty credit risk associated with derivative transactions involving non-standardised derivative instruments that are not cleared by clearing organisations approved by the competent authority (in accordance with Regulation (EU) No 648/2012), a framework agreement is to be entered into with the counterparty. Where appropriate, ISDA Master Agreements or similar agreements are supplemented with associated collateral agreements – CSAs. When SCBC enters into derivative agreements, it must always draft an associated CSA. The framework agreements entitle the parties to offset receivables against debt in the event of a payment default.

Counterparty credit risk is reconciled on a daily basis for all counterparties. Reconciliation for CSAs takes place daily or weekly. Derivative contracts entered into

Cont. NOTE 2b Risk management – Credit risk in Treasury

with external counterparties are mostly entered into within the Parent Company, where the CSAs are reconciled with all counterparties on a daily basis, while the majority of SCBC's derivatives are entered into with the Parent Company as the counterparty. The effects of pledged and received collateral are shown in greater detail in Note 14 Information about offsetting. As per 31 December 2015, SCBC had received collateral for a total value of SEK 905 billion.

Credit risk limits are set by SBAB's Credit Committee for all counterparties in Treasury, with the exception of the Swedish government and companies included in the SBAB Group, for which no limits to the exposure are applied. In the table "Maximum credit risk exposure in the treasury operations," the maximum credit risk exposure to each is shown without taking collateral received or other credit reinforcement into account.

MAXIMUM CREDIT RISK EXPOSURE IN TREASURY

	Without taking into account collateral received or other credit enhancements		Taking into account collateral received or other credit enhancements	
SEK million	**2015**	**2014**	**2015**	**2014**
Lending to credit institutions	1,219	2,836	1,219	2,841
Eligible securities	–	–	–	–
Bonds and other interest-bearing securities	–	–	–	–
Derivative instruments	4,784	6,315	3,879	5,048
Maximum credit risk exposure as of 31 December	**6,003**	**9,151**	**5,098**	**7,889**

COLLATERAL POSTED AND RECEIVED UNDER COLLATERAL AGREEMENTS, 31 DECEMBER 2015

SEK million, Company	Collateral pledged	Collateral received
SCBC	0	905

NOTE 2c Risk management – Liquidity risk

Liquidity risk is defined as the risk that the Company will not be able to meet its payment obligations on the date of maturity without the related cost increasing significantly.

Liquidity risk management for SCBC is performed as an integral part of the Group's overarching management and no specific follow-up of liquidity risk takes place at the SCBC level. For further information please see Note 2c in SBAB's Annual Report. SCBC has an agreement regarding a liquidity facility with the Parent Company, SBAB. The purpose of the agreement is that SCBC should be able to borrow money from the Parent Company in the event that SCBC is unable to pay bond holders when SCBC's bonds mature.

MATURITIES OF FINANCIAL ASSETS AND LIABILITIES (AMOUNTS REFER TO CONTRACTUAL, UNDISCOUNTED CASH FLOWS)

	2015							2014						
SEK million	**No maturity**	**< 3 months**	**3–6 months**	**6–12 months**	**1–5 years**	**> 5 years**	**Total**	**No maturity**	**< 3 months**	**3–6 months**	**6–12 months**	**1–5 years**	**> 5 years**	**Total**
ASSETS														
Lending to credit institutions	0	1,219	–	–	–	–	1,219	57	2,785	–	–	–	–	2,842
Lending to the public	–	29,114	42,831	72,073	74,291	4,204	222,513	–	31,907	42,340	74,102	73,292	4,032	225,673
Derivative instruments	–	3,276	15,802	1,926	24,518	16,453	61,975	–	12,982	4,015	2,910	34,304	11,636	65,847
Other assets	817	–	–	–	–	–	817	504	–	–	–	–	–	504
Total financial assets	**817**	**33,609**	**58,633**	**73,999**	**98,809**	**20,657**	**286,524**	**561**	**47,674**	**46,355**	**77,012**	**107,596**	**15,668**	**294,866**
LIABILITIES														
Liabilities to credit institutions	–	2,138	–	–	–	–	2,138	–	4,080	–	–	–	–	4,080
Securities issued, etc.	–	2,911	14,598	25,539	183,334	33,140	259,522	–	12,018	14,524	17,592	116,412	22,263	182,809
Derivative instruments	–	2,799	14,474	1,696	24,731	17,094	60,794	–	13,102	3,772	2,635	31,783	11,606	62,898
Other liabilities	2,211	–	–	–	–	–	2,211	2,491	–	–	–	–	–	2,491
Subordinated debt	14,920	–	–	–	–	–	14,920	31,181	–	–	–	–	–	31,181
Total financial liabilities	**17,131**	**7,848**	**29,072**	**27,235**	**208,065**	**50,234**	**339,585**	**33,672**	**29,200**	**18,296**	**20,227**	**148,195**	**33,869**	**283,459**

For receivables and liabilities that have been amortised, the period of fixed interest for the amortisation has been calculated as the period up to the date of maturity for the particular amortisation.

Foreign currency cash flows have been converted using the closing rate of 31 December 2015. Future interest rate cash flows with floating interest rates have been estimated using forward interest rates based on the actual interest base, usually the three-month STIBOR.

MATURITIES OF HEDGED CASH FLOWS IN CASH FLOW HEDGES

SEK million	No maturity	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total
Interest-rate-hedged	0	1	42	90	523	207	863
Currency-hedged	0	0	0	0	–7,216	–14,747	–21,963
Net	**0**	**1**	**42**	**90**	**–6,693**	**–14,540**	**–21,100**

NOTE 2d Risk management – Market risk

Market risk is the risk of loss or reduced future income due to market fluctuations. SCBC is characterised by a low level of risk taking that is handled within the framework of the SBAB Group's averall risk appetite and limits for Value at Risk (VaR), which are determined by the Board of Directors. In addition to VaR, a number of supplementary risk based measurements set by the Managing Director of SBAB are also subject to limitation. Through daily reports, Risk Control checks compliance with current risk levels and limits.

The management of SCBC's risks is outsourced to the Parent Company, SBAB, where they are followed up and managed at both the Company and Group levels. The basic objective for SBAB's management of SCBC's market risk is to limit risk in the secured pool, with the overriding objective of meeting the requirements for matching rules as expressed in the Covered Bonds Issuance Act (2003:1223). The general principle governing SCBC's exposure to market risk is that the level of risk taking should be low. Interest rate risk shall as a general principle be mitigated through direct funding or the use of derivatives. SCBC's interest rate structure as of 31 December 2015 is shown in the table "interest period for financial assets and liabilities." Currency risks are mitigated through the hedging of funding in foreign currencies by way of currency swap contracts. As per 31 December 2015, total assets and liabilities in foreign currency amounted to a net liability of SEK 49.8 billion (negative: 53.92) in nominal terms. The outstanding risk was reduced using derivatives where the nominal amount was equivalent to SEK 49.8 billion (53.93). The total effect per currency is reported in the table "Nominal amounts, assets, liabilities and derivatives in foreign currency."

Value at Risk

VaR is a comprehensive portfolio measurement expressing the potential loss that could occur given a certain level of probability and holding period. The SBAB Group's model is a so called historical model and applies percentiles in historic market data from the past two years.

Limits for the day-to-day follow-up of VaR set at three levels: the market risk of SBAB, the market risks that Treasury is responsible for managing, and the Trading portfolio, where the exposure within SCBC is included as part of the two first-mentioned levels. The limit for the market risk of the whole SBAB Group is based on the VaR measure included in the model for Economic Capital and applies a probability level of 99.97 percent and a holding period of one year, while, for the market risks that Treasury is responsible for managing, a probability level of 99 percent is applied and holding period of one day.

As per 31 December 2015, exposure to market risk of the whole SBAB Group was SEK 1,154 million (608), compared with the limit of SEK 1,650 million (1,350). Exposure to market risks managed by Treasury was SEK 36 million (7) and the limit was SEK 55 million (30). The higher levels for exposures and limits compared with 2014 were due to a review of SBAB's limit structure. In connection with this review, the credit spread risk was reallocated from the previous measure of earnings volatility for credit spreads and included as a risk factor in VaR, giving a higher VaR exposure. As earnings volatility from credit spreads need no longer be calculated or provided for in SBAB's model for economic capital, SBAB's entire risk appetite is considered to remain unchanged.

Supplementary risk measurements

In addition to the overall VaR limits determined by the Board, the Managing Director has set a number of supplementary risk measurements for different kinds of risks to which the SBAB Group is exposed. The limits are followed up at the Group level, and SCBC's positions are included as a component of the total exposure. For interest rate risk, there are limits for parallel shifts, where the effect on the present value of a one percentage point shift in the yield curve is measured, and curve risk where the effect on the present value is measured in different scenarios, in which the short end of the yield curve is adjusted down (up) and the long end is adjusted up (down). Currency risk is controlled by measuring the effect on the present value when the SEK's exchange rate change in relation to other currencies. SCBC's positions are included in the follow up of limits set for earnings volatility for basis spreads.

Earnings volatility from basis spreads arise because the derivatives used to hedge funding are recognised at fair value while the underlying funding is reported at book value, in accordance with the accounting standards applied by the SBAB Group. This causes effects to arise in operating profit/loss that do not correspond to the actual risk that the SBAB Group portfolio is exposed to. The earnings volatility from basis spreads is expected to decrease in the future, as the SBAB Group has applied hedge accounting through cash flow hedges since 2014, which means that earnings volatility will only be calculated for swap contracts that are not subject to cash flow hedges.

Interest rate risk in the banking book is measured and reported to the Swedish Financial Supervisory Authority in accordance with FFFS 2007:4. As per 31 December 2015, the effect on the present value was negative in the amount of SEK 353 million (negative: 402) at a parallel upward shift by 2 percentage points and SEK 366 million (416) at a parallel downward shift by 2 percentage points. As SCBC's own funds amounted to SEK 13.9 billion as at 31 December 2015, the effect of the stress tests amounted to −2.5 percent and 2.6 percent of the own funds, respectively.

NOMINAL AMOUNTS, ASSETS, LIABILITIES AND DERIVATIVES IN FOREIGN CURRENCY

SCBC, SEK million	Assets and liabilities	Derivatives
CHF	−4,225	4,225
EUR	−42,792	42,805
GBP	0	0
NOK	−2,446	2,446
USD	−337	337
Total	**−49,801**	**49,814**

INTEREST PERIODS FOR FINANCIAL ASSETS AND LIABILITIES

	2015							2014						
SCBC, SEK million	Without interest period	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total	Without interest period	< 3 months	3–6 months	6–12 months	1–5 years	> 5 years	Total
TILLGÅNGAR														
Lending to credit institutions		1,219	–	–	–	–	1,219	–	2841	–	–	–	–	2841
Lending to the public		127,194	11,411	12,742	60,447	3,979	215,773	–	121,361	13,706	17,569	62,069	2,874	217,579
Change in fair value of interest-rate-hedged loan receivables		6	23	50	587	50	716	–	35	44	103	864	148	1,193
Derivative instruments		−5,117	3,345	349	4,144	2,062	4,783	–	−6,272	0	405	9,919	2,264	6,315
Other assets	817	–	–	–	–	–	817	504						504
Total financial assets	**817**	**123,302**	**14,779**	**13,141**	**65,178**	**6,091**	**223,308**	**504**	**117,965**	**13,750**	**18,077**	**72,852**	**5,286**	**228,432**
LIABILITIES														
Liabilities to credit institutions		2,144	–	–	–	–	2,144	–	4,080	–	–	–	–	4,080
Debt securities in issue, etc.		18,793	18,964	16,057	107,131	26,335	187,280	–	27,479	14,529	13,253	98,356	21,369	174,986
Derivative instruments		4,499	68	−917	−868	−346	2,436	–	2,482	82	138	−149	315	2,866
Other liabilities	2,211	–	–	–	–	–	2,211	2,491	–	–	–	–	–	2,491
Subordinated debt	−557	15,477	–	–	–	–	14,920	45	31,136	–	–	–	–	31,181
Total financial liabilities	**1,654**	**40,913**	**19,032**	**15,140**	**106,263**	**25,989**	**208,991**	**2,536**	**65,177**	**14,611**	**13,391**	**98,207**	**21,684**	**215,604**
Difference assets and liabilities	**−837**	**82,389**	**−4,253**	**−1,999**	**−41,085**	**−19,898**	**14,317**	**−2,032**	**52,788**	**−861**	**4,686**	**−25,355**	**−16,398**	**12,828**

NOTE 2e Risk management – Operational risk

Operational risk means the risk of losses due to inappropriate or unsuccessful processes, human error, faulty systems or external events. The definition includes legal risk.

Risk management
Within SCBC, risk management consists of uniform measurement and reporting of operational risk. An analysis of risk levels in all operations is conducted on a regular basis and reported to the Board and the Managing Director. The Operational Risk & Security function within SBAB has overall responsibility for the methods and procedures used for identifying, governing, controlling and reporting on operational risk, including follow-up. The work on identifying and managing operational risk is conducted against a backdrop of the SBAB Group's strict view of risk and focus on cost efficiencies. SBAB, and accordingly also SCBC, strive for developing and improving the methods used for identifying and managing operational risk. This entails constant efforts to improve the bank's risk culture and procedures to manage operational risk and incidents effectively and proactively.

Self-evaluation
The self-evaluation process encompasses identification of risks in all units, measurement of identified risks and management of significant risks. The result of the self-evaluation is reported annually to the Board and the Managing Director. The entire business uses a common method for self-evaluation of operational risk, and the method is further used to cover all key processes within the bank.

Incident management and reporting
Supported by SBAB, SCBC has procedures and systems support intended to facilitate the reporting and follow-up of incidents The Operational Risk & Security function within SBAB supports the operations in the reporting and analysis, to ensure that root causes are identified and suitable measures are implemented. Even incidents that have not caused direct damage or financial loss are reported, to promote proactive risk management.

Process for approving changes (GFF)
SCBC has a process for the approval of new or significantly altered products, services, markets, processes and IT-systems as well as major operational and organisational changes in SCBC. The purpose of GFF is the advance identification and management of risk related to change.

Security and contingency management
In the SBAB Group, security involves protecting customers, individuals, information and physical assets. Information must be kept confidential and be reliable and accurate, and it must be made available to the appropriate people as and when needed. SCBC's security efforts include technical, organisational and administrative measures, and they are based on the international information security standard ISO/IEC 27002:5.

SCBC works in a pre-emptive manner to prevent security incidents that may affect the its ability to operate. A crisis management organisation is responsible for crisis management and for management and communication in case of serious incidents, crises or disasters.

IT governance
SBAB's Operative Risk & Security function within IT governance principles at SCBC in accordance with FFFS 2014:5. The overall goal is to create operative processes for measuring, evaluating and adapting IT in order to optimise resources. The purpose is to create value for the SBAB Group, manage IT-related risk and create information to support decision-making and transparency for the Executive Management and the Board regarding IT.

Capital requirements for operative risks
SCBC uses the standardised approach to assess capital requirements for operational risk. This approach entails that the capital requirement is based on 12–18 percent of the average operating income of the business areas for the past three years. Capital requirements for operational risk are presented in the Table Capital requirements (see Note 2i).

NOTE 2f Risk management – Business risk

Business risk refers to the risk of declining earnings due to harsher competition, inappropriate strategies or erroneous decisions. Business risk includes strategic risk, reputation risk and margin risk, which arise when the interest margins on lending and borrowing have different maturities.

Business risk is included in the calculation of the capital requirement based on economic capital using a standardised approach that reflects the business areas' operating expenses.

NOTE 2g Risk management – Concentration risk

Concentration risk arises when major exposures or exposures in the loan portfolio are concentrated to certain counterparties, regions or industries. The SBAB Group is primarily considered to be exposed to credit risk-related concentration risk in its lending operations. The concentration risk is calculated based on the size of the exposures, industry concentration and geographical concentration. The entire capital requirement for concentration risk is included in the economic capital for credit risk.

Upon calculation at 31 December 2015, the internally calculated capital requirement for concentration risk amounted to SEK 562 million (346), of which SEK 521 million (321) pertained to credit risk in the lending operations and SEK 41 million (25) to credit risk in the funding operations.

NOTE 2h Risk management – Internal capital adequacy assessment

Internal capital adequacy assessment
Within the framework of Pillar 2, the Basel regulations impose the requirement that the banks' management and assessment of risks must be satisfactory to ensure that the banks can fulfil their obligations. In order to fulfil this requirement, the banks must have methods that enable them to continuously evaluate and uphold capital in an amount, type and distribution sufficient to cover the risks to which they are or will become exposed. This is called the internal capital adequacy assessment process (ICAAP).

The purpose of the ICAAP is to identify, evaluate and manage the risks to which SBAB is exposed and ensure that the Group has sufficient own funds for its selected risk profile. The ICAAP is revised annually to identify changes in the operating environment and changed regulations and supervisory practices that continuously affect the Group's performance. The amount of own funds required to manage the combined risk in the operations is based primarily on the calculation of SBAB's economic capital. However, if the economic capital for risks included in Pillar 1 is less than the capital requirements under Pillar 1 for a given type of risk, the capital requirements under Pillar 1 are applied.

In addition, consideration is given to the risk associated with deteriorating market conditions, which is illustrated in conjunction with stress tests. What is finally taken into account is the impact on profit or loss caused by a valuation effect on primarily basis swap spreads arising due to accounting regulations for basis swaps that are not subject to hedge accounting. The valuation effect is not estimated to affect risk in the operations, apart from the impact on own funds.

Taken together, the above comprise the capital that, in accordance with Basel II, is required to meet all risks in the operations. The internally assessed capital requirement of SCBC amounted to SEK 3,897 million (3,735) as at 31 December 2015. Additional information on the internal capital adequacy assessment can be found in the document "Capital Adequacy and Risk Management 2015," which is published on www.sbab.se

NOTE 2i Risk management – Capital adequacy analysis

New common regulations on supervisory requirements for credit institutions were adopted by the EU and have been applied since 1 January 2014. The purpose of the rules is in part to make institutions more resilient to new crises, in part to raise confidence in the institutions' ability to manage new crises. The regulations include higher capital requirements, stricter demands on capital quality, the introduction of a non-risk-based measurement (debt/equity ratio) and quantitative liquidity requirements. SCBC has taken this into account in its capital planning and meets the requirements in the new rules.

Within the framework of these regulations, the Swedish Financial Supervisory Authority has adopted a national risk weight floor of 25 percent for residential mortgage to Swedish households within Pillar 2. Banks that are considered systemic will be subject to additional capital requirements. SCBC is not subject to these requirements. In November 2014, the Swedish Financial Supervisory Authority announced that an amortisation requirement would be introduced for new residential mortgages. According to this requirement, new residential mortgages were to be amortised by 2 percent of the initial loan until a loan to value ratio of 70 percent was reached, and thereafter by 1 percent down to a loan-to-value ratio of 50 percent. The requirement never entered into force during the year, but a new proposal with a similar content was presented on 18 December 2015. For the Swedish Financial Supervisory Authority's proposal to enter into force, it is required that the legislative change and authorisation proposed by the Swedish Government is adopted by the Swedish Riksdag (parliament). The Swedish Government must further authorise the

Cont. NOTE 2i Risk management – Capital adequacy analysis

Swedish Financial Supervisory Authority to determine the details of the regulation. As an amortisation requirement may have far-reaching impact on individual households, the regulations must also be approved by the Swedish Government before entering into force.

Future rules in IFRS 9 will regulate a new method used for credit risk provisions. SCBC is working on devising a model for this. It is still to early to express a view on the impact this will have on the size of the provision, and therefore also on own capital.

SCBC primarily recognises credit risk in accordance with the IRB approach, and operational and market risk in accordance with the standardised approach.

SCBC's own funds solely consist of Common Equity Tier 1 capital. The net profit/loss for the period is included in the calculation of own funds. The deduction that forms the basis of "Additional value adjustments" in the "Own funds" table emanate from the rules on a prudent valuation of assets. The figures do not include a dividend to shareholders, which is in line with the Board of Directors' proposal for the appropriation of profits. The surplus has been verified by the Company's auditors, in accordance with Article 26, item 2, of the CRR.

Section 2.h contains a summary of the method used to assess the internal capital requirement.

There are no on-going or unforeseen material obstacles or legal barriers to a rapid transfer of funds from own funds other than those generally stipulated by the Companies Act.

OWN FUNDS **SEK million**	**Amount as per 31 December 2015**	**Amount as per 31 December 2014**
Common Equity Tier 1 capital: Instruments and reserves		
Capital instruments and associated share premium reserves	9,600	9,600
Retained earnings	3,145	2,307
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses according to applicable accounting standards)	241	100
Interim profit/loss after deduction of foreseeable costs and dividends, verified by persons in an independent position	1,203	838
Common Equity Tier 1 capital before regulatory adjustments	**14,189**	**12,845**
Common Equity Tier 1 capital: regulatory adjustments		
Additional value adjustments (negative amount)	–7	–9
Reserves in fair value related to profit or loss on cash flow hedging	–241	–100
Negative amounts following the calculation of expected loss amounts	–34	–36
Gains or losses on liabilities valued at fair value that result from changes in the own credit standing of the institution	–1	0
Total regulatory adjustments to the Common Equity Tier 1 capital	**–283**	**–145**
Common Equity Tier 1 capital	**13,906**	**12,700**
Additional Tier 1 instruments: Instruments		
Additional Tier 1 instruments before regulatory adjustments	–	–
Additional Tier 1 instruments: Regulatory adjustments		
Total regulatory adjustments of additional Tier 1 instruments	–	–
Additional Tier 1 instruments	–	–
Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + additional Tier 1 instruments)	**13,906**	**12,700**
Tier 2 capital: Instruments and provisions		
Tier 2 capital before regulatory adjustments	–	–
Tier 2 capital. Regulatory adjustments		
Total regulatory adjustments of Tier 2 capital	–	–
Tier 2 capital	–	–
Total capital (total capital = Tier 1 capital + Tier 2 capital)	**13,906**	**12,700**
Total risk-weighted assets	**16,151**	**17,565**
Capital ratios and buffers		
Common Equity Tier 1 capital (as a percentage of the risk-weighted exposure amount), %	86.1	72.3
Tier 1 capital (as a percentage of the risk-weighted exposure amount), %	86.1	72.3
Total capital (as a percentage of the risk-weighted exposure amount), %	86.1	72.3
Institution-specific buffer requirements (common equity Tier 1 capital requirement according to Article 92(1)(a) plus capital conservation buffer requirement and countercyclical capital buffer, plus systemic risk buffer, plus buffer for systemic institutions (G-SII buffer and O-SII buffer) expressed as a percentage of the risk-weighted exposure amount, %	8.0	7.0
of which, capital conservation buffer requirement, %	*2.5*	*2.5*
of which, countercyclical buffer requirement, %	*1.0*	–
of which, systemic risk buffer requirement, %	–	–
of which, G-SII buffer and O-SII buffer, %	–	–
Common Equity Tier 1 capital, available for use as a buffer (as a percentage of the risk-weighted exposure amount), %	78.1	64.3
Capital instruments that are subject to phase-out arrangements (only applicable between 1 January 2013 and 01 January 2022)		
Current ceiling for additional Tier 1 instruments that are subject to phase-out arrangements	–	–
Amount excluded from additional Tier 1 instruments due to the ceiling (amounts that exceed the ceiling after redemption and maturity)	–	–
Current ceiling for Tier 2 instruments that are subject to phase-out arrangements	–	–

Disclosure of own funds during a transitional period

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

No amounts are subject to the provisions preceding Regulation (EU) No 575/2013 ("CRR") or the prescribed residual amount according to Regulation (EU) No 575/2013.

Cont. **NOTE 2i** Risk management – Capital adequacy analysis

OWN CAPITAL **SEK million**	**Capital requirements 31 December 2015**	**Risk exposure amount 31 December 2015**	**Capital requirements 31 December 2014**	**Risk exposure amount 31 December 2014**
Credit risk recognised in accordance with IRB approach				
Exposure to corporates	379	4,743	371	4,633
Retail exposures	628	7,856	684	8,560
of which, exposures to small and medium-sized companies	*78*	*980*	*104*	*1,301*
of which, exposures to tenant-owner rights, single-family dwellings and holiday homes	*550*	*6,876*	*580*	*7,259*
Total exposure recognised in accordance with IRB approach	**1,007**	**12,599**	**1,055**	**13,193**
Credit risk recognised in accordance with the standardised approach				
Exposures to central governments and central banks	0	0	0	0
Exposures to regional governments or local authorities	0	0	0	0
Exposures to institutions[1]	27	335	37	463
of which, derivatives listed in CRR, Annex II	*26*	*319*	*4*	*54*
of which, repos	*1*	*14*	*32*	*405*
Exposure to corporates	–	–	1	12
Retail exposures	–	–	1	12
Defaulted exposures	–	–	–	–
Exposures to institutions and corporates with a short-term credit assessment	0	0	1	11
Other items	64	798	100	1,246
Total exposure in accordance with the standardised approach	**91**	**1,133**	**140**	**1,744**
Market risk	**29**	**361**	**31**	**392**
of which, currency risk	*29*	*361*	*31*	*392*
Operational risk	**150**	**1,874**	**147**	**1,836**
Credit Value Adjustment risk	**15**	**184**	**32**	**400**
Total minimum capital requirement and risk exposure amount	**1,292**	**16,151**	**1,405**	**17,565**
Capital requirements for capital conservation buffer	**404**	**–**	**439**	**–**
Capital requirements for countercyclical buffer	**162**	**–**	**–**	–
Total capital requirements	**1,858**	**16,151**	**1,844**	**17,565**

[1] The risk weighted exposure amount for counterparty risk according to Article 92, item 3f, of the CRR amounts to SEK 333 million (459).

CAPITAL ADEQUACY **SEK million**	**2015**	**2014**
Common Equity Tier 1 capital	13,906	12,700
Tier 1 capital	13,906	12,700
Total capital	**13,906**	**12,700**
Without transitional regulations		
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**
With transitional rules		
Own funds	13,940	12,736
Risk exposure amount	115,555	113,258
Total capital ratio, %	**12.1**	**11.2**

NOTE 3 Net interest income

SEK million	2015	2014
Interest income		
Lending to credit institutions	–2	46
Lending to the public	4,665	6,163
Derivatives	–466	–470
Total	**4,197**	**5,739**
of which, interest income from financial assets that is not measured at fair value through the income statement	*4,663*	*6,209*
Interest expenses		
Liabilities to credit institutions	4	–56
Debt securities in issue	–3,316	–3,966
Subordinated debt[1)]	–494	–1,237
Derivatives	1,889	1,295
Total	**–1,917**	**–3,964**
of which, interest expense from financial liabilities that is not measured at fair value through the income statement	*–3,806*	*–5,259*
Net interest income	**2,280**	**1,775**

1) The subordinated debt was issued by the Parent Company.

NOTE 4 Commission

SEK million	2015	2014
Commission income		
Commission on lending	10	9
Total	**10**	**9**
Commission expense		
Stability fee	–71	–66
Other commission	–45	–35
Total	**–116**	**–101**
Commission, net	**–106**	**–92**

NOTE 5 Net income/expense from financial transactions

SEK million	2015	2014
Gains/losses on interest-bearing financial instruments		
– Change in value of hedged items in hedge accounting	896	–961
– Realised income/expense from financial liabilities	–82	–110
– Derivative instruments in hedge accounting	–948	1,074
– Other derivative instruments	12	102
– Loan receivables	106	75
Currency translation effects	**0**	**1**
Total	**–16**	**181**

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 6 General administration expenses

SEK million	2015	2014
Outsourcing expenses	**–625**	**–822**
Management fee	–	–
Other administration expenses	–1	–2
Total	**–626**	**–824**

SCBC employs a Managing Director and nine employees who handle the on-going management in consultation with the management of the Parent Company.

The Managing Director and the employees are employed by the Parent Company but they are also employed by SCBC. The Board of Directors consists of three Board Members. No salary or other remuneration is paid by the Company to the Managing Director, the Board of Directors or the employees.

Board Members who are not employed by the Company receive a board fee. SBAB Bank AB is responsible for the on-going administrative services in accordance with the outsourcing agreement signed between SBAB and SCBC.

Fees and compensation for expenses to auditors

Fees and compensation to KPMG amounted to SEK 0.9 million (0.9), of which, SEK 0.4 million (0.3) comprises the auditing cost. Audit tasks beyond the audit assignment cost SEK 0.5 million (0.6).

Audit assignments include examination of the annual report, the accounting records and the administration by the Board and the Managing Director.

The audit assignment also includes consultancy or other assistance resulting from such examination. Audit tasks in addition to the audit of the annual financial statements pertain to the examination of interim reports/year-end report and such other duties that may only be performed by the signing-off auditor, such as the preparation of various types of certificates.

NOTE 7 Loan losses, net

SEK million	2015	2014
CORPORATE MARKET		
Collective provision for Corporate Market loans		
Allocation to/redemption of collective provisions	5	1
Guarantees	–1	2
Net cost for the year for collective provisions Corporate Market loans	**4**	**3**
RETAIL MARKET		
Individual provision for Retail Market loans		
Write-off of confirmed loan losses for the year	–	–3
Reversals of previously implemented provisions for probable loan losses that are recognised as confirmed losses in the closing accounts for 2015	–	3
Provision for probable loan losses for the year	–	–
Net cost for the year for individual provisions for Retail Market loans	**–**	**0**
Collective provision for Retail Market loans		
Write-off of confirmed loan losses for the year	–0	–0
Allocation to collective provisions	16	30
Guarantees	–8	–7
Net cost for the year for collective provisions for Retail Market loans	**8**	**23**
Net cost for the year for loan losses	**12**	**26**

The write-off of confirmed loan losses for the year as specified above relate to receivables from the public. The guarantees pertain to received or expected receivables from the National Board of Housing, Building and Planning, insurance companies and banks. See also Note 2a Risk management – Credit risk in lending operations, page 15.

NOTE 8 Tax

SEK million	2015	2014
Current tax	–232	–178
Deferred tax	–108	–48
Total	**–340**	**–226**
The effective tax rate differs from the nominal tax rate in Sweden as below		
Profit before tax	1,543	1,064
Nominal tax rate in Sweden 22%	–339	–234
Tax for prior years and other	–1	8
Total tax	**–340**	**–226**
Effective tax rate, %	22.0	21.3

NOTE 9 Lending to credit institutions

SEK million	2015	2014
Lending in SEK	1,219	2,841
Lending in foreign currency	0	0
Total	**1,219**	**2,841**
of which, repos	*1,219*	*2,779*

Interest-bearing securities that SCBC purchases with an obligation to sell at a price determined in advance are not recognised in the balance sheet, while the purchase price paid is recognised in the balance sheet in the item Lending to credit institutions. The securities are regarded as collateral received and can be pledged or sold by SCBC. In case in the event that the counterparty is unable to meet its repurchase obligation, SCBC is entitled to keep the security. The fair value of collateral received was 1,219 (2,778), of which – (–) was pledged or sold.

NOTE 10 Lending to the public

SEK million	2015	2014
Opening balance	217,579	209,982
Transferred from the Parent Company	22,089	29,606
Amortisation, write-offs, redemption, etc.	–23,826	–21,911
Total	**215,842**	**217,677**
Provision for probable loan losses	–68	–98
Closing balance	**215,774**	**217,579**
Distribution of lending by property type		
Single-family dwellings and holiday homes	86,975	92,119
Tenant-owner rights	71,668	63,213
Tenant-owner associations	38,436	43,911
Private multi-family dwellings	18,414	17,986
Municipal multi-family dwellings	349	434
Commercial properties[1)]	–	14
Provision for probable loan losses	–68	–98
Total	**215,774**	**217,579**
Percentage of lending with a governmental or municipal guarantee, %	1	1

1) Refers solely to properties that are not entirely commercial.

In the event of early redemption during the fixed-interest period, SCBC has the right to receive so-called interest compensation. The amount of compensation in the case of Retail Market loans is based on the interest-rate on government bonds/treasury bills with a comparable remaining maturity up to the interest adjustment date +1 percent. For other loans, the reinvestment interest-rate for comparable government securities is, in most cases, the comparable interest-rate. In other cases, the comparable interest-rate is specified in the current terms of the loan.

In addition to mortgage deeds in pledged property, SCBC has, in certain cases, received government or municipal guarantees as collateral for the borrower's commitments. The proportion of loans covered by this type of guarantee is shown in the table above.

A total of SEK 59,014 million (63,788) of SCBC's lending portfolio was mediated by business partners through the Parent Company and it is possible for certain bank partners, if the partnership ends, to acquire brokered loans.

Doubtful loan receivables and provisions, SEK million	2015	2014
a) Doubtful loan receivables	–	–
b) Specific provisions for individually measured receivables	–	–
c) Collective provisions, Corporate Market loans	6	13
d) Collective provisions, 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)	–	–

See also Note 2a Risk management – Credit risk in lending operations.

Cont. **NOTE 10** Lending to the public

Distribution of doubtful loan receivables and provisions by type of property, SEK million	**2015** Single-family dwellings and holiday homes	Tenant-owner rights	Tenant-owner associations	Private multi-family dwellings	Total	**2014** Single-family dwellings and holiday homes	Tenant-owner rights	Tenant-owner associations	Private multi-family dwellings	Total
Doubtful loan receivables, gross										
Individual provisions, loan receivables										
Collective provisions, Corporate Market loans			5	1	6			8	5	13
Collective provisions, Retail Market loans	32	30			62	54	31			85
Doubtful loan receivables after individual provisions										–

Change in provision for probable loan losses, SEK million	**2015** Individual provision for individually measured receivables	Individual provision for collectively measured receivables	Collective provision	**2014** Individual provision for individually measured receivables	Individual provision for collectively measured receivables	Collective provision
Provision at the beginning of the year	–	–	–98	–	–	–109
Individual provision for the year	–	–		–	–	–
Reversed from previous provisions	–	–		–	–	–
Individual provision utilised for confirmed losses	–	–		–	–	–
Allocation to/redemption of collective provisions	–	–	30	–	–	11
Provision at the end of the year	**–**	**–**	**–68**	**–**	**–**	**–98**

NOTE 11 Derivative instruments

SEK million	**2015** Fair value assets	Fair value liabilities	Nominal amount	**2014** Fair value assets	Fair value liabilities	Nominal amount
Other derivatives						
Interest-rate related						
– interest-rate swaps	2,971	758	118,659	4,163	1,007	125,283
Currency-related	1,453	1,197	29,861	1,677	1,536	41,004
Total	**4,424**	**1,955**	**148,520**	**5,840**	**2,543**	**166,287**
Derivative instruments in cash flow hedges						
Interest-rate related						
– interest-rate swaps	160	20	21,323	54	–	9,425
Currency-related	35	328	22,289	197	–	9,203
Total	**195**	**348**	**43,612**	**251**	**–**	**18,628**
Other derivatives						
Interest-rate related						
– interest-rate swaps	150	83	3,690	196	118	6,375
Currency-related	15	51	3,179	28	205	7,867
Total	**165**	**134**	**6,869**	**224**	**323**	**14,242**

Cont. **NOTE 11** Derivative instruments

Derivative instruments distributed by remaining maturity, carrying amount, SEK million	2015 Fair value	2015 Nominal amount	2014 Fair value	2014 Nominal amount
At most 3 months	–44	9,729	–510	30,801
3–12 months	914	41,746	–139	27,999
1–5 years	1,262	105,594	3,568	110,650
More than 5 year	215	41,932	530	29,707
Total	**2,347**	**199,001**	**3,449**	**199,157**

NOTE 12 Classification of financial instruments

FINANCIAL ASSETS

	2015				
SEK million	Assets measured at fair value through the income statement	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
Total	**165**	**4,619**	**218,527**	**223,311**	**223,707**

	2014				
SEK million	Assets measured at fair value through the income statement	Hedge-accounted derivative instruments	Loan receivables	Total	Total fair value
Lending to credit institutions			2,841	2,841	2,841
Lending to the public			217,579	217,579	219,838
Change in value of interest-rate-hedged items in portfolio hedges			1,193	1,193	–
Derivative instruments	224	6,091		6,315	6,315
Other assets			329	329	329
Prepaid expenses and accrued income			175	175	175
Total	**224**	**6,091**	**222,117**	**228,432**	**229,498**

Cont. **NOTE 12** Classification of financial instruments

FINANCIAL LIABILITIES

SEK million	2015 Liabilities measured at fair value through the income statement	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, etc.			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 Parent Company			14,920	14,920	14,920
Total	**134**	**2,303**	**206,554**	**208,991**	**209,819**

SEK million	2014 Liabilities measured at fair value through the income statement	Hedge-accounted derivative instruments	Other financial liabilities	Total	Total fair value
Liabilities to credit institutions			4,080	4,080	4,080
Debt securities in issue, etc.			174,986	174,986	176,783
Derivative instruments	323	2,543		2,866	2,866
Other liabilities			19	19	19
Accrued expenses and prepaid income			2,472	2,472	2,472
Subordinated debt to Parent Company			31,181	31,181	31,181
Total	**323**	**2,543**	**212,738**	**215,604**	**217,401**

Fair value measurement of financial instruments

The principles for the measurement of financial instruments recognised at fair value in the balance sheet are given in Note 1 Accounting policies. 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, including subordinated debt to the Parent Company, 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, the credit margin on the most recent stipulated date of expiry is applied, Level 3. Debt securities in issue are measured at the Company's current borrowing rate, Level 2.

NOTE 13 Information about fair value

SEK million	2015 Quoted market prices (Level 1)	Other observable market data (Level 2)	Non-observable market data (Level 3)	Total	2014 Quoted market prices (Level 1)	Other observable market data (Level 2)	Non-observable market data (Level 3)	Total
Assets								
Derivatives in the category trade	–	165	–	165	–	224	–	224
Other derivatives	–	4,619	–	4,619	–	6,091	–	6,091
Total	**–**	**4,784**	**–**	**4,784**	**–**	**6,315**	**–**	**6,315**
Liabilities								
Derivatives in the category trade	–	134	–	134	–	323	–	323
Other derivatives	–	2,303	–	2,303	–	2,543	–	2,543
Total	**–**	**2,437**	**–**	**2,437**	**–**	**2,866**	**–**	**2,866**

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 were no transfers between the levels in 2014 or 2015.

Cont. **NOTE 13** Information about fair value

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, such as quoted interest-rates or prices for closely related instruments.
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 14 Information about offsetting

FINANCIAL ASSETS AND LIABILITIES COVERED BY A LEGALLY BINDING AGREEMENT REGARDING NETTING OR A SIMILAR AGREEMENT BUT THAT ARE NOT OFFSET IN THE BALANCE SHEET.

	2015				
SEK million	**Amounts reported in the balance sheet**	**Financial instruments**	**Provided (+)/ Received (–) collateral – securities**	**Provided (+)/ Received (–) cash collateral**	**Net amount**
Assets					
Derivatives	4,784	–2,023	0	–828	1,932
Repos	1,219	–1,219	0	0	0
Liabilities					
Derivatives	–2,437	2,023	0	0	–414
Repos	–1,233	1,219	14	0	0
Total	**2,333**	**0**	**14**	**–828**	**1,518**

	2014				
SEK million	**Amounts reported in the balance sheet**	**Financial instruments**	**Provided (+)/ Received (–) collateral – securities**	**Provided (+)/ Received (–) cash collateral**	**Net amount**
Assets					
Derivatives	6,315	–2,821	0	–1,116	2,378
Repos	2,779	–2,779	0	0	0
Liabilities					
Derivatives	–2,866	2,821	–	0	–45
Repos	–2,798	2,779	18	1	0
Total	**3,430**	**0**	**18**	**–1,115**	**2,333**

To limit the potential counterparty credit risk associated with derivative transactions involving non-standardised derivative instruments that are not cleared by clearing organisations approved by the Swedish Financial Supervisory Authority (in accordance with FFFS 2007:1), a framework agreement is to be entered into with the counterparty. Where appropriate, such framework agreements, known as ISDA Master Agreements, or similar agreements have been supplemented with associated collateral agreements, known as Credit Support Annexes (CSAs).

A CSA must always be established for counterparties entering into derivative contracts with SCBC. Counterparty credit risk is reconciled on a daily basis for all counterparties. CSAs are reconciled on a daily basis or on a weekly basis if a collateral agreement exists.

When collateral agreements exist, collateral is transferred to reduce the exposure. Wherever applicable, the posted and received collateral takes the form of cash with a transfer of title, which entitles the party that receives the collateral to use the collateral in its operations. Wherever applicable, the posted and received collateral takes the form of cash with a transfer of title, which entitles the party that receives the collateral to use the collateral in its operations.

For further information on offsetting, see Note 2b Risk management – Credit risk in treasury operations, the section on Counterparty risk.

NOTE 15 Other assets

SEK million	2015	2014
Tax assets	676	312
Other	19	17
Total	**695**	**329**
Other assets distributed by remaining maturity, carrying amount		
At most 1 year	695	329
More than 1 year	–	–
Total	**695**	**329**

NOTE 16 Prepaid expenses and accrued income

SEK million	2015	2014
Accrued interest income	99	136
Other accrued income	23	39
Total	**122**	**175**
Prepaid expenses and accrued income distributed by remaining maturity, carrying amount		
At most 1 year	113	156
More than 1 year	9	19
Total	**122**	**175**

NOTE 17 Liabilities to credit institutions

SEK million	2015	2014
Liabilities in SEK	1,291	2,868
Liabilities in foreign currencies	853	1,212
Total	**2,144**	**4,080**
of which, repos	*1,233*	*2,798*

NOTE 18 Debt securities in issue

SEK million	2015	2014
Bond loans		
Bond loans in SEK		
– at amortised cost	*69,457*	*15,582*
– in fair value hedging	68,331	105,346
Bonds loans in foreign currency		
– at amortised cost	23,209	15,872
– in fair value hedging	*26,283*	*38,186*
Total securities in issue	**187,280**	**174,986**
of which, covered bonds	*187,280*	*174,986*

See also the section Funding on page 4.

NOTE 19 Other liabilities

SEK million	2015	2014
Tax liabilities	–	–
Liabilities to employees	10	19
Liability to Parent Company	–	–
Other	–	–
Total	**10**	**19**
Outstanding liabilities distributed by remaining maturity, carrying amount		
At most 1 year	10	19
More than 1 year	–	–
Total	**10**	**19**

NOTE 20 Accrued expenses and prepaid income

SEK million	2015	2014
Accrued interest expenses	2,102	2,385
Other accrued expenses	99	87
Total	**2,201**	**2,472**
Accrued expenses and prepaid income distributed by remaining maturity, carrying amount		
At most 1 year	2,201	2,472
More than 1 year	–	–
Total	**2,201**	**2,472**

NOTE 21 Deferred tax

SEK million	2015	2014
Deferred tax assets (+)/tax liabilities (–) for temporary differences in:		
– Stock of financial instruments	–69	–
– Debt securities in issue	483	785
– Derivative instruments	–545	–768
Total	**–131**	**17**
Change in deferred tax		
Revaluation for temporary differences	–	482
Deferred tax in the income statement	–108	–48
Deferred tax attributable to items recognised directly against other comprehensive income	–40	–28
Total	**–148**	**406**
Deferred tax distributed by expected maturity date, carrying amount		
At most 1 year	–	–
More than 1 year	–131	17
Total	**–131**	**17**

NOTE 22 Subordinated debt to Parent Company

SEK million	2015	2014
Subordinated debt to Parent Company	14,920	31,181
Total	**14,920**	**31,181**

Terms and conditions governing subordination
The subordinated debt is issued by the Parent Company. The subordinated debt is the subordinate to the Company's other liabilities on bankruptcy or liquidation, which means that it carries an entitlement to payment after other claimants have received payment.

NOTE 23 Equity

The share capital amounts to SEK 50,000,000. The number of shares is 500,000, each with a quotient value of SEK 100, as in previous years.

All shares are held by the Parent Company, SBAB Bank AB (publ), Corp. Id. No. 556253-7513. Distributable equity in SCBC amounts to SEK 14,139 million. Dividends are proposed by the Board in accordance with provisions in the Companies Act and are resolved by the Annual General Meeting.

Further information on changes in equity is provided on page 12.

STATEMENT OF CHANGES IN EQUITY

SEK million	2015	2014
Cash flow hedges at the beginning of the year	**100**	**–**
Unrealised change in value over the year	–160	469
Reclassified to the income statement over the year	341	–341
Tax attributable to the change	–40	–28
Cash flow hedges at the end of the year	**241**	**100**
Total	**241**	**100**

NOTE 24 Assets pledged for own liabilities

SEK million	2015	2014
Loan receivables	211,420	211,651
Repos	–	–
Total	**211,420**	**211,651**

Of the total lending portfolio (see Note 10) and "Lending to credit institutions" (see Note 9), the values reported above represent the cover pool for covered bonds, which amounts to SEK 187.2 billion (175.0).

Loan receivables and repos pledged as collateral consist of the registered cover pool benefiting holders of covered bonds issued by SCBC and SCBC's covered derivative counterparties. In the event that the Company becomes insolvent, the holders of the covered bonds and the covered derivatives counterparties have priority rights to the pledged assets under the Covered Bonds Issuance Act and the Rights of Priority Act.

Further information on loan receivables and repos is given in Note 1 Accounting policies.

NOTE 25 Information about related parties

SCBC is a wholly-owned subsidiary of SBAB Bank AB (publ) with Corp. Id. No. 556253-7513.

LOANS TO THE BOARD, THE MANAGING DIRECTOR AND OTHER KEY SENIOR EXECUTIVES

SEK million	2015 Lending	2015 Interest income	2014 Lending	2014 Interest income
Managing Director	–	–	–	–
Board of Directors	3	–	3	0
Other key senior executives	5	–	11	0
Total	**8**	**–**	**14**	**0**

Managing Director and Board refer to SCBC. The members of the Parent Company's Board of Directors and Executive Management are included among other key senior executives. Lending to Board Members of AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation, SCBC) or to employees holding key positions in the Parent Company may not occur on terms that are not normally available to other personnel.

Transactions with closely-related parties in the SBAB Group
SBAB Bank AB (the Parent Company) is a Swedish public limited company that is wholly-owned by the Swedish state.

Transactions with closely-related parties take place on market terms.

	SBAB BANK AB		TOTAL	
	2015			
SEK million	Assets/ Liabilities	Interest income/ expense	Assets/ Liabilities	Interest income/ expense
Derivative instruments	2,788	818	2,788	–818
Other assets	–	–	–	–
Total	**2,788**	**818**	**2,788**	**–818**
Liabilities to credit institutions	14,920	–493	14,920	493
Derivative instruments	1,233	–445	1,233	445
Other liabilities	2	–	2	–
Total	**16,155**	**–938**	**16,155**	**938**

	SBAB BANK AB		TOTAL	
	2014			
SEK million	Assets/ Liabilities	Interest income/ expense	Assets/ Liabilities	Interest income/ expense
Derivative instruments	3,189	572	3,189	572
Other assets	4	–	4	–
Total	**3,193**	**572**	**3,193**	**572**
Liabilities to credit institutions	31,181	–1,237	31,181	–1,237
Derivative instruments	1,518	–598	1,518	–598
Other liabilities	2	–	2	–
Total	**32,701**	**–1,835**	**32,701**	**–1,835**

Of SCBC's commission income, SEK 32 million (18) pertained to the possibility for SCBC to utilise a liquidity facility at the Parent Company. Of the Company's general administrative costs, SEK 625 million (822) represents compensation to the Parent Company for administrative services rendered in accordance with an outsourcing agreement.

NOTE 26 Events after the balance sheet date

No significant events that are assessed to have significant impact on the Company's financial statements have occurred after the balance sheet date.

PROPOSED APPROPRIATION OF PROFITS

According to SCBC's balance sheet, SEK 14,139 million are at the disposal of the Annual General Meeting, of which SEK 1,203 million was profit for the year. The Board of Directors proposes that the funds at disposal of the General Meeting be carried forward.

The Board and the Managing Director certify that the financial statements were prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies and in accordance with generally accepted accounting practices for credit market companies, and provide a true and fair view of the Group's position and earnings. In accordance with Chapter 6, Section 2, Item 2 of the Annual Accounts Act for Credit Institutions and Securities Companies, the Board considers the Company's equity to be sufficiently large in relation to the scope and risks of the operations.

The statutory administration report provides an accurate overview of the Company's operations, financial position and performance and describes significant risks and uncertainties faced by the Company.

Stockholm, 10 March 2016

Bo Magnusson

Chairman of the Board

Jacob Grinbaum

Board Member

Klas Danielsson

Board member

Mikael Inglander

Managing Director

Our audit report was submitted on 11 March 2016

KPMG AB

Anders Tagde
Authorised Public Accountant

AUDIT REPORT

To the annual meeting of the shareholders of AB Sveriges Säkerställda Obligationer (publ), corp. id 556645-9755

Report on the annual accounts
We have audited the annual accounts of AB Sveriges Säkerställda Obligationer (publ) for the year 2015. The annual accounts of the company are included in the printed version of this document on pages 1–34.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts
The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions
In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies, and present fairly, in all material respects, the financial position of AB Sveriges Säkerställda Obligationer (publ) as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet.

Report on other legal and regulatory requirements
In addition to our audit of the annual accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of AB Sveriges Säkerställda Obligationer (publ) for the year 2015.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility
Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As basis for our opinion on the Board of Directors proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

As basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions
We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Stockholm 11 March 2016

KPMG AB

Anders Tagde
Authorized Public Accountant

CORPORATE GOVERNANCE REPORT 2015

The Swedish Covered Bond Corporation, "SCBC" (in Swedish: AB Sveriges Säkerställda Obligationer (publ)), is a Swedish public liability company and a wholly-owned subsidiary of SBAB Bank AB (publ), "SBAB", which is, in turn, wholly-owned by the Swedish state. The Corporate Governance Report has been prepared in accordance with the Annual Accounts Act. At SBAB, the Swedish Code of Corporate Governance is applied at the Parent Company level.

SCBC is domiciled in Solna. Governance of SCBC occurs through general shareholder meetings, the Board of Directors and the Managing Director in accordance with the Companies Act, the Articles of Association, and policies and instructions adopted by SCBC. SCBC was established with the purpose of broadening the SBAB Group's financing opportunities and decreasing its funding costs following changes in Swedish legislation in 2004 that permitted the issuance of covered bonds.

SCBC's operations

SCBC's operations comprise the issuance of covered bonds and associated activities. In addition to the policies and instructions that have been developed especially for SCBC, the Board of SCBC annually adopts the appropriate parts of policies and instructions adopted by the Board of the Parent Company that also apply to SCBC. This approach is suitable since SCBC's business operations are conducted by the Parent Company on assignment from SCBC and SCBC's operations serve as an instrument for the Group's funding. SCBC's targets and strategies form part of the Parent Company's funding strategy and are included in the Parent Company's business plan.

Articles of Association

SCBC's Articles of Association regulate matters such as SCBC's business objectives. The Articles of Association do not include any stipulations regulating the appointment or dismissal of Board Members, with the exception of a stipulation regarding the minimum and maximum number of Board Members. The Articles of Association require that notification of an Extraordinary General Meeting convened to address amendments to the Articles of Association must be issued not earlier than six weeks and not later than four weeks prior to the meeting. SCBC's Articles of Association do not assign any limitations as to the number of votes each shareholder is entitled to exercise at a General Meeting.

Annual General Meeting

SCBC's Annual General Meeting was held on 22 April 2015 in Stockholm. The Meeting re-elected Board Members Bo Magnusson (who was also elected Chairman of the Board), Jakob Grinbaum and Klas Danielsson. The Annual General Meeting passed resolutions regarding the discharge from liability for the Board of Directors and the Managing Director, the appropriation of profits and the adoption of the annual accounts for 2014, and fees to the Board Members who are not employees of the Group. The Annual General Meeting elected KPMG AB, with Hans Åkervall as the auditor-in-charge, as SCBC's auditor until the close of the 2016 Annual General Meeting. Due to the Company's approaching move to new premises, the Board of Decision resolved to change the Company's domicile in the Articles of Association to Solna.

The Annual General Meeting of SCBC did not authorise the Board of Directors to decide that the Company would issue new shares or acquire treasury shares.

The Board of Directors and its methods of work

In accordance with the Articles of Association, the Board of Directors is to comprise not fewer than three and not more than seven members, with no more than six alternates.

The members are normally elected at the Annual General Meeting for the period up until the following Annual General Meeting. The Managing Director of SCBC is not a member of the Board.

SCBC's Board of Directors comprises the Parent Company's CEO and members of the Board of Directors of the Parent Company.

The Board of Directors is ultimately responsible for the Company's organisation and management. The Board is also responsible for continuously assessing SCBC's financial situation and shall ensure that the organisation is structured in a manner that enables the accounting, the management of assets and the Company's other financial circumstances to be controlled in a satisfactory manner. The work of the Board complies with the formal work plan adopted annually at the Board of Directors' statutory Board meeting immediately after the Annual General Meeting. The working procedures address summonses, agendas and quorums for Board meetings, as well as the division of duties between the Board of Directors and the Managing Director.

SCBC's Board makes decisions on matters relating to SCBC's strategic direction, financing, policies, and certain instructions. The Board addresses the Company's year-end report, Annual Report and six-month reports and determines their adoption and publication. The control issues for which the Board of Directors is responsible are addressed by the full Board. The Board's measures to follow up on internal control of financial reporting include the Board's regular follow-up of SCBC's finances and performance, key ratios, etc., but also include the Board's review and follow-up on the auditor's review reports. At least once annually, the Board of Directors receives reports from the independent inspector appointed by the Swedish Financial Supervisory Authority, the Company's Risk unit, Internal Audit and Compliance regarding observations from reviews and assessments that have been conducted, as well as assessments of how well control and regulatory compliance are upheld within the Company.

A specification of name, age, principal education, occupational experience and the other assignments held by the Board Members, as well as their attendance at this year's Board Meetings, is presented on page 39. None of the Board Members or the Managing Director holds shares or financial instruments issued by SCBC.

Diversity and suitability policies

The Board has adopted a policy on diversity in the Board and a policy on suitability assessments for Board Members, the Managing Director and senior executives. The diversity policy includes a prohibition against discrimination based on gender, transgender identity or expression, ethnicity, religion or other beliefs, disabilities, sexual orientation or age. The suitability policy states that the suitability of the Board, the Managing Director and the senior executives shall be assessed taking into account the individual's skills, experience, reputation and judgment. It is also important that these individuals have great integrity.

The Board's committees

Audit and Compliance Committee

The function of the legally required Audit Committee is managed through the Audit and Compliance Committee of the Parent Company, which performs these duties integrated with its supervision of this area for the Group as a whole. The main task of the Audit and Compliance Committee is, at the behest of the owner, and on the basis of the applicable regulations, to examine the SBAB Group's governance, internal controls and financial information and to prepare issues in these areas for decisions by the Board.

The Audit and Compliance Committee is also responsible for monitoring financial statements and the efficiency of risk management and of the work carried out by Internal Audit and Compliance.

The Audit and Compliance Committee is also responsible for evaluating the external auditing work, informing the owner of the results of this work and assisting in the drafting of proposals for auditors. The Audit and Compliance Committee is also to review and monitor the auditor's impartiality and independence. Annual plans and reports from Internal Audit and Compliance are also addressed by the Audit and Compliance Committee in preparation for decisions or for presentation to the Board.

SCBC's operations are also addressed through the structure described above. Where there are separate issues that solely affect SCBC, these are also addressed by the Group's Audit and Compliance Committee. Audit and Compliance Committee is comprised of Board Members from the Parent Company, and one of the members is also the Chairman of the Board of SCBC. Committee meetings involving financial statements are attended by SBAB's CFO, who is also the Managing Director of SCBC and who, in that role, is responsible for issues concerning SCBC being addressed by the Committee and reported back to the Board Members of SCBC. The CEO of SBAB, who is also a Board Member in SBCB, also participates in the meetings of the Audit and Compliance Committee and is able to monitor issues concerning SCBC in the Audit and Compliance Committee and can report back to the Board of SBCB. The Board of Directors of SBCB also receives minutes from the meetings of the Audit and Compliance Committee.

Credit Committee, Risk and Capital Committee and Remuneration Committee

The Group has a Credit Committee, a Risk and Capital Committee and a Remuneration Committee. The Risk and Capital Committee is the Risk Committee of the SBAB Group. The Group's committees also integrate issues concerning SCBC into their work. The principal task of the Credit Committee is to decide on credits and limits in the Group's lending and funding operations. The Credit Committee also has the task of preparing matters involving changes in the credit policy and credit instructions, the assessment of portfolio strategies, the transparency of the loan portfolio, the evaluation of existing or proposed portfolio strategies, the evaluation of existing or new delegation rights and the Board's annual review of regulatory frameworks, models for granting credits and outcomes in terms of retail credit granting. The Credit Committee is the Board entity for all matters relating to credit risk, including approval of new IRB models or significant changes to existing models.

The Risk and Capital Committee prepares matters regarding the Group's finance operations and matters involving risk and capital, including the use of new financial instruments. The Risk and Capital Committee also prepares issues concerning objectives, strategies and control documents within the areas of risk and capital.

The principal task of the Remuneration Committee is to prepare issues regarding principles for remuneration and other employment terms and conditions for senior executives for resolution by the Board.

The above committees include Members of the Board of Directors of the Parent Company. Since the CEO of the Parent Company is also a Member of the Board of Directors of SCBC, he is responsible for ensuring that issues concerning SCBC are addressed by the committees and reported back to the other Members of the Board of SCBC. With regard to the work of the Remuneration Committee, SCBC's Chairman, who is the chairman of the Remuneration Committee, is responsible for ensuring that any issues regarding SCBC, if there are such issues, are addressed by the Committee and reported back to the other members of the Board of SCBC.

Managing Director

The Board has formulated instructions for the Managing Director's role and duties. The Managing Director is responsible for the on-going management of the operations in accordance with guidelines, established policies and instructions issued by the Board and for reporting back to the Board. The Managing Director is assisted by a number of senior executives and other employees, who are also employees of the Parent Company and SCBC, with regard to the operational management and governance of SCBC.

Remuneration of Board of Directors and senior executives

Information regarding the remuneration of the Board is presented in Note 6 in the Annual Report.

No remuneration was paid to Board Members who are employed by the Parent Company or to the Managing Director of SCBC. Issues regarding the remuneration of senior officers shall be addressed by the Remuneration Committee of the SBAB Group. The Board of Directors has established a remuneration policy, according to which if the Board of Directors determines that salary or other remuneration is to be paid to employees within SCBC, the remuneration policy shall be updated in accordance with the directives issued by the Swedish Financial Supervisory Authority and general rules regarding remuneration structures in credit institutions, securities companies and fund management companies. At the 2015 Annual General Meeting, it was resolved that on issues regarding remuneration and other terms of employment for senior executives, SCBC shall adhere to the government's guidelines for senior executives in state-owned companies as applicable at any given time.

Other control bodies and functions

Control and review functions such as Compliance, Risk and Internal Audit have been outsourced to the Parent Company according to an outsourcing agreement. Furthermore, SCBC has outsourced its operational activities to the Parent Company. Furthermore, the Parent Company manages financial reporting and legal matters concerning SCBC, as well as matters of corporate law affecting SCBC. The review and control carried out by the Internal Audit, Compliance and Risk functions regarding SCBC take place integrated with that for the Parent Company, both at the Group level and for SCBC as an independent legal entity.

Risk Control

The SBAB Group has a central Risk Control department with overall responsibility for developing and ensuring that risk-taking strategies are conducted in accordance with the Board's intention, and that policies and processes facilitate relevant follow-up. The Risk Control department is responsible for identifying, quantifying and reporting the SBAB Group's overall risks to the Parent Company's Board of Directors, its CEO and other senior executives, of whom some are also Board Members in SCBC. Risk Control also submits quarterly reports directly to the Board and Managing Director of SCBC.

Compliance

The SBAB Group has a Group Compliance function, which is responsible for compliance tasks within SCBC. The Group Compliance function is independent of the business operations and is directly subordinate to the Managing Director. The Compliance function's area of responsibility comprises rules on internal governance and control, customer protection, market conduct and measures preventing money laundering and the financing of terrorism. Compliance provides advice and support to the operations in compliance matters, analyses compliance risks and monitors regulatory compliance in respect of operations requiring licences. Reporting occurs on an on-going basis to the Managing Director and quarterly by means of a written report to the Board and the Managing Director. The scope and focus of the work of Compliance is established in an annual plan after approval by the Board.

Internal Audit

The internal audit for SCBC is conducted by SBAB's Internal Audit unit, which is an internal independent examination function in accordance with Chapter 9 of the Swedish Financial Supervisory Authority's regulation FFFS 2014:1. The Internal Audit's main task is to review and evaluate the governance and internal control of Group companies. The Internal Audit unit reports in summary, in writing and orally, directly to the Board of Directors and the Audit and Compliance Committee in accordance with a reporting and meeting plan. The Internal Audit's examination activities are performed in accordance with an audit plan that is prepared annually by the Audit and Compliance Committee and adopted by the Board. In connection with this, the Head of Internal Audit presents both the proposed audit plan for the coming year and the overall risk assessment that forms the foundation for the plan to both the Audit and Compliance Committee and to the Board.

At least once a year, the Head of Internal Audit provides written and oral reports regarding SCBC to the Audit and Compliance Committee, as well as in writing to the Board of SCBC regarding the results of the planned work of Internal Audit. The efforts of the Internal Audit are also to be coordinated with the external independent review conducted in accordance with the Swedish Covered Bond Issuance Act.

Independent inspector

According to the Swedish Covered Bond Issuance Act, the Swedish Financial Supervisory Authority shall appoint an independent inspector for each issuing institution. The inspector's duties include overseeing that the register that issuing institutions are obliged to maintain listing the covered bonds, collateral and derivatives contracts is properly maintained and in accordance with the provisions of the Act.

The Swedish Financial Supervisory Authority's regulation FFFS 2013:1 describes the independent inspector's role and tasks in greater detail. The independent inspector reports regularly to the Swedish Financial Supervisory Authority, and these reports are also addressed to the Board of SCBC. The Swedish Financial Supervisory Authority has appointed Authorised Public Accountant Jan Palmqvist as the independent inspector for 2015. In 2016, he was replaced by Stefan Lundberg, authorised public accountant at Ernst & Young, according to an appointment by the Swedish Financial Supervisory Authority.

Auditor

The Annual General Meeting appoints the auditor or the accounting firm that is commissioned to audit SCBC. Auditors must be authorised public accountants or an authorised accounting firm with an auditor-in-charge. The 2015 Annual General Meeting appointed KPMG AB as the auditor and KPMG appointed Hans Åkervall as the auditor-in-charge. In November 2015, Anders Tagde was appointed as the new auditor-in-charge for KPMG. A more detailed presentation of the auditor and the fees and expenses paid is provided on page 39 and in Note 6 of the Annual Report. The auditor examines the Annual Report, the financial statements and the accounting records, as well as the Board's and the Managing Director's administration of the Company. The auditor reports the results of these examinations to the shareholder through the Audit Report, which is presented to the Annual General Meeting. Additionally, in 2015, the auditor reviewed the SCBC's six-month report and year-end report and reported to the Audit and Compliance Committee of SBAB, as well as to the Board of Directors and Managing Director of SCBC.

BOARD OF DIRECTORS AND MANAGING DIRECTOR

BO MAGNUSSON

Chairman of the Board

Advanced bank training (SEB).
Born in 1962. Elected in 2013.

Board assignments: Carnegie Investment Bank and Carnegie Holding, Fastighetsaktiebolaget Norrporten and NS Holding AB, Chairman in all of the above-mentioned companies.

Other assignments: –

Past experience: Deputy CEO at SEB and other senior positions within SEB.

Attendance at Board Meetings: 7 out of 7.

JAKOB GRINBAUM

Board Member

Bachelor of Arts. Born in 1949. Elected in 2014.

Board assignments: Oscar Properties Holding AB (Chairman), Fourth AP fund (Deputy Chairman), the foundation Stiftelsen Östgötagården Uppsala, the sport club IK Sirius, J Grinbaum Finanskonsult and Jernhusen AB.

Other assignments: Advisory Board of Genesta Property Nordic AB.

Past experience: Executive Vice President, Group Treasury and Group Corporate Development at Nordea.

Attendance at Board Meetings: 7 out of 7.

MIKAEL INGLANDER

Managing Director

Bachelor of Business Administration and Economics.
Born in 1963. Year of employment: 2014.

Board assignments: Board Member of Booli Search Technologies AB and HittaMäklare Sverige AB.

Other assignments: CFO of SBAB.

Past experience: CEO of Lindorff Sverige AB, Executive Vice President and CFO of Swedbank AB, Regional Manager and Executive Vice President of FöreningsSparbanken AB, Board member of ICA Banken, OK-Q8 Bank AB, HansaBank Group AS, and others.

KLAS DANIELSSON

Board Member

Bachelor of Social Sciences Business Administration
Born in 1963. Elected in 2014.

Board assignments: Board Member of DE Capital, Chairman of Booli Search Technologies AB and HittaMäklare Sverige AB.

Other assignments: CEO of SBAB.

Past experience: Founder and CEO of Nordnet AB (publ) and Nordnet Bank AB, Head of Trading at SBC Warburg AB, Chairman of SwedSec Licensiering AB, Board Member of Ikano Bank AB, East Capital AB, the Swedish Consumers' Banking and Finance Bureau, Alternativa Aktiemarknaden AB, the Swedish Securities Dealers Association, and others.

Attendance at Board Meetings: 7 out of 7.

AUDITOR

The 2015 Annual General Meeting appointed KPMG as auditor. Hans Åkervall was the auditor-in-charge until November 2015; thereafter, Anders Tagde held this role.

Anders Tagde
KPMG AB.
Auditor-in-charge at SCBC since 2015.
Born in 1966.

AUDITORS' REPORT OF THE CORPORATE GOVERNANCE STATEMENT

To the annual meeting of the shareholders in AB Sveriges Säkerställda Obligationer (publ), Corporate identity number 556645-9755

It is the Board of Directors who is responsible for the Corporate Governance Statement for the year 2015 on pages 36–39 and that it has been prepared in accordance with the Annual Accounts Act.

As a basis for our opinion that the Corporate Governance Statement has been prepared and is consistent with the annual accounts and the consolidated accounts, we have read the Corporate Governance Statement and assessed its statutory content based on our knowledge of the company. This means that our statutory examination of the Corporate Govern-ance Statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted audit standards in Sweden.

In our opinion, the Corporate Governance Statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm 11 March 2016
KPMG AB

Anders Tagde
Authorized Public Accountant

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SCBC

Covered Bonds of SBAB