ANNUAL REPORT 2017

SCBC
Covered Bonds of SBAB

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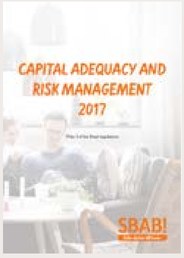
While every care has been taken in the translation of this report, readers are reminded that the original report, signed by the Board of Directors, is in Swedish.

Financial calendar

Year-end report 2017	15 February 2018
Annual General Meeting (Solna)	24 April 2018
Interim report January–June 2018	18 July 2018
Year-end report 2018	15 February 2019



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THE YEAR IN BRIEF

SUMMARY SCBC

	Jan–Dec 2017	Jan–Dec 2016
Income-statement items		
Net interest income, SEK million	2,855	2,503
Operating profit, SEK million	1,982	1,563
Profit after tax, SEK million	1,546	1,221
Balance-sheet items		
Lending to the public, SEK billion	312.2	244.4
Key metrics		
Loan loss ratio, %	0.00	−0.00
Capital adequacy		
CET1 capital ratio, %	78.0	82.4
Tier 1 capital ratio, %	78.0	82.4
Total capital ratio, %	78.0	82.4
Rating, long-term funding		
Moody's	Aaa	Aaa

Net interest income:

SEK **2,855** million

2016: SEK 2,503 million

Operating profit:

SEK **1,982** million

2016: SEK 1,563 million

OPERATIONS

The primary operations of AB Sveriges Säkerstallda Obligationer (publ) (Swedish Covered Bond Corporation – SCBC) comprise the issue of covered bonds to fund the lending of the SBAB Group. SBAB Bank AB (publ), (SBAB), is the Parent Company of the SBAB Group and is wholly owned by the Swedish state.

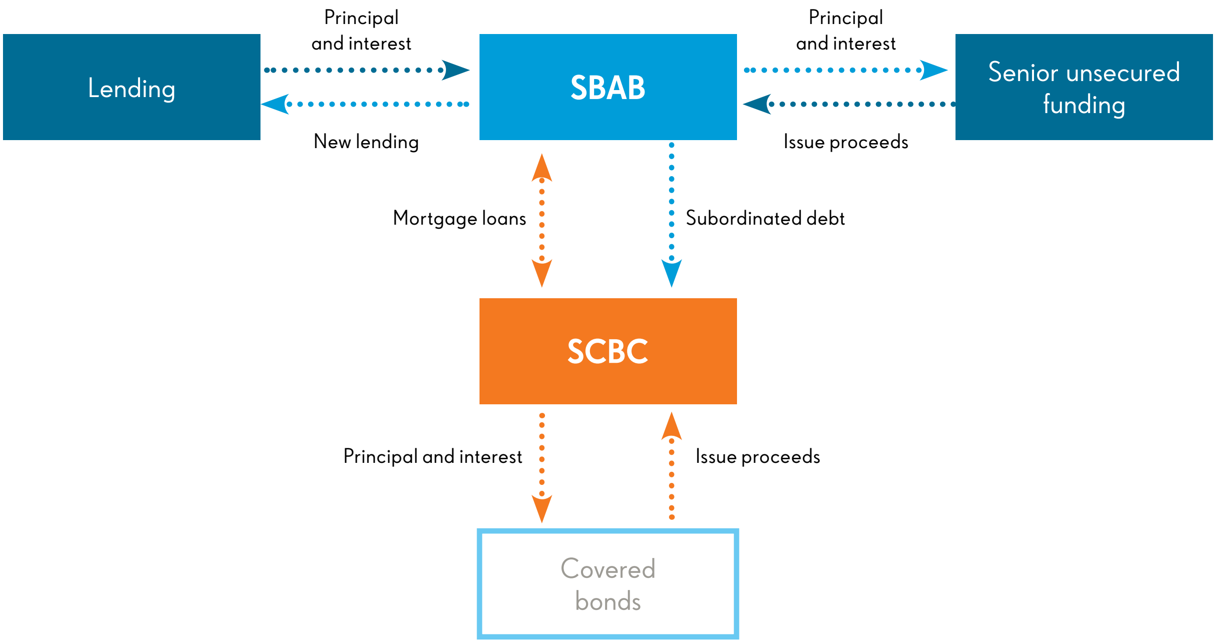
The Swedish Covered Bond Corporation (SCBC), Corp. Reg. No. 556645-9755, is a wholly-owned subsidiary of SBAB, Corp. Reg. No. 556253-7513.

SCBC is a credit market company and is regulated by the Swedish Banking and Financing Business Act (2004:297) and subject to supervision by the Swedish FSA (Sweden's financial supervisory authority).

The primary operations within SCBC comprise the issue of covered bonds in accordance with the Swedish Covered Bonds (Issuance) Act (2003:1223) and the Swedish FSA's regulation FFFS 2013:1. Issues are conducted in both Swedish and international capital markets.
SCBC complies with and reports to the European Covered Bond Council's (ECBC) "Labelling Initiative," and reports on a monthly basis in line with "National templates" as published by the Association of Swedish Covered Bond issuers (ASCB).

SCBC is domiciled in Solna 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 itself, but instead acquires loans from SBAB Bank on an ongoing basis. The aim of securing these loans is to include the loans, in part or in full, in the assets that comprise collateral for holders of SCBC's covered bonds and derivative counterparties.

Loan portfolio

At 31 December 2017, lending to the public amounted to SEK 312.2 billion (244.4). SCBC's portfolio mainly comprises loans for residential mortgages, with the retail market as the largest segment. The underlying collateral consists primarily of mortgage deeds in houses and multi-family dwellings, and of collateral in tenant-owners' rights. All provision of credit is conducted in the Swedish market and is geographically concentrated to the metropolitan areas, university cities and growth regions.

Cover pool

SCBC's total loan portfolio consists to around 98.3% (98.2) of assets that qualify for inclusion in the cover pool for the issuance of covered bonds. Of SCBC's loan portfolio, 90.3% is included in the cover pool. Of the loans in the cover pool, approximately 99.7% (99.5) consist of loans against collateral in mortgage deeds or tenant-owners' rights. In calculating the loan-to-value (LTV) ratio for these loans, the upper limit of the loans' (or group of loans) LTV ratio in the collateral used — is known as the Max LTV.

Credit quality

Credit risk increased slightly during the year as a result of growth in the loan portfolio. Over the year, credit quality in the loan portfolio trended positively, including in the form of lower average LTV ratio. Toward the end of the year, increased uncertainty was noted in the housing market, in the form of falling prices and properties taking longer to sell. SCBC has noted lower square metre prices on financed objects but has yet to note any significant effects on risk metrics or the general credit quality in the lending portfolio.

KEY METRICS, COVER POOL

	31 Dec 2017	31 Dec 2016
Total cover pool, SEK million	282,026	240,110
Loan portfolio, SEK million	312,199	244,465
Weighted average max LTV, %	53.7	55.2
Average loan amount, SEK thousand	736	711
Weighted average seasoning, years	7.1	6.2
Average remaining maturity, years [1)]	1.1	1.2
Substitute collateral, SEK million	–	–

1) Regarding maturity until the next date for changes in terms for all borrower categories.

LTV BREAKDOWN

	31 Dec 2017		31 Dec 2016	
	CREDIT VOLUME		CREDIT VOLUME	
LTV, %	**SEK million**	**%**	**SEK million**	**%**
-10	61,159	21.8	50,244	22.0
10–20	56,102	20.0	46,289	19.9
20–30	49,943	17.8	41,425	17.5
30–40	42,392	15.1	35,726	14.7
40–50	33,000	11.7	28,888	11.6
50–60	22,740	8.1	21,070	8.3
60–70	12,670	4.5	12,078	4.7
70–75	3,183	1.1	3,300	1.3
75–	0	0.0	0	0.0
Total	**281,190**	**100.0**	**239,021**	**100.0**

RESULTS OF THE OPERATIONS

The operating profit increased in 2017 and amounted to SEK 1,982 million (1,563). Net interest income rose to SEK 2,855 million (2,503).

Operating profit
The operating profit for 2017 increased to SEK 1,982 million (1,563). Net interest income rose to SEK 2,855 million (2,503). The rise in net interest income was mainly due to a reduction in SCBC's funding costs. The resolution fee, which is recognised in net interest income, totalled SEK 149 million for the period.

The net commission expense was SEK 63 million (expense: 39) as a result of higher expenses in conjunction with lending and issuance of securities.

The net expense of financial transactions was SEK 61 million (expense: 179). The difference between the periods was primarily attributable to compensation for the transfer of mortgages and buyback expenses linked to the discontinuation of financing in conjunction with the termination of the partnership with Sparbanken Öresund in 2016.

Expenses rose to SEK 761 million (720), and mainly comprised fees to SBAB for administrative services in line with the applicable outsourcing agreements.

Net credit losses resulted in a recovery of SEK 12 million (loss: 9).

At year end, the lending portfolio amounted to SEK 312.2 billion (244.4).

Capital adequacy
SCBC's total capital ratio and CET1 capital ratio under Pillar 1, without the transitional rules, amounted to 78.0% (82.4) at 31 December 2017. Net profit for the period is included in own funds, while the expected dividend has reduced own funds. The internally assessed capital requirement amounted to SEK 4,637 million (4,129) at 31 December 2017. For more information on capital adequacy at SCBC; please refer to Note 2.

Dividend policy and appropriation of profits
SCBC has no established dividend policy. Dividends are proposed by the Board in accordance with the provisions of the Companies Act and are resolved by the Annual General Meeting. For 2017, it is proposed that no dividend be paid. The full proposed appropriation of profits can be found on page 12.

All shares are owned by the Parent Company, SBAB.

Corporate Governance Report
SCBC's Corporate Governance Report for 2017 is included in this Annual Report, see page 8. Information regarding the most important aspects of the company's system for internal governance and control can be found in the aforementioned report.

Risks and uncertainties
The Swedish economy is susceptible to global economic developments and to conditions in the international financial markets. 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 risk in the Swedish housing market. The management of interest-rate and currency risks entails some exposure to price risks. Household demand posted a stable trend, underpinned by low inflation, low interest rates, and rising stock market and property prices. The number of completed housing starts continued to increase robustly in 2017, with a larger increase for apartments than for houses. Housing prices fell in the last months of the year, after having first risen. For the country as a whole, housing prices fell 2.5%. Prices for tenant-owner apartments declined 6.5%. The corresponding fall in Stockholm was 9.0%. For the country as a whole, house prices rose marginally over the year, up 0.2%. In Stockholm and Gothenburg, house prices declined slightly. At the time of writing, it cannot be determined whether the softening of real estate prices is temporary or the beginning of a trend. A housing market with soaring prices and rising household debt has meant the Swedish economy is 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 debt continue to outpace increases in income. Extensive regulation in the residential mortgage, increased offering of new builds, protraction of the time taken to sell and more uncertain market conditions all comprise additional uncertainty factors.

Management and Board
Since 3 November 2014, Mikael Inglander has been the CEO of SCBC.

The Board comprises the following members: Bo Magnusson (Chairman), Jane Lundgren-Ericsson (Board member) and Klas Danielsson (Board member). Bo Magnusson is the Chairman and Jane Lundgren-Ericsson is a member of SBAB's Board of Directors. Klas Danielsson is the CEO of SBAB.

Events after the balance sheet day
No significant events occurred after the balance sheet day.

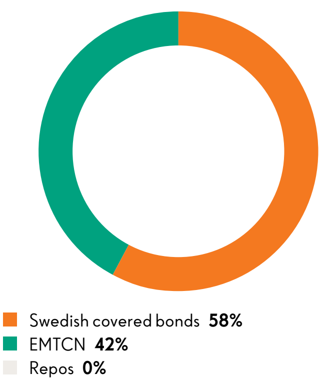
FUNDING

In the markets in which SCBC is active, investor demand for SCBC's bonds was healthy during the year.

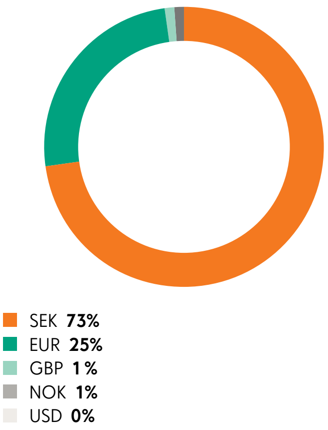
SCBC operates primarily in the Swedish and European covered bond markets. The issue of covered bonds through SCBC is one of the SBAB Group's key sources of funding. The annual funding requirement is influenced by both lending and deposit volumes. Over the year, deposits grew more than lending and, accordingly, funding from covered bonds decreased slightly in 2017. SCBC does not conduct any lending activities itself, but instead acquires loans from SBAB, with the aim that these are included wholly or in part in the cover pool that serves as collateral for SCBC's covered bonds.

In the markets in which SCBC is active, investor demand for SCBC's bonds was healthy during the year.

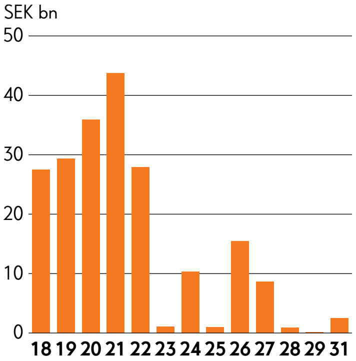
FUNDING – DEBT OUTSTANDING, 31 DECEMBER 2017: SEK 204.2 BILLION (175.9)



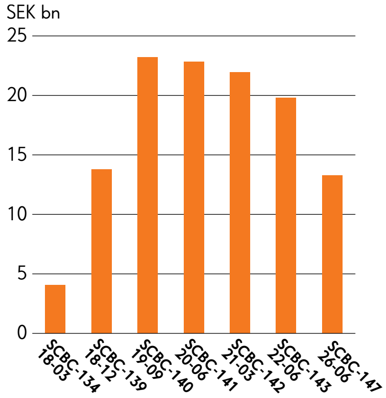
FUNDING – CURRENCY BREAKDOWN, 31 DECEMBER 2017: SEK 204.2 BILLION (175.9)



TOTAL FUNDING – MATURITY PROFILE



VOLUME OUTSTANDING FOR SCBC'S SWEDISH COVERED BONDS



Funding programmes

SCBC's primary operations comprise the issue of covered bonds in the Swedish and international capital markets. To this end, the company makes use of funding programmes. A covered funding programme with no fixed limit is used in Sweden, while in the international market, a EUR 16 billion EMTCN programme (Euro Medium Term Covered Note Programme) is primarily used. SCBC also has an AUD 4 billion Australian covered bond funding programme.

At 31 December 2017, the total value of issued debt securities outstanding under SCBC's lending programme was SEK 204.2 billion (175.9), distributed as follows: Swedish covered bonds SEK 118.9 billion (101.4) and the Euro Medium Term Covered Note Programme SEK 85.3 billion (74.5).

During the year, securities amounting to SEK 57.6 billion (36.7) were issued. At the same time, securities amounting to SEK 14.0 billion (20.1) were repurchased, while securities amounting to SEK 14.9 billion (28.5) matured. Alongside revaluations (both upward and downward) of liabilities due to changes in premiums/discounts, and changes in SEK exchange rates, this resulted in a increase in issued securities of SEK 28.2 billion over the year.

Rating

All of SCBC's funding programmes have received the highest possible credit 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 the 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 ongoing internal processes or future internal or external events. The definition of risk includes the probability that an event occurs as well as the impact the event could have on SCBC's profit, equity and capital.

Authority and responsibility

SCBC's Board of Directors bears the ultimate responsibility for the company's total risk exposure. It is the Board's responsibility to ensure that operations are conducted with good internal control to thereby ensure 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 CEO is responsible for day-to-day administration in accordance with the strategies, guidelines and policies adopted by the Board of Directors. The CEO also ensures, on an ongoing basis, that each unit, including the independent Risk Control function, reports in accordance with the relevant instructions to the Board.

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

Risk	Description
Credit risk	The counterparty is unable to fulfil its payment obligation.
Market risk	The risk of losses or reduced future income due to market fluctuations.
Operational risk	The risk of losses due to inappropriate or unsuccessful processes, human error, faulty systems or external events, including legal risk.
Capital targets	The levels adopted by the Board of Directors for regulatory capital.
Liquidity risk	The risk of being unable to meet payment obligations on due dates without the cost of raising funds for that purpose increasing significantly.
Compliance	That SCBC does not comply with legislation, rules, ethical guidelines, good market practices or other relevant regulations for operations requiring licences and therefore is affected by statements or sanctions by the Swedish FSA, negative publicity in the media and/or reduced confidence from customers and other stakeholders.

Risk strategy

SCBC is tasked with identifying, measuring, governing, reporting internally and maintaining control of the risks to which SCBC is or may become exposed. Satisfactory internal control and a functioning and effective risk management system must be in place. SCBC must stay informed and be aware of the risks to which the company may be exposed. Moreover, SCBC should be able to estimate the scope of the risks to which it is and may become exposed.

All SCBC employees bear responsibility for managing the company's risks, as part of their ongoing work. Within the framework of the operations outsourced to SBAB, SCBC regularly informs and provides training to its employees on the company's risk management framework.

SCBC has a documented process (NPAP) 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

SCBC is risk averse and applies low levels for risk taking. This is achieved by ensuring that the total risk level is kept compatible with short and long-term strategic plans, capital plans and financial plans.

A key component of SCBC's business model entails risks being relatively small and predictable, thus 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 with an internal risk effect 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 segment of SCBC's risk-bearing capacity. Risk-bearing capacity refers firstly to the capacity to cover unexpected and expected losses through own funds or ongoing earnings capacity and, secondly to the capacity to minimise undesired 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 risk concerned is to SCBC's business model, in other words the positive effects anticipated to be achieved in the form of expected revenue, cost savings or the mitigation of other risks.

CORPORATE GOVERNANCE REPORT

SCBC is domiciled in Solna. Owner governance of SCBC is exercised through general shareholder meetings, the Board of Directors and CEO in accordance with the Companies Act, the Articles of Association, and internal policies and instructions adopted by SCBC. SCBC was established with the aim of broadening the SBAB Group's funding 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 govern items such as SCBC's business objectives. The Articles of Association do not include any provisions regulating the appointment or removal of Board Members, with the exception of the provision on 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.

Annual General Meeting

SCBC's Annual General Meeting was held on 24 April 2017 in Solna. 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 CEO, the appropriation of profits and the adoption of the annual accounts for 2016, and fees to the Board Members who are not employees of the Group. The Annual General Meeting elected Deloitte AB, with Patrick Honeth as the auditor-in-charge, as SCBC's auditor until the close of the 2018 Annual General Meeting.

The General Meeting did not authorise the Board of Directors to issue new shares or buy back the company's shares.

The Board of Directors and the Board's work

The Articles of Association stipulate that 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 until the next Annual General Meeting. The CEO 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 bears ultimate responsibility for the company's organisation and administration. The Board is also responsible for continuously assessing SCBC's financial position and for ensuring that the organisation is structured in a manner that enables the accounting, asset management 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's statutory 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 and the CEO.

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 Board's measures to follow up internal control of financial reporting include the Board's regular follow-up of SCBC's performance and key performance indicators, but also include the Board's review and follow-up of the auditor's review reports. At least once annually, the Board receives reports from the independent inspector appointed by the Swedish FSA, independent risk control, internal audit and compliance regarding observations from performed reviews and assessments, as well as assessments of how well control and regulatory compliance are upheld within the company.

The names, ages, main qualifications, work experience and other assignments of the Board members and their attendance at Board meetings and its committees are detailed on page 11. None of the Board members or the CEO hold shares or financial instruments issued by SCBC.

Diversity and eligibility policies

The Board has adopted a policy pertaining to Board diversity and a policy for assessing the eligibility of Board members, the CEO 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 eligibility policy states that the eligibility assessment of Board members, the CEO and senior executives should take into consideration the individual's skills, experience and 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 based on the applicable regulations, to examine the SBAB Group's governance, internal controls and financial information and to prepare issues in these areas for decision 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 tasked with reviewing and monitoring 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. The Audit and Compliance Committee comprises Board Members from the Parent Company, and the Chairman of the Board of SCBC. Committee meetings addressing financial statements are attended by SBAB's CFO, who is also the CEO 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. SBAB's CEO, who is also a Board Member of SCBC, 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 SCBC. SCBC's Board 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 address issues concerning SCBC as part of 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 the 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 SCBC's Board, he is responsible for ensuring that issues concerning SCBC are addressed by the committees and reported back to the other Board members 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 are addressed by the Committee and reported back to SCBC's other Board members.

The CEO

The Board has adopted an instruction governing the role and duties of the CEO. The CEO bears responsibility for the day-to-day administration of operations in accordance with the Board's issued guidelines, established policies and instructions and reports on an ongoing basis to the Board. The CEO is assisted by a number of senior executives and other employees in 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 employed by the Parent Company or to the CEO of SCBC. Issues regarding the remuneration of SCBC's senior executives are addressed by the SBAB Group's Remuneration Committee. The Board of Directors has established a remuneration policy, under which if the Board determines that salary or other remuneration is to be paid to employees within SCBC, the remuneration policy is to be updated in accordance with the directives issued by the Swedish FSA and general rules regarding remuneration structures in credit institutions, securities companies and fund management companies. At the 2016 Annual General Meeting, it was resolved that on issues regarding remuneration and other terms of employment for senior executives, SCBC is to adhere to the government's guidelines for senior executives in state-owned companies as applicable at any given time.

Control functions

SCBC has three independent control functions:

- a Risk Control Function (Risk Control);
- a Compliance Function (Compliance); and
- an Internal Audit Function.

The Risk Control and Internal Audit functions have been outsourced to the Parent Company in accordance with the outsourcing agreement. Compliance is executed by SCBC through one employee.

The operations requiring licences to issue covered bonds under the Covered Bonds (Issuance) Act (2003:1223) are conducted by SCBC through its employees, mainly those in the Legal, Accounting and Treasury functions. Furthermore, SCBC has outsourced parts of its operations to the Parent Company in accordance with the outsourcing agreement; these parts include the administration of credits and collateral as well as IT services.

Risk Control

SCBC has engaged the Parent Company to discharge SCBC's Risk Control function and to conduct the requisite tasks for ensuring independent risk control in the company. Risk Control is responsible for maintaining SCBC's risk management framework and for monitoring and checking risk management. The function is also responsible for checking that the risk management framework is efficient and for identifying, measuring, checking, analysing and reporting all of SCBC's risks and risk developments. It is also responsible for identifying new risks that could arise as a result of changed circumstances. Risk Control reports directly to SCBC's CEO and Board.

Compliance
SCBC's Compliance function is executed through one employee. The function is independent of the business operations and is directly subordinate to the CEO. The Compliance function is tasked with, inter alia, identifying which risks exist that would prevent SCBC from discharging its duties in accordance with laws, regulations and other provisions that govern operations requiring licences, and checking that these risks are managed by the affected functions. Compliance is primarily active in the areas of internal governance and control, customer protection and market conduct. The function is also tasked with providing advice and support on compliance matters. Compliance reports on an ongoing basis to the CEO and through a quarterly written report to the CEO and Board. The scope and focus of compliance work is established in an annual plan after approval by the CEO and decision by the Board.

Internal Audit
The Parent Company conducts SCBC's Internal Audit function in accordance with the outsourcing agreement. The Internal Audit's main task is to review and evaluate governance and internal control, and to review and evaluate the appropriateness and effectiveness of the company's organisation, control processes, IT systems, models and procedures. The Internal Audit is also tasked with the review and evaluation of the reliability and quality of the work performed by the various other control functions at SCBC. The Internal Audit prepares an audit plan for each financial year. The audit plan must be approved by the Audit and Compliance Committee and is adopted by SCBC's Board. The plan specifies which areas or operations will be reviewed during the year. The scope and focus of the planned review is determined after taking into consideration the Internal Audit's assessment of the risks and how these should be managed. Internal Audit also submits quarterly reports directly to SCBC's Board.

Independent inspector
According to the Swedish Covered Bond Issuance Act, the Swedish FSA is to 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, cover pool and derivatives contracts is properly maintained and in accordance with the provisions of the Act.

The Swedish FSA's regulation FFFS 2013:1 describes the independent inspector's role and tasks in greater detail. The independent inspector reports regularly to the Swedish FSA, and these reports are also addressed to SCBC's Board. The Swedish FSA has appointed Authorised Public Accountant Stefan Lundberg, who is an authorised public accountant at Ernst & Young, as the independent inspector for SCBC.

Auditors
The Annual General Meeting appoints the auditors for SCBC. For the period until the 2016 Annual General Meeting, KPMG AB was appointed auditor with Anders Tagde as the auditor-in-charge. The 2016 Annual General Meeting appointed Deloitte AB as the auditor with Patrick Honeth as the auditor-in-charge. A more detailed presentation of the auditor, the auditor-in-charge and the fees and expenses paid is provided in Note 6 of the Annual Report. The auditors are responsible for examining the Annual Report, consolidated financial statements and accounts and also the Board's and CEO's administration of the company. Moreover, the auditor reviews SCBC's six-month and year-end reports.

Internal control over financial reporting
Internal control over financial reporting at SCBC is primarily aimed at ensuring an effective and reliable process is in place for SCBC's financial reporting, and that both internal and external reporting are correct and accurate. Internal control over financial reporting is based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework, which comprises five internal control components.

Control environment
The starting point for internal control over financial reporting comprises SCBC's values, organisational structure, code of conduct, policies, instructions and guidelines for SCBC's operations.

Risk measurement
Each respective responsible function at SCBC identifies, measures, manages and assesses its own risks. An analysis of risk levels in all operations, including financial reporting, is conducted on a regular basis and reported to the Board, the CEO and the Executive Management.

Risk measurement is carried out each year through a self-assessment of material business processes, including financial reporting, and is managed and reported using a separate risk tool.

Control activities
Business processes that deliver data to the financial reports must be charted and include control activities in terms of operating procedures, reasonableness assessments, reconciliations, authorisations and the analysis of results. Internal regulations are in place that include accounting policies, and planning and reporting procedures to ensure the application of control activities.

SCBC's financial position and earnings, target attainment and analysis of operations are reported monthly to the company's management and Board. The Board of the Parent Company's Audit and Compliance Committee monitor the financial reporting and the efficiency of internal control and audit.

Information and communication
The accounting and financial unit ensure that instructions pertaining to accounting financial reporting are updated, communicated and available to those units that need this data for their operations.

Follow-up
The Board's measures to follow up internal control of financial reporting include the Board's regular follow-up of SCBC's financial position and performance, but also include the Board's review and follow-up of the auditor's review reports.

THE BOARD OF DIRECTORS AND CEO

As per 28 March 2018

JANE LUNDGREN-ERICSSON

Board Member

Master of laws, LL.M (London). Born in 1965. Elected 2017.

Board assignments: Board Member of SBAB Bank AB (publ). Deputy Member Miskatonic Musik Aktiebolag.

Other assignments: Executive Director & Head of Lending at Svensk Exportkredit.

Previous experience: CEO of SEK Securities and other senior positions at Svensk Exportkredit AB.

Board attendance: 2 of 6.
Joined the Board of Directors during the year, and accordingly attendance refers to part of the year.

KLAS DANIELSSON

Board Member

BSc in Business Administration. Born 1963. Elected 2014.

Board assignments: Board Member of DE Capital Nordic AB and Spiderweb Consulting AB. Chairman of Booli Search Technologies AB. Deputy Member of the Board of the Swedish Bankers' Association.

Other assignments: CEO of SBAB Bank AB (publ), Chairman of the Nomination Committee for Stockholms Stadsmission.

Previous 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.

Board attendance: 6 of 6.

BO MAGNUSSON

Chairman

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

Board assignments: Chairman of the Board of Carnegie Investment Bank AB and Carnegie Holding AB, Rikshem AB and Rikshem intressenter AB and SBAB Bank AB (publ). Board member of KBC Bank N.V.

Other assignments:

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

Board attendance: 6 of 6.

MIKAEL INGLANDER

CEO

MSc. in Business Administration and Economics Born 1963.
Employed: 2014

Board assignments: Board Member of Booli Search Technologies AB.

Other assignments: CFO of SBAB Bank AB (publ).

Previous 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.

AUDITORS

The 2016 Annual General Meeting appointed Deloitte AB as the auditor with Patrick Honeth as the auditor-in-charge.

Patrick Honeth
Deloitte AB
Auditor in Charge at SCBC since 2016.

* One Board member, Jakob Grinbaum, stepped down from the Board during the year.

PROPOSED APPROPRIATION OF PROFITS

SCBC posted a net profit for the year after tax of SEK 1,546,453,582. According to the balance sheet, SEK 16,735,014,075 is at the disposal of the Annual General Meeting.

Shareholder contribution	9,550,000,000
Fair value reserve	69,610,502
Retained earnings	5,568,949,991
Net profit for the year	1,546,453,582
Total	**16,735,014,075**

The Board proposes that the earnings be appropriated as follows:	
Carried forward to next year	16,735,014,075
Total	**16,735,014,075**

In the Board's assessment, the Company's financial position does not give rise to any other assessment than that the Company is expected to fulfill its obligations in the short and long term.

FIVE-YEAR OVERVIEW

SEK million	2017	2016	2015	2014	2013
Interest income	3,684	3,825	4,197	5,739	6,211
Interest expense	–829	–1,322	–1,917	–3,964	–4,560
Net interest income	**2,855**	**2 503**	**2,280**	**1,775**	**1,651**
Other operating income[1)]	–124	–211	–122	89	–275
Total operating income	**2,731**	**2,292**	**2,158**	**1,864**	**1,376**
Operating expenses	–761	–720	–627	–826	–656
Total operating expenses	**–761**	**–720**	**–627**	**–826**	**–656**
Profit before loan losses	**1,970**	**1,572**	**1,531**	**1,038**	**720**
Net loan losses	12	–9	12	26	21
Operating profit	**1,982**	**1,563**	**1,543**	**1,064**	**741**
Lending portfolio	312,199	244,445	215,774	217,579	209,982
Deferred tax assets	0	–	0	17	–
Other assets	4,385	5,516	7,537	10,853	18,057
Total assets	**316,584**	**249,961**	**223,311**	**228,449**	**228,039**
Issued debt securities, etc.	204,153	175,933	187,280	174,986	152,656
Other liabilities	3,014	2,994	6,791	9,437	22,973
Deferred tax liabilities	39	190	131	–	388
Subordinated debt to the Parent Company	92,593	55,123	14,920	31,181	40,115
Equity	16,785	15,721	14,189	12,845	11,907
Total liabilities and equity	**316,584**	**249,961**	**223,311**	**228,449**	**228,039**

Key metrics, %	2017	2016	2015	2014	2013
Lending					
Net interest margin	1.01	1.06	1.01	0.78	0.72
Loan losses					
Loan loss ratio	0.00	–0.00	0.01	0.01	0.01
Productivity & profitability					
C/I ratio	28	31	29	44	48
Return on assets	0.5	0.5	0.5	0.4	0.2
Return on equity	9.7	8.2	8.9	6.8	5.0
Capital structure					
CET1 capital ratio without transitional rules	78.0	82.4	86.1	72.3	58.8
Tier 1 capital ratio without transitional rules	78.0	82.4	86.1	72.3	58.8
Total capital ratio without transitional rules	78.0	82.4	86.1	72.3	58.8
Total capital ratio with transitional rules	9.7	11.4	12.1	11.2	10.6
Equity ratio	5.3	6.3	6.4	5.6	5.2
Consolidation ratio	5.3	6.4	6.4	5.6	5.4
Employees					
Number of employees	26	9	10	5	1

[1)] The item includes net commission, the net result of financial transactions and other operating income.

FINANCIAL STATEMENTS AND NOTES

FINANCIAL STATEMENTS

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INCOME STATEMENT

SEK million	Note	2017	2016
Interest income	3	3,684	3,825
Interest expense	3	–829	–1,322
Net interest income		**2,855**	**2,503**
Commission income	4	7	10
Commission expense	4	–70	–49
Net expense from financial transactions	5	–61	–179
Other operating income		0	7
Total operating income		**2,731**	**2,292**
General administrative expenses	6	–761	–718
Other operating expenses		0	–2
Total expenses before loan losses		**–761**	**–720**
Profit before loan losses		**1,970**	**1,572**
Net loan losses	7	12	–9
Operating profit		**1,982**	**1,563**
Tax	8	–436	–342
Net profit for the year		**1,546**	**1,221**

STATEMENT OF COMPREHENSIVE INCOME

SEK million	Note	2017	2016
Net profit for the year		**1,546**	**1,221**
Components that will be reclassified to profit or loss			
Changes related to cash-flow hedges, before tax	23	–618	399
Tax attributable to components that will be reclassified to profit or loss		*136*	*–88*
Other comprehensive income for the year, net of tax		–482	311
Total comprehensive income for the year		**1,064**	**1,532**

BALANCE SHEET

SEK million	Note	2017-12-31	2016-12-31
ASSETS			
Lending to credit institutions	9	150	102
Lending to the public	10	312,199	244,445
Value changes of interest-rate-risk hedged items in macro hedges		224	485
Derivatives	11	3,862	4,442
Other assets	15	30	382
Prepaid expenses and accrued income	16	119	105
Total assets		**316,584**	**249,961**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	17	955	498
Issued debt securities, etc.	18	204,153	175,933
Derivatives	11	574	871
Other liabilities	19	55	13
Accrued expenses and deferred income	20	1,430	1,612
Deferred tax liabilities	21	39	190
Subordinated debt to the Parent Company	22	92,593	55,123
Total liabilities		**299,799**	**234,240**
Equity			
Share capital		50	50
Shareholder contribution		9,550	9,550
Fair value reserve	23	70	552
Retained earnings		5,569	4,348
Net profit for the year		1,546	1,221
Total equity	23	**16,785**	**15,721**
Total liabilities and equity		**316,584**	**249,961**

STATEMENT OF CHANGES IN EQUITY

		RESTRICTED EQUITY	UNRESTRICTED EQUITY				
SEK million	Note	Share capital	Fair value reserve	Shareholder contribution	Retained earnings	Net profit for the year	Total equity
OPENING BALANCE, 1 JANUARY 2017		**50**	**552**	**9,550**	**5,569**		**15,721**
Other comprehensive income, net of tax	23		–482				–482
Net profit for the year						1,546	1,546
Comprehensive income for the year			**–482**			**1,546**	**1,064**
CLOSING BALANCE, 31 DECEMBER 2017		**50**	**70**	**9,550**	**5,569**	**1,546**	**16,785**
OPENING BALANCE, 1 JANUARY 2016		**50**	**241**	**9,550**	**4,348**		**14,189**
Other comprehensive income, net of tax	23		311				311
Net profit for the year						1,221	1,221
Comprehensive income for the year						**1,221**	**1,532**
CLOSING BALANCE, 31 DECEMBER 2016		**50**	**552**	**9,550**	**4,348**	**1,221**	**15,721**

The shareholder contributions that were paid were conditional and the Parent Company, SBAB Bank AB (publ), is entitled to reimbursement for these contributions from the Swedish Covered Bond Corporation's distributable earnings, with the proviso that the Annual General Meeting grants approval thereof.

CASH-FLOW STATEMENT

SEK million	2017	2016
Opening cash and cash equivalents	**102**	**1,219**
OPERATING ACTIVITIES		
Interest received	3,689	3,839
Commission received	2	9
Interest paid	–1,021	–1,856
Commission paid	–70	–49
Outflows to suppliers	–761	–720
Income tax paid	–64	–352
Change in lending to the public	–67,742	–28,680
Change in liabilities to credit institutions	457	–1,645
Change in debt securities issued, etc.	29,103	–10,896
Change in other assets and liabilities	–1,016	–970
Cash flow from operating activities	**–37,423**	**–41,320**
INVESTING ACTIVITIES		
Cash flow from investing activities	**–**	**–**
FINANCING ACTIVITIES		
Subordinated debt issued	37,471	40,203
Cash flow from funding activities	**37,471**	**40,203**
Increase/decrease in cash and cash equivalents	**48**	**–1,117**
Closing cash and cash equivalents	**150**	**102**

Comments to the cash-flow statement
The cash-flow statement is reported in accordance with IAS 7 and cash and cash equivalents are defined as lending to credit institutions.

NOTES

NOTE 1 Accounting policies

The Swedish Covered Bond Corporation (SCBC) (in Swedish: AB Sveriges Säkerställda Obligationer (publ)) 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 Finansinspektionen (Sweden's financial supervisory authority) to issue covered bonds. The Parent Company, SBAB Bank, is a Swedish public limited banking company domiciled in Solna. The address of the Head Office is SBAB Bank AB (publ), Box 4209, SE-171 04 Solna, Sweden.

This Annual Report has been prepared in accordance with the Swedish 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 Finansinspektionen's (the Swedish FSA) regulations and general guidelines on annual accounts for credit institutions and securities companies (FFFS 2008:25).

The Annual Report has been prepared in accordance with the cost method, apart from derivatives, and financial assets and liabilities measured at fair value through profit or loss (FVTPL), and hedge-accounted items.

On 21 March 2018, the Board of Directors approved the financial statements for publication and these await final adoption by the Annual General Meeting (AGM) on 24 April 2018.

Introduction of new accounting standards

IFRS 9 Financial instruments

IFRS 9 Financial Instruments (IFRS 9) replaces IAS 39 Financial Instruments in its entirety and encompasses classification and measurement, and impairment and hedge accounting. A separate project under the IASB is ongoing with regard to macro hedge accounting. The standard becomes effective as of 1 January 2018.

Under IFRS 9, classification is based on both the entity's business model and the contractual cash flow characteristics. This classification, in turn, determines the measurement. The impairment model under IFRS 9 is based on expected credit losses (ECLs) as opposed to the current model, which is instead based on the incurred credit loss events. The aim of the new model is to capture and recognise ECLs at an earlier stage. The new standard also specifies more detailed disclosures. The new hedge accounting rules have a clearer ambition to reflect risk management and entail a number of new disclosures.

SCBC will apply the mandatory sections pertaining to classification and measurement and impairment from 1 January 2018. The rules will be applied through the adjustment of the opening balances of the Company. No requirements apply for restatement of comparative periods.

Upon the transition to IFRS 9, provisions for expected credit losses in SCBC decreased SEK 51 million (2.6% of profit before tax). The overall effect increased equity (before tax) by a corresponding amount at 1 January 2018. The decrease in ECL provisions was based on an adjustment that took into consideration expected future credit losses, which are assessed as being lower than incurred losses under the Group's existing accounting assessment method in line with IAS 39. With the transition to IFRS 9, all parameter estimates have been adjusted more in line with expected values, which better match the prevailing economic conditions. With current historically low default rates and extremely few confirmed loan losses, an expected value model under IFRS 9 makes a relatively small provision for ECLs given the scope of the lending. The changes in the regulations for provisions had a limited impact on the capital adequacy ratios. SCBC has decided not to apply the transitional rules nor additional relief in conjunction with the introduction of IFRS 9.

Classification and measurement

SCBC's analysis of the contractual cash flows on holdings of financial instruments, excluding derivatives, finds that these pertain solely to principal amounts and the interest on such principal amounts. The business models that exist under IFRS 9 are as follows:

- Where the objective is to hold assets in order to collect contractual cash flows. Measurement and recognition is performed at amortised cost.
- Where the objective is achieved by both collecting contractual cash flows and selling financial assets. Measurement and recognition is performed at fair value through other comprehensive income (FVTOCI).
- Where the objective is to "hold" or to both "hold and sell." Measurement and recognition is performed at fair value through profit or loss (FVTPL).

Under IFRS 9, a company's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The company's business model is not dependent on the Executive Management's intentions for an individual instrument. Accordingly, this condition is not an instrument-by-instrument approach to classification and should be determined at a higher level of aggregation. However, an entity may have more than one business model for managing its financial instruments.

SCBC has evaluated the business model for portfolios of financial assets based on how they are managed and valued. SCBC's assessment is that the portfolios are managed in accordance with the first-mentioned business model, which entails measurement and recognition at amortised cost. Measurement and classification of derivatives and other financial liabilities will not be changed due to IFRS 9.

Compared with previous accounting policies, the measurement and classification of financial assets under IFRS 9 has not impacted values in the balance sheet or equity as of 1 January 2018.

Impairment – expected credit losses

Where in the balance sheet a provision (loss allowance) is recognised depends on the classification of the exposure under IFRS 9 and the cash flow characteristics:

- For financial assets measured at amortised cost, the loss allowance is recognised as a deductible item together with the asset.
- For financial assets measured at FVTOCI, the loss allowance is recognised in equity.
- For exposures that are not recognised in the balance sheet (for example, loan commitments and construction loans), the loss allowance is recognised as a provision on the liability side of the balance sheet.

Expected credit losses for financial assets in the balance sheet

Under IFRS 9, following initial recognition, financial assets are divided into three stages according to their relative credit risk:

	Change in credit risk		
	Stage 1	Stage 2	Stage 3
Timing	From initial recognition	On a significant increase in credit risk following initial recognition	On default
Loss allowance	12-month ECL	Lifetime ECL	Lifetime ECL
Interest income	Based on gross carrying amount	Based on gross carrying amount	Based on net carrying amount

Depending on the credit stage, the loss allowance is determined by calculating the ECLs for the next 12-month period or the remaining expected lifetime. Assets can migrate between stages from one balance-sheet date to another. This is decided based on changes in credit risk compared with initial recognition. Interest income from assets in stage 3 are based on the net carrying amount after deduction of the loss allowance, in other words, the amortised cost, while interest income for the other stages is based on the gross carrying amount.

Credit stage 1

All financial assets will, at a minimum, have a loss allowance that corresponds to 12-month ECL. Three main parameters are taken into consideration when measuring ECLs. Probability of default (PD), loss given default (LGD) and exposure at default (EAD), where the product results in the expected credit loss (ECL). To calculate the 12-month ECL SCBC uses their model under the internal ratings-based approach (IRB) intended for capital adequacy but where appropriate adjustments have been made to ensure an unbiased probability-weighted ECL calculation reflecting current expectations and forward-looking information. The same procedure for adjusting the parameters from IRB are also applied in stages 2 and 3. For further information on IRB, see Note 2a Risk management – Credit risk in lending operations.

Cont. NOTE 1 Accounting policies

Credit stage 2
For financial assets where the credit risk has increased significantly since initial recognition, the loss allowance will correspond with lifetime ECL. Assessments of whether a significant increase in credit risk since initial recognition has occurred is made on an individual and a collective basis for homogenous credit risk groups, known as risk classes. In addition to PD from IRB, the determination of whether a significant increase has occurred also uses empirical default data for the respective risk classes and forward-looking information in the form of macro-economic factors. SCBC assesses whether credit risk has increased significantly since initial recognition by measuring the deviations from an expected PD trend given the original risk class. SCBC also applies presumptions in line with maturities of over 30 days as an indicator of a significant increase in credit risk.

Credit stage 3
Credit deteriorated assets should also be assigned a loss allowance that corresponds with lifetime ECL. The internal default definition is applied to determine whether a financial asset has suffered credit deterioration. SCBC deems a default to have occurred if any of the following criteria are met:

- The borrower has entered into liquidation, officially suspended payments or applied for a composition
- The credit is overdue by more than 60 days
- The credit has been restructured and the borrower been granted concessions
- The credit is categorised as insolvent based on a separate expert assessment.

Expected credit losses for exposures not recognised in the balance sheet.
For loan commitments, initial recognition is defined as the moment the bank enters into the irrevocable undertaking. The loss allowance is calculated in the same manner as for financial assets in the balance sheet, but includes the application of a credit conversion factor (CCF). The CCF measures the likelihood of a loan commitment being converted into a financial asset. As for the other parameters the CCF is derived from the models used in the IRB approach for capital adequacy where proper adjustments have been made for ECL.

Forward-looking information
So as not to solely base the estimate of ECL on empirical information, forward-looking information in the form of housing market forecasts is used. The reason is to not solely rely on the past when calculating the loss allowance, but to also take into consideration immediate prospects to thereby enable objective and accurate expected values. Forecasts are prepared for macro-economic factors that have been shown to strongly correlate with default frequencies and actual credit losses in SCBC's lending. The forward-looking information should be viewed as an adjustment to the two risk dimensions PD and LGD, which impact both the allocation of credit stages and the level of the loss allowance. With regards to EAD cash flows are projected by the amortisation schedule. In addition to scheduled cash flows pre-payment rates are used to account for the expected lifetime of the loan. The empirical information enriched by forward-looking information, that is applied on the abovementioned risk dimensions, ensures an unbiased probability-weighted ECL suitable for the purposes of IFRS 9.

Modification of financial assets
If the cash flows from a financial asset are renegotiated or otherwise modified, SCBC assesses whether the change is so significant that the modification will lead to derecognition from the balance sheet or whether the change will result in a modification gain or loss. In the event of derecognition from the balance sheet, the financial asset is assigned a new issue date and, thus a new initial risk class.

IFRS 15 – Revenue from Contracts with Customers
The standard introduces a five-step model to determine when revenues within the scope of IFRS 15 will 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 point in time when control over the goods or services is transferred. The introduction will not have any material effect on SCBC's financial reporting. The standard becomes effective as of 1 January 2018.

Other amendments
Other changes in 2017 are not expected to have any material impact on the Company's financial statements.

According to SCBC's preliminary assessment, new or changed Swedish and international accounting standards that have been published but not yet applied will have a limited effect on the financial reports.

General accounting policies

Recognition in and derecognition from the balance sheet
Issued securities and all derivatives 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 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 has expired.

Recognition of income and expense
Interest income and interest expense (including interest income from impaired receivables) are recognised using 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 recognised in profit or loss under net interest income over the expected tenor of the loan.

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

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 "Net result of financial transactions." Other items under this heading are described in the "Financial instruments" section.

Financial instruments

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

- Financial assets measured at FVTPL
- Loans and accounts receivable
- Financial liabilities measured at FVTPL
- Other financial liabilities

SCBC has no assets under the classifications "Investments held to maturity" or "Available-for-sale financial assets."

Offsetting
Financial assets and financial liabilities are to be offset and recognised at net amounts 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 on the sale of an asset or the price that would be paid to transfer a liability in an orderly transaction between market participants.

Fair value measurement 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. As far as possible, calculations conducted in connection with measurement are based 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 measured at FVTPL
The categories "Financial assets measured at FVTPL" and "Financial liabilities measured at FVTPL" are divided into "held for trading" and "financial assets/liabilities that Executive Management 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 profit or loss.

Changes in fair value and realised gains or losses for these assets and liabilities are recognised in profit or loss under the "Net result of financial transactions," while the effective interest rate is recognised in net interest income.

Cont. NOTE 1 Accounting policies

Loans and accounts receivable
Financial assets classified as loans and accounts receivable are initially recognised at fair value at the time the loan is disbursed plus transaction costs. Loans and accounts receivable 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 impairment are recognised as "Net loan losses," while the effective interest rate is recognised as interest income. Refer also to the "Loan losses" section.

Other financial liabilities
Financial liabilities that are not classified as "Financial liabilities measured at FVTPL" 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 issued debt securities and liabilities to credit institutions.

Realised gains or losses from the repurchase of own liabilities affects profit or loss when incurred and is recognised under the "Net result of financial transactions."

Repos
Repos are agreements where the parties have reached agreement on the sale and repurchase of a particular security at a pre-determined price. Securities that have been provided or received under these repo agreements 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
Derivatives are used primarily to eliminate interest-rate and currency risk in the company's assets and liabilities. The 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 the hedging of 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 FVTPL.

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 profit or loss under the "Net result of 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 in profit or loss, after adjustment of 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 profit or loss under "Net result of financial transactions."

Macro hedges
In this type of hedging, derivatives 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, derivatives designated as macro hedges are treated in the same way as other fair-value hedging instruments.

In fair-value hedging of portfolios of assets, the gain or loss attributable to the hedged risk is recognised under "Value changes of interest-rate-risk hedged items in macro 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 hedges
In the case of cash-flow hedges, the hedging instrument (the derivative) 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 separate 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 derivative's change in value is transferred to the income statement under "Net result of 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 any objective evidence exists of impairment of an individual loan or group of loans. This takes place as a result of events that have occurred after the initial recognition of the asset and which have impacted the expected future cash flows for the loan receivable or group of loan receivables. Events that could lead to impairment of the loan being include, depending on the circumstances, receivership, 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 collateral are included in the cash-flow calculations. The 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 is recognised in profit or loss under the heading "Net loan losses."

Confirmed loan 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-owners' 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 subject to collective provisions. 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 has been determined in accordance with the above information on "Individually measured loan receivables."

The 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 produced 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 recent events but which have not yet had an impact on the risk classification system.

Cont. NOTE 1 Accounting policies

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 continue to 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 profit or loss under "Net result of 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 in the borrower's financial position or because the borrower has encountered other financial problems. Concessions granted are considered to constitute confirmed loan losses, and are recognised in profit or loss under "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
The 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 transaction date, and foreign currency receivables and liabilities are translated using the closing-date 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 profit or loss under "Net result of 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 profit or loss, the related tax effects are also recognised in profit or loss. 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 carry-forwards 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 maturities of not later than three months from the acquisition date.

Segment reporting
An operating 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 operating profits 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 issue of covered bonds. Consequently, only a single segment is reported, SCBC as a whole.

Dividend
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 exposures, 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 "Loan losses" section above. On the transfer of loan receivables within the Group, the carrying amount, which comprises the principle borrowed under the loan receivable together with any interest and less deduction for any credit loss allowance, is assumed to correspond to fair value.

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 risks also exist in other parts of the operations.

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

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

NOTE 2a Risk management – Credit risk in lending operations

SCBC does not conduct its own lending operations – instead, all loans are acquired from the Parent Company. Moreover, the credit risk in lending operations is restricted by credit limits adopted for various customers or customer groups. The credit risk is also managed through a credit granting process that analyses the ability of potential borrowers to meet their interest payments and make capital repayments. The loans acquired have been granted to borrowers who are judged able to pay interest and make capital repayments when interest rates comfortably exceed the rate prevailing when the loan decision is taken. The Parent Company has a limitation rule for new loans that limits 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.

SCBC applies the IRB approach for retail loans and lending to many tenant-owners' associations with turnover under EUR 50 million and the foundation IRB approach (FIRB approach) for corporate loans. The standardised approach is used for quantifying credit risk for other types of exposures. When external ratings are used, the two lowest ratings from Moody's, Fitch or Standard & Poor's are selected.

The IRB approach has been used since 2007 for assessing credit risk where a mortgage deed or a tenant-owners' 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 IRB 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)
- The credit conversion factor (CCF) – The part of the off-balance sheet exposure 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

Customers are ranked according to risk based on these parameters, and expected and unexpected losses can be estimated. After assessment, the exposure is allocated to one of eight risk classes for retail and corporate loans, of which the eighth class comprises customers in default. Trends for customers in high-risk classes are monitored thoroughly and, when necessary, exposures are managed actively by credit monitoring personnel in the credit division. The developed models are validated annually and calibrated as required. Validations conducted in 2017 did not result in any changes to the models.

In the financial statements, the 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]. Under this regulation, the risk associated with each individual loan is to be estimated based on historic information, over a longer time horizon and 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 future cash flows. The EL for loans calculated according to IRB models amounted to SEK 123 million (87). The net provision for corresponding loans in the financial statements was SEK 122 million (90). The capital adequacy calculations separate non-performing loans from other loans. Any positive difference reduces CET1 capital while negative differences are added to Tier 2 capital. Forthcoming rules in IFRS 9 will change the method used for credit risk provisions. SCBC has developed a method for assessing future provisions based on IRB models. The method currently indicates a lower provision requirement than the current method (for more information refer to Note 1).

In connection with quantitative assessments in lending to companies, systematic qualitative assessments are conducted based on the internal loan regulations through responses to a number of questions. This enables a more uniform risk assessment based on more substantial 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-owners' associations within a maximum of 75–85% of the market value. The 85% level only applies if collateral can be obtained with a primary lien 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 C0–C3, and manually adjusted from C3 to C4[2]. For other classes, the LTV ratio of 75% applies.

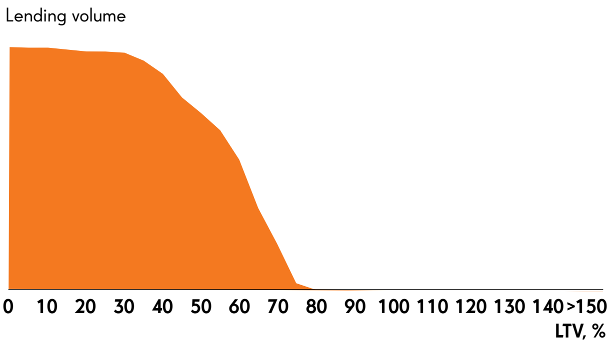
In addition to collateral in the form of mortgage deeds or tenant-owners' rights, it is possible to grant loans against, inter alia, collateral in the form of a government guarantee, municipal guarantee, securities, bank guarantees and deposits in a Swedish bank. SCBC does not hold any collateral that has been taken over in foreclosure to protect claims. Lending to the public accounts for 99% (98) 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 diagram below, which shows loans in relation to the market value of underlying collateral for loans secured on collateral comprising mortgage deeds or shares in tenant-owners' associations. The area in the diagram corresponds to the lending volume and shows that SCBC's lending portfolio has favourable collateral, since the largest area in the diagram is for lower LTV ratios. The diagram encompasses 100% (100) of the company's total lending to the public. Since 99% (99) of total lending is secured with collateral in mortgage deeds or shares in tenant-owners' associations to within 75%, and 95% (95) of customers are in the risk classes 1–4, credit quality is assessed as highly favourable.

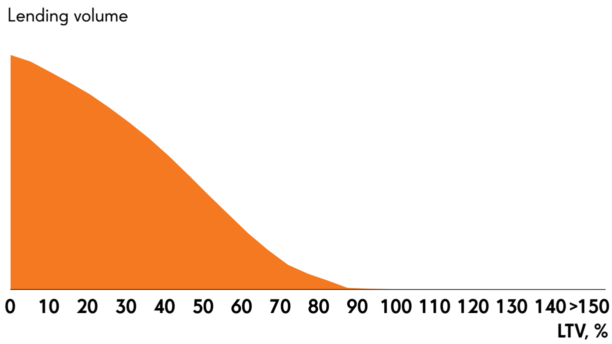
Since SCBC regularly assesses the market value of collateral against the loan, LTVs of above 100% can arise due to changes in actual market values or could be due to data analysis not always taking into consideration the unique qualities of the property that were taken into account at the time of lending. A further reason, could be that older public sector loans with guarantees from the former Swedish National Housing Credit Guarantee Board (BKN) for which values have yet to reach parity with the loans.

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

CORPORATE EXPOSURES



RETAIL EXPOSURES



[1] CRR refers to Regulation (EU) No. 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms.

[2] "Retail loans" refers to all lending to the public pertaining to houses, holiday homes and tenant-owners' rights, as well as loans to tenant-owners' associations with a turnover of less than EUR 50 million. "Loans to corporates" refers to i) loans to other legal entities, and ii) other lending to consumers against collateral in real property.

[3] In 2017, market values were assessed in the 15 June to 1 October period.

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

	2017				2016			
Segment, %	**Below 50%**	**Below 75%**	**Below 100%**	**Expo-sure-weighted average LTV**	**Below 50%**	**Below 75%**	**Below 100%**	**Expo-sure-weighted average LTV**
Corporate exposures	79.9	99.9	100.0	62.5	79.0	100.0	100.0	63.4
Retail exposures	85.2	98.7	100.0	55.1	84.2	98.4	99.9	56.0
Total	**84.8**	**98.8**	**100.0**	**55.6**	**83.7**	**98.5**	**99.9**	**56.7**

Loan portfolios in lending operations allocated by risk class
As per 31 December 2017, SCBC's lending to the public amounted to SEK 312 billion (244). Every customer is allocated to a risk class. Customers with individual loan provisions are always allocated the worst corporate risk class (C8) or the worst retail risk class (R8). For corporates, loans covered by collective provisions are assigned risk classes from C6–C7, and collectively impaired retail loans are assigned risk classes R5–R8. The risk class C0 comprises loans to counterparties with a 0% risk weight (Swedish municipalities). Transaction costs of SEK 54 million (76), which were attributable to the loans, are distributed in the table on a pro rata basis.

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

	2017		2016	
Risk class [1)]	**Lending**	**Provisions in respective risk class**	**Lending**	**Provisions in respective risk class**
R1/C1, %	38.1	–	37.2	–
R2/C2, %	29.2	–	30.5	–
R3/C3, %	16.7	–	16.6	–
R4/C4, %	10.2	–	10.2	–
R5/C5, %	4.5	0.4	4.3	0.5
R6/C6, %	0.8	1.0	0.8	1.1
R7/C7, %	0.5	3.9	0.4	4.1
R8/C8, %	0.0	7.6	0.0	4.7
	100%	**0.0%**	**100%**	**0.0%**

1) C= Corporate, R=Retail.

LOAN PORTFOLIO BY RISK CLASS – CORPORATE

	2017		2016	
Risk class [1)]	**Lending**	**Provisions in respective risk class**	**Lending**	**Provisions in respective risk class**
C0, %	0.0	–	0.0	–
C1, %	68.9	–	67.3	–
C2, %	25.8	–	22.7	–
C3, %	5.1	–	9.0	–
C4, %	0.1	–	0.9	–
C5, %	0.1	–	0.0	–
C6, %	0.0	2.6	0.0	20.7
C7, %	0.0	2.9	0.1	3.1
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 loan terms and conditions
- With unpaid amounts more than five days past-due – the borrower has not fulfilled its payment obligations
- With individual provisions

For loan receivables with individual provisions, 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

	2017		2016	
SEK million	**Public**	**Credit institutions**	**Public**	**Credit institutions**
1 Current loans without past-due unpaid amounts or provisions	312,048	150	244,534	102
2 Loans with unpaid amounts more than five days past due	291	–	9	–
3 Loans with individual provisions	–	–	–	–
Total loans outstanding	**312,339**	**150**	**244,543**	**102**
Individual provisions	–	–	–	–
Collective provisions, corporates	0	–	–1	–
Collective provisions, retail	–200	–	–97	–
Total provisions	**–200**	–	**–98**	–
Total lending after provisions	**312,139**	**150**	**244,445**	
Guarantees for loans with individual provisions	–	–	–	–
Guarantees for loans with collective provisions, corporates	0	–	1	–
Guarantees for loans with collective provisions, retail	18	–	7	–
Total guarantees	**18**	–	**8**	–
Total lending after provisions and guarantees	**312,157**	**150**	**244,453**	**102**

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 showed that at 31 December 2017, 95% (95) 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 54 million (76), which were allocated among individual loans without past-due unpaid amounts or loans with individual provisions. The costs derive mainly from single-family dwellings and tenant-owners' 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 INDIVIDUAL PROVISIONS

	2017						
Risk class, SEK million	**Single-family dwellings and holiday homes**	**Tenant-owners' rights**	**Tenant-owners' associations**	**Private multi-family dwellings**	**Municipal multi-family dwellings**	**Commercial properties [1)]**	**Total**
C0	–	–	–	–	2	–	2
C/R1	47,565	30,660	31,789	16,024	134	6	126,178
C/R2	36,749	36,248	11,270	5,961	82	17	90,327
C/R3	19,698	26,850	1,738	1,064	–	99	49,449
C/R4	13,309	15,950	222	28	–	–	29,509
C/R5	5,528	7,311	89	15	–	–	12,943
C/R6	1,002	1,325	25	0	–	–	2,352
C/R7	643	580	–	11	–	–	1,234
C/R8	40	11	3	–	–	–	54
Total	**124,534**	**118,935**	**45,136**	**23,103**	**218**	**122**	**312,048**

	2016						
Risk class, SEK million	**Single-family dwellings and holiday homes**	**Tenant-owners' rights**	**Tenant-owners' associations**	**Private multi-family dwellings**	**Municipal multi-family dwellings**	**Commercial properties [1)]**	**Total**
C0	–	–	–	–	2	–	2
C/R1	35,646	23,165	23,572	15,661	93	–	98,137
C/R2	27,156	26,270	13,998	5,225	83	6	72,738
C/R3	14,290	20,151	2,226	2,104	–	–	38,771
C/R4	10,414	11,681	368	106	36	78	22,683
C/R5	4,185	5,284	86	0	–	1	9,556
C/R6	784	1,002	43	3	–	–	1,832
C/R7	402	367	14	11	–	–	794
C/R8	14	4	3	–	–	–	21
Total	**92,891**	**87,924**	**40,310**	**23,110**	**214**	**85**	**244,534**

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

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

At year-end 2017, SEK 291 million (9) of lending had past-due unpaid amounts or was assessed as doubtful. Of SCBC's loan portfolio totalling SEK 312.2 billion (244.4), SEK 291 million (9) of the principal has past-due unpaid amounts.

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

	2017						
SEK million	**Single-family dwellings and holiday homes**	**Tenant-owners' rights**	**Tenant-owners' associations**	**Private multi-family dwellings**	**Municipal multi-family dwellings**	**Commercial properties**	**Total**
Past due 5–30 days [1)]	7	7	4	–	–	–	18
Past-due 31–60 days	133	116	3	–	–	–	252
Past-due 61–90 days	7	13	–	–	–	–	20
Past-due 91–180 days	1	–	–	–	–	–	1
Past-due 181–365 days	–	–	–	–	–	–	–
Past due > 365 days	–	–	–	–	–	–	–
Total	**148**	**136**	**7**	–	–	–	**291**

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.

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

SEK million	2016 Single-family dwellings and holiday homes	Tenant-owners' rights	Tenant-owners' associations	Private multi-family dwellings	Municipal multi-family dwellings	Commercial properties	Total
Past due 5–30 days[1)]	2	3	4	–	–	–	9
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	**2**	**3**	**4**	**–**	**–**	**–**	**9**

[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. At 31 December 2017, there were no loans with individual provisions, nor were there any such loans for the corresponding year-earlier period.

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 through the surrender of 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	2017	2016
Single-family dwellings and holiday homes	3	4
Tenant-owners' rights	2	0
Tenant-owners' associations	–	–
Private multi-family dwellings	–	–
Municipal multi-family dwellings	–	–
Commercial properties	–	–
Total	**5**	**4**

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 operations

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

LIMIT UTILISATION

Rating category, SEK million	2017 Limit	2017 Utilised limit	2016 Limit	2016 Utilised limit
AAA	–	–	–	–
AA- to AA+	11,400	127	11,600	176
A- to A+	14,500	51	13,910	432
Lower than A-	4,800	19	4,310	–
Total	**30,700**	**197**	**29,820**	**608**

The "Limit utilisation" table shows the limits and the utilised limits, respectively, for SCBC's derivative counterparties. The limits for each derivative counterparty are proposed by SBAB's Treasury and adopted by the Board's Credit Committee within the confines of the framework adopted by the Board of Directors. The values in the table comprise an aggregate of individual derivative counterparty's total exposure and the limits for the respective rating category. The exposure in the summary includes external derivative and repo contracts entered into by SCBC and which are outstanding as of 31 December 2017. At Group level, limits for each counterparty are set for all investments, and derivative and repo contracts. The above table shows the limits for the SBAB Group.

As per the credit instruction, the limits are set by SBAB's Credit Committee within the confines of the framework adopted by the Board of Directors. The utilised limit is calculated as the market value of financial derivatives, repos and investments. For derivatives and repos, the effect of collateral pledged or received under CSAs or GMRAs is included in the total limit. Moreover, for derivatives, an add-on amount is also calculated for future risk-related changes. The limit is coordinated with the credit limit for counterparties who also are loan customers. Limits may be established for a period of not longer than one year, after which a new assessment must be conducted. The decisions of the Credit Committee are reported to the Board at the following Board meeting.

Counterparty risk
Counterparty risk at SCBC comprises exposures to well-reputed, major banks as well as the Parent Company as counterparties, which is hedged entirely through unilateral collateral agreements in which the counterparty pledges collateral by transferring funds or securities with the aim of reducing net exposure – known as a Credit Support Annex (CSA). Wherever applicable, the collateral received 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.

To limit the potential counterparty credit risk associated with derivative transactions involving non-standardised derivatives 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, the framework agreement, an ISDA Master Agreement or equivalent agreement, has been supplemented with an associated collateral agreement, CSA. A CSA must always be established for counterparties entering into derivative contracts with SCBC. The framework agreements entitle the parties to offset receivables against debt in the event of a payment default.

Counterparty risk is reconciled on a daily basis for all counterparties. When entered into, CSAs are reconciled on a daily basis or on a weekly basis. Derivative contracts entered into with external counterparties are mostly entered into with the Parent Company as the counterparty. The effects of posted and received collateral are shown in greater detail in Note 14 Offsetting disclosures. At 31 December 2017, SCBC had received collateral for a total value of SEK 25 million (0).

Credit-risk limits are established by SBAB's Credit Committee for all counterparties in treasury operations. In the table "Maximum credit-risk exposure in treasury operations," the maximum credit-risk exposure is shown with and without taking collateral received or other credit enhancements into account.

Cont. **NOTE 2b** Risk management – Credit risk in treasury operations

MAXIMUM CREDIT-RISK EXPOSURE IN TREASURY OPERATIONS

SEK million	Without taking into account collateral received or other credit enhancements 2017	Without taking into account collateral received or other credit enhancements 2016	Taking into account collateral received or other credit enhancements 2017	Taking into account collateral received or other credit enhancements 2016
Lending to credit institutions	150	102	150	102
Chargeable treasury bills, etc.	–	–	–	–
Bonds and other interest-bearing securities	–	–	–	–
Derivatives	3,862	4,442	3,836	4,442
Maximum credit risk exposure as of 31 December	**4,012**	**4,544**	**3,986**	**4,544**

COLLATERAL POSTED AND RECEIVED UNDER COLLATERAL AGREEMENTS, 31 DECEMBER 2016

SEK million, Company	Collateral pledged	Collateral received
SCBC	0	25

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. Regular follow-up and internal reporting of liquidity risk takes place at the SCBC level by measuring the overcollateralisation in the cover pool, both under normal conditions and under various stressed scenarios. SCBC has an agreement regarding a liquidity facility with the Parent Company, SBAB. The aim of the agreement is to allow SCBC to borrow funds from the Parent Company in the event that SCBC is unable to pay bond holders when SCBC's bonds mature. For more information; please refer to Note 2c in SBAB's Annual Report.

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

SEK million	2017 No maturity	2017 < 3 months	2017 3–6 months	2017 6–12 months	2017 1–5 years	2017 > 5 years	2017 Total	2016 No maturity	2016 < 3 months	2016 3–6 months	2016 6–12 months	2016 1–5 years	2016 > 5 years	2016 Total
ASSETS														
Lending to credit institutions	–	150	–	–	–	–	150	–	118	–	–	–	–	118
Lending to the public	–	40,013	63,372	119,690	92,361	3,770	319,206	–	36,276	47,838	86,392	75,793	4,017	250,316
Derivatives	–	434	1,270	1,361	39,168	20,888	63,121	–	12,743	917	676	31,690	6,870	52,896
Other assets	31	–	–	–	–	–	31	381	–	–	–	–	–	381
Total financial assets	**31**	**40,597**	**64,642**	**121,051**	**131,529**	**24,658**	**382,508**	**381**	**49,137**	**48,755**	**87,068**	**107,483**	**10,887**	**303,711**
LIABILITIES														
Liabilities to credit institutions	–	954	–	–	–	–	954	–	498	–	–	–	–	498
Debt securities issued, etc.	–	6,532	2,939	31,247	201,859	54,961	297,538	–	12,617	11,231	1,735	200,233	27,073	252,889
Derivatives	–	161	983	841	37,552	21,420	60,957	–	11,965	711	236	30,283	6,904	50,099
Other liabilities	54	–	–	–	–	–	54	14	–	–	–	–	–	14
Subordinated debt	92,593	–	–	–	–	–	92,593	55,123	–	–	–	–	–	55,123
Total financial liabilities	**92,647**	**7,647**	**3,922**	**32,088**	**239,411**	**76,381**	**452,096**	**55,137**	**25,080**	**11,942**	**1,971**	**230,516**	**33,977**	**358,623**

The fixed-interest periods for the capital repayments for amortised receivables and liabilities has been calculated as the period up to the date of maturity of the respective amortisation. Foreign currency cash flows have been converted using the closing rate at 31 December 2017. Future interest-rate cash flows with floating interest rates are 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	–	135	52	112	1,014	465	1,778
Currency-hedged	–	–	–	–328	–34,172	–18,269	–52,769
Net	**–**	**135**	**52**	**–216**	**–33,158**	**–17,804**	**–50,991**

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 low risk taking that is managed within the framework of the SBAB Group's overall risk appetite and limits for Value at Risk (VaR), which are determined by the Board. In addition to VaR, a number of supplementary risk-based metrics set by the CEO 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 company and Group levels.

The basic objective for SBAB's management of SCBC's market risk is to minimise risk in the cover pool, with the overriding aim 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. As a general principle, interest-rate risk is to be mitigated through direct funding or the use of derivatives. SCBC's interest-rate structure as of 31 December 2017 is shown in the table "Fixed-interest periods for financial assets and liabilities." Currency risks are mitigated as funding in international currency is hedged through currency swap contracts. As per 31 December 2017, total assets and liabilities in foreign currency amounted to a net liability of SEK 55.0 billion (liability: 46.1) in nominal terms. The risk outstanding was reduced using derivatives where the nominal amount was equivalent to SEK 55.0 billion (46.1). The total effect per currency is reported in the table "Nominal amounts for 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 model is a historical model and applies percentiles in historical market data from the past two years. The limit for SCBC's market risk is based on a probability level of 99.97% and a holding period of one year.

As per 31 December 2017, SCBC's market risk exposure was SEK 341 million, compared with the limit of SEK 800 million.

Supplementary risk metrics

In addition to the overall VaR limits determined by the Board, the CEO has set a number of supplementary risk metrics for different kinds of risks to which the SBAB Group and SCBC are exposed. 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 present value when currency exchange rates change compared to SEK. Basis spread income volatility is followed up at the Group level, which includes SCBC's positions.

Income volatility from basis spreads arises 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 that do not correspond to the actual risk to which the SBAB Group's portfolio is exposed to. The income 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 income volatility will only be calculated for swap contracts that are not subject to cash-flow hedges.

Interest-rate risk in other operations

Interest-rate risk in other operations is measured and reported to Finansinspektionen in accordance with FFFS 2007:4. As per 31 December 2017, the effect on the present value was negative SEK 543 million (negative: 445) for a 2 percentage-point parallel upward shift and SEK 564 million (455) for a 2 percentage-point parallel downward shift. As SCBC's own funds amounted to SEK 16.7 billion (15.2) at 31 December 2017, the effect of the stress tests amounted to negative 3.3% (negative: 2.9) and 3.4% (3.0) of own funds, respectively.

NOMINAL AMOUNTS FOR ASSETS, LIABILITIES AND DERIVATIVES IN FOREIGN CURRENCY

SCBC, SEK million	Assets and liabilities	Derivatives
EUR	–51,433	51,432
GBP	–2,219	2,219
NOK	–1,001	1,001
USD	–328	328
Total	**–54,981**	**54,980**

FIXED-INTEREST PERIODS FOR FINANCIAL ASSETS AND LIABILITIES

	2017							2016						
Carrying amount, SEK million	**Without fixed-interest period**	**< 3 months**	**3–6 months**	**6–12 months**	**1–5 years**	**> 5 years**	**Total**	**Without fixed-interest period**	**< 3 months**	**3–6 months**	**6–12 months**	**1–5 years**	**> 5 years**	**Total**
ASSETS														
Lending to credit institutions	–	150	–	–	–	–	150	–	102	–	–	–	–	102
Lending to the public	–	203,643	10,414	17,276	77,748	3,118	312,199	–	161,471	8,686	12,301	58,133	3,854	244,445
Change in fair value of interest-rate-hedged loan receivables	–	1	4	17	187	15	224	–	5	11	55	329	85	485
Derivatives	–	–1,739	34	177	2,159	3,231	3,862	–	23	31	6	2,842	1,540	4,442
Other assets	149	–	–	–	–	–	149	487	–	–	–	–	–	487
Total financial assets	**149**	**202,055**	**10,452**	**17,470**	**80,094**	**6,364**	**316,584**	**487**	**161,601**	**8,728**	**12,362**	**61,304**	**5,479**	**249,961**
LIABILITIES														
Liabilities to credit institutions	–	955	–	–	–	–	955	–	498	–	–	–	–	498
Debt securities issued, etc.	–	22,627	6,318	14,113	121,703	39,392	204,153	–	28,192	11,176	–	117,540	19,025	175,933
Derivatives	–	1,741	–519	–20	128	–756	574	–	2,004	–602	60	–332	–259	871
Other liabilities	1,484	–	–	–	–	–	1,484	1,625	–	–	–	–	–	1,625
Subordinated debt	–	92,593	–	–	–	–	92,593	–	55,123	–	–	–	–	55,123
Total financial liabilities	**1,484**	**117,916**	**5,799**	**14,093**	**121,831**	**38,636**	**299,759**	**1,625**	**85,817**	**10,574**	**60**	**117,208**	**18,766**	**234,050**
Difference assets and liabilities	**–1,335**	**84,139**	**4,653**	**3,377**	**–41,737**	**–32,272**	**16,825**	**–1,138**	**75,784**	**–1,846**	**12,302**	**–55,904**	**–13,287**	**15,911**

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
The process for managing operational risk is based on the continuous identification, analysis and assessment of risks as well as their management and follow-up. An analysis of risk levels is reported to the Board and the CEO. The Operational Risk & Security function within the Credit and Risk department has overall responsibility for the methods and procedures used in the risk management process. The identification and management of operational risk is carried out based on SCBC's risk appetite. This entails constant efforts to improve the risk culture, processes, methods, tools and procedures to efficiently and proactively manage operational risk and incidents.

Self-evaluation
The self-evaluation process encompasses the identification of risks in all significant processes, the measurement of identified risks and the management of risks. The result of the self-evaluation is reported annually to the Board and the CEO. The entire business uses a shared method and system support for the self-evaluation of operational risk.

Incident management
SCBC has procedures and system support intended to facilitate the reporting and follow-up of incidents. The Operational Risk & Security function supports the operations with the analysis of reported incidents 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.

New product approval policy (NPAP)
SCBC has an NPAP in place for the implementation of new or significantly altered products, services, markets, processes and IT-systems as well as major operational and organisational changes at SCBC. The aim of the NPAP is the advance identification and management of risks related to major changes.

Security and contingency management
At SCBC, 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, which are based on the international information security standard ISO/IEC 27000.

SCBC works in a pre-emptive manner to prevent security incidents that may affect the company's ability to operate. A contingency organisation has been established that is responsible for crisis and catastrophe management, and communication in case of serious incidents, crises or disasters.

Cyber risk
The cyber threat to the Swedish financial sector is extensive and persistent. SCBC has a dedicated security team comprised of specialists tasked with attaining and maintaining a high level of cyber security for the bank. This is achieved through proactive efforts to ensure strong, digital perimeter protection and a high level of security within this protective shield. The team endeavours to increase risk and security awareness throughout SCBC with the aim of achieving the right level of security for our customers, systems and personnel. The security team are also responsible for SCBC's Security Incident Response Team (SIRT) function, which is responsible for identifying, analysing and rectifying IT security incidents. The security team act as an agile support team across SCBC, with a focus on transparency and collaboration.

Risk and compliance coordinator
As part of strengthening its risk culture, SCBC has established a Risk and compliance coordinator (RCC) function in the first line. The RCCs support the business managers with a focus on risk management, process mapping, internal controls, incident management, and regulatory compliance.

Capital requirements for operational risks
SCBC uses the standardised approach to calculate capital requirements for operational risk within the Pillar 1 framework. The capital requirements for operational risk are presented in the Capital requirements table (Note 2i).

NOTE 2f Risk management – Business risk

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

Business risk is included in the calculation of the capital requirement as part of SBAB's stress tests.

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. SBAB's lending operations are concentrated mainly in Sweden and especially in the metropolitan regions. SBAB's business model has shown that its lending business is attracting customers in the larger cities. SBAB has increased its market share and this resulting in an increased concentration against the areas having the largest population and the highest turnover ratio in the housing market. Considering this, and Sweden's demography, SBAB's lending is highly concentrated towards the Stockholm region. SBAB measures and actively monitors the geographical concentration risk in terms of volume of loan and area. The name concentration risk in large is driven by SBAB's largest customers, which is also handled through the regulations for large exposures. Tenant-owners' associations and private multi-family dwellings account mostly for the name concentration risk, whereas the sector concentration risk and the geographical concentration risk is greater in single-family dwellings and tenant-owners' rights. The capital requirement for concentration risk is quantified with the economic capital for credit risk. Upon calculation at 31 December 2017, the internally calculated capital requirement for concentration risk was SEK 898 million (669), of which SEK 842 million (619) pertained to credit risk in lending operations and SEK 57 million (50) to credit risk in funding operations.

NOTE 2h Risk management – Internal capital adequacy assessment

Within the framework of Pillar 2, the Basel regulations impose the requirement that banks' management and assessment of risks must be satisfactory to ensure that the banks can fulfil their obligations. To meet 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), which is part of SBAB's internal capital and liquidity adequacy assessment process. Currently, liquidity risk does not add any actual capital requirement for SBAB. See note 2c for more information regarding liquidity risk.

The ICAAP aims 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 bank'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.

Finally, consideration is given to the risk associated with deteriorating macro-economic conditions, which is illustrated in conjunction with stress tests.

Taken together, the above comprise the capital that, in accordance with Basel 3, is required to meet all risks in the operations. The internally assessed capital requirement for SCBC amounted to SEK 4,637 million (4,129) on 31 December 2017. Additional information on the internal capital adequacy assessment can be found in the document "Capital Adequacy and Risk Management 2017," which is published on www.sbab.se.

NOTE 2i Risk management – Capital adequacy analysis

New common regulations on supervisory requirements for credit institutions have been adopted by the EU. The purpose of the rules is in part to make institutions more resilient to new crises, and 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 metric (leverage ratio) and quantitative liquidity requirements. SCBC has taken this into account in its capital planning and meets the requirements under the new rules.

Within the framework of these regulations, Finansinspektionen has adopted a national risk-weight floor of 25% for residential mortgages 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.

Future rules in IFRS 9 will regulate a new method for credit-risk provisions, refer to Note 1. The changes in the regulations for provisions have a limited impact on the capital adequacy ratios, since the change in the results will have the opposite effect in the deduction for expected credit losses in own funds. SBAB has decided not to apply the transitional rules nor additional relief in conjunction with the introduction of IFRS 9.

Cont. NOTE 2i Risk management — Capital adequacy analysis

SCBC primarily recognises credit risk in accordance with the internal ratings-based (IRB) approach, and other risk categories in accordance with the standardised approaches. SCBC's own funds consist solely of CET1 capital. Net profit/loss for the period is included in the calculation of own funds after deduction of the estimated dividend. The surplus has been verified by the company's auditors, in accordance with Article 26, item 2, of the CRR. 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.
Section 2h 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 what is generally stipulated by the Companies Act.

OWN FUNDS, **SEK million**	**Amount as per 31 Dec 2017**	**Amount as per 31 Dec 2016**
CET1 capital: Instruments and reserves		
Capital instruments and the related share premium accounts	9,600	9,600
Retained earnings	5,569	4,347
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	70	552
Independently verified net profit for the year net of any foreseeable charge or dividend	1,546	1,221
CET1 capital before regulatory adjustments	**16,785**	**15,720**
CET1 capital: Regulatory adjustments		
Additional value adjustments (negative amount)	-4	-5
Fair value reserves related to gains or losses on cash-flow hedges	-70	-552
Negative amounts resulting from the calculation of expected loss amounts	-1	0
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	–	-1
Total regulatory adjustments to CET1 capital	**-75**	**-558**
CET1 capital	**16,710**	**15,162**
Additional Tier 1 capital: Instruments		
Additional Tier 1 capital before regulatory adjustments	–	–
Additional Tier 1 capital: Regulatory adjustments		
Total regulatory adjustments to Additional Tier 1 capital	–	–
Additional Tier 1 capital	–	–
Tier 1 capital (Tier 1 capital=CET1 + Additional Tier 1 capital)	**16,710**	**15,162**
Tier 2 capital: Instruments and provisions		
Credit risk adjustments	–	3
Tier 2 capital before regulatory adjustments	–	**3**
Tier 2 capital: Regulatory adjustments		
Total regulatory adjustments to Tier 2 capital	–	–
Tier 2 capital	–	**3**
Total capital (Total capital=Tier 1 capital + Tier 2 capital)	**16,710**	**15,165**
Total risk-weighted assets	**21,422**	**18,402**
Capital ratio and buffers		
CET1 capital (as a percentage of total risk-weighted exposure amount), %	78.0	82.4
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	78.0	82.4
Total capital (as a percentage of total risk-weighted exposure amount), %	78.0	82.4
Institution-specific buffer requirements (CET1 capital requirement in accordance with Article 92(1)(a) plus the capital conservation buffer and countercyclical capital buffer requirements, plus the systemic risk buffer, plus the systemically important institution buffers [G-SII buffer and O-SII buffer]) expressed as a percentage of the risk-weighted exposure amount, %	9.0	8.5
of which: CET1 capital, minimum requirement, %	*4.5*	*4.5*
of which, capital conservation buffer requirement, %	*2.5*	*2.5*
of which, countercyclical buffer requirement, %	*2.0*	*1.5*
of which, systemic risk buffer requirement, %		–
of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffers, %		–
CET1 capital available to meet buffers (as a share of risk-weighted exposure amounts, %)	70.0	74.4
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2013 and 1 January 2022)		
Current cap on AT1 instruments subject to phase-out arrangements	–	–
Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	–	–
Current cap on T2 instruments 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

CAPITAL REQUIREMENT, SEK million	Risk exposure amount 31 Dec 2017	Capital requirements 31 Dec 2017	Risk exposure amount 31 Dec 2016	Capital requirements 31 Dec 2016
Credit risk recognised in accordance with IRB approach				
Exposures to corporates	5,458	437	5,632	451
Retail exposures	11,343	907	8,269	662
of which: exposures to SMEs	*916*	*73*	*860*	*69*
of which: retail exposures secured by immovable property	*10,427*	*834*	*7,409*	*593*
Total exposures recognised with IRB approach	**16,801**	**1,344**	**13,901**	**1,112**
Credit risk recognised with the standardised approach				
Exposure to governments and central banks	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0
Exposures to institutions [1]	69	6	262	21
of which, derivatives according to CRR, Appendix 2	*60*	*5*	*259*	*21*
of which, repos	*9*	*1*	*3*	*0*
of which, other	*0*	*0*	*0*	*0*
Exposures to institutions and corporates with a short-term credit rating	0	0	0	0
Other items	288	23	565	45
Total exposures recognised with standardised approach	**357**	**29**	**827**	**66**
Market risk	**512**	**41**	**377**	**30**
Of which: currency risk	*512*	*41*	*377*	*30*
Operational risk	**3,486**	**279**	**3,008**	**241**
Credit valuation adjustment risk	**266**	**21**	**289**	**23**
Total risk exposure amount and minimum capital requirements	**21,422**	**1,714**	**18,402**	**1,472**
Capital requirements for capital conservation buffer		**536**		**460**
Capital requirements for countercyclical buffer		**428**		**276**
Total capital requirement		**2,678**		**2,208**

[1] The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 69 million (262).

CAPITAL ADEQUACY, SEK million	2017	2016
CET1 capital	16,710	15,162
Tier 1 capital	16,710	15,162
Total capital	16,710	15,165
Without transitional rules		
Risk exposure amount	21,422	18,402
CET1 capital ratio, %	78.0	82.4
Excess [1] of Tier 1 capital	15,746	14,334
Tier 1 capital ratio, %	78.0	82.4
Excess [1] of Tier 1 capital	15,424	14,058
Total capital ratio, %	78.0	82.4
Excess total capital	14,996	13,693
With transitional rules		
Own funds	16,711	15,162
Risk exposure amount	172,527	133,171
Total capital ratio, %	9.7	11.4

[1] Excess capital has been calculated based on minimum capital requirements (without buffer requirements).

NOTE 3 Net interest income

SEK million	2017	2016
Interest income		
Lending to credit institutions	−13	−8
Lending to the public	3,934	4,190
Derivatives	−237	−357
Total	**3,684**	**3,825**
of which, interest income from financial assets that is not measured at FVTPL	*3,921*	*4,182*
Interest expense		
Liabilities to credit institutions	13	13
Issued debt securities	−629	−2,586
Subordinated debt[1)]	−429	−524
Derivatives	365	1,840
Resolution fee	−149	−65
Total	**−829**	**−1,322**
of which, interest expense from financial liabilities that is not measured at FVTPL	*−1,194*	*−3,162*
Net interest income	**2,855**	**2,503**

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

NOTE 4 Commission

SEK million	2017	2016
Commission income		
Commission on lending	7	10
Total	**7**	**10**
Commission expense		
Commission on securities	−54	−49
Other commissions	−16	–
Total	**−70**	**−49**
Net commission	**−63**	**39**

NOTE 5 Net result of financial transactions

SEK million	2017	2016
Gains/losses on interest-bearing financial instruments		
Change in value of hedged items in hedge accounting	621	220
Realised gain/loss from financial liabilities	−248	−459
Derivatives in hedge accounting	−663	−113
Other derivatives	168	2
Loan receivables	61	171
Currency translation effects	**0**	**0**
Total	**−61**	**−179**

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 derivatives are to be recognised at fair value.

Major variations in fair value between reporting periods could result in significant changes in carrying amounts 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.

NOTE 6 General administrative expenses

SEK million	2017	2016
Outsourcing expenses [1)]	−757	−716
Other administrative expenses [2)]	−4	−2
Total	**−761**	**−718**

1) SCBC employs a CEO and 25 employees (8) who handle the on-going administration in consultation with the management of the Parent Company. No salary or other remuneration is paid by the company to the CEO or the employees, since the Parent Company is responsible for the ongoing administrative services in accordance with the outsourcing agreement signed between SBAB and SCBC.

2) Fees and remuneration to the Board have been paid by SBAB and the expense then invoiced for to SCBC. The Board of Directors consists of three Board members. For remuneration to Board members, refer to page 32.

FEES AND EXPENSES TO AUDITORS

SEK million	2017	2016
Audit assignment	**−0.7**	**−0.7**
of which, Deloitte	−0.7	−0.5
of which, KPMG	–	−0.2
Audit tasks in addition to audit assignment	**−0.7**	**−0.3**
of which, Deloitte	−0.7	−0.3
Total	**−1.4**	**−1.0**

The audit assignment includes examination of the annual report, the accounting records and the administration by the Board and CEO. The audit assignment also includes consultancy or other assistance resulting from such examination.

Audit tasks in addition to the audit assignment 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.

Cont. NOTE 6 General administrative expenses

REMUNERATION TO THE BOARD

	2017				2016			
SEK thousand	**Period**	**Fees**	**Fees for work on committees**	**Total**	**Period**	**Fees**	**Fees for work on committees**	**Total**
Bo Magnusson, Chairman [1]	1 January–31 December 2017	180	–	180	1 January–31 December 2016	180	–	180
Jakob Grinbaum, Board Member [2]	1 January–9 October 2017	98	–	98	1 January–31 December 2016	130	–	130
Jane Lundgren-Ericsson, Board Member [3]	10 October–31 December 2017	33	–	33	–	–	–	–
Klas Danielsson, Board Member	1 January–31 December 2017	–	–	–	1 January–31 December 2016	–	–	–
		310	**–**	**310**		**310**	**–**	**310**

[1] Bo Magnusson also receives Board fees and fees for work on committees from SBAB of SEK 444 thousand (430) and SEK 79 thousand (77) respectively.
[2] Jakob Grinbaum also receives Board fees and fees for work on committees from SBAB of SEK 161 thousand (215) and SEK 62 thousand (70) respectively.
[3] Jane Lundgren-Ericsson also receives Board fees and fees for work on committees from SBAB of SEK 215 thousand (215) and SEK 57 thousand (70) respectively.

NOTE 7 Net loan losses

SEK million	**2017**	**2016**
CORPORATE MARKET		
Collective provision for corporate market loans		
Allocations to/unwinding of collective provisions	0	9
Guarantees	0	–0
Net income for the year for collective provisions for corporate market loans	**0**	**9**
RETAIL MARKET		
Collective provision for retail market loans		
Write-off of confirmed loan losses for the year	–1	–0
Allocations to/unwinding of collective provisions	7	–18
Guarantees	6	–0
Net income/cost for the year for collective provisions for retail market loans	**12**	**–18**
Net income/cost for the year for loan losses	**12**	**–9**

The guarantees pertain to received or expected receivables from the National Board of Housing, Building and Planning, insurance companies and banks. The unwinding of the collective provisions for retail market loans in 2017 was mainly due to reclassification to better risk classes within the lending portfolio. See also Note 2a Risk management — Credit risk in lending operations.

NOTE 8 Tax

SEK million	**2017**	**2016**
Current tax	–451	–371
Deferred tax on changes in temporary differences	15	29
Total	**–436**	**–342**
The effective tax rate differs from the nominal tax rate in Sweden as below		
Profit before tax	1,984	1,563
Nominal tax rate in Sweden 22%	–436	–344
Tax for prior years and other	0	2
Total tax	**–436**	**1,221**
Effective tax rate, %	22.0	21.9

NOTE 9 Lending to credit institutions

SEK million	**2017**	**2016**
Lending in SEK	150	102
Lending in foreign currency	–	0
Total	**150**	**102**
of which, repos	*150*	*118*

Interest-bearing securities that SCBC purchases with an obligation to sell at a predetermined price are not recognised in the balance sheet, while the purchase price paid is recognised in the balance sheet under Lending to credit institutions. The securities are regarded as collateral received and can be pledged or sold by SCBC. 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 SEK 150 million (118), of which – (–) was pledged or sold.

NOTE 10 Lending to the public

SEK million	2017	2016
Opening balance	244,445	215,774
Transferred from the Parent Company	89,847	54,073
Amortisation, write-offs, redemption, etc.	–22,051	–25,372
Change in provision for probable loan losses	–42	–30
Closing balance	**312,199**	**244,445**
Distribution of lending by property type		
Single-family dwellings and holiday homes	124,629	92,858
Tenant-owners' rights	118,984	87,864
Tenant-owners' associations	45,143	40,316
Private multi-family dwellings	23,103	23,110
Municipal multi-family dwellings	218	213
Commercial properties [1]	122	84
Total	**312,199**	**244,445**
Percentage of lending with a governmental or municipal guarantee, %	0	1

[1] Refers only to mixed-use commercial properties

In the event of early redemption during the fixed-interest period, SCBC has the right to receive interest compensation. In the case of retail loans, the amount of compensation is based on the interest rate for the loan compared to the interest rate for government bonds/treasury bills with comparable maturities up to the interest adjustment date, plus one percentage point. 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 45,279 million (35,598) of SCBC's lending portfolio was mediated by business partners through the Parent Company.

Doubtful loan receivables and provisions, SEK million	2017	2016
a) Doubtful loan receivables	–	–
b) Specific provisions for individually measured loan receivables	–	–
c) Collective provision for corporate market loans	0	1
d) Collective provision for retail market loans	140	97
e) Total provisions (b+c+d)	140	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.

Distribution of doubtful loan receivables and provisions by type of property, SEK	2017 Single-family dwellings and holiday homes	2017 Tenant-owners' rights	2017 Tenant-owners' associations	2017 Private multi-family dwellings	2017 Total	2016 Single-family dwellings and holiday homes	2016 Tenant-owners' rights	2016 Tenant-owners' associations	2016 Private multi-family dwellings	2016 Total
Doubtful loan receivables, gross	–	–	–	–	–	–	–	–	–	–
Individual provisions for loan receivables	–	–	–	–	–	–	–	–	–	–
Collective provision for corporate market loans			–0	–0	–0			–0	–1	–1
Collective provision for retail market loans	–53	–87		–	–140	–37	–60		–	–97
Doubtful loan receivables after individual provisions					–					–

Change in provision for probable loan losses, SEK million	2017 Individual provision for individually measured receivables	2017 Collective provision	2016 Individual provision for individually measured receivables	2016 Collective provision
Provision at the beginning of the year	–	–98	–	–68
Individual provision for the year	–	–	–	
Reversed from previous provisions	–	–	–	
Individual provision utilised for confirmed loan losses	–	–	–	
Allocations to/unwinding of collective provisions	–	–42	–	–30
Provision at the end of the year	**–**	**–140**	**–**	**–98**

NOTE 11 Derivatives

SEK million	2017 Fair value of assets	2017 Fair value of liabilities	2017 Nominal amount	2016 Fair value of assets	2016 Fair value of liabilities	2016 Nominal amount
Derivatives in fair-value hedging						
Interest-rate-related						
– interest-rate swaps	1,263	412	142,751	2,284	591	54,118
Currency-related	37	57	1,699	454	235	14,430
Total	**1,300**	**469**	**144,450**	**2,738**	**826**	**68,548**
Derivatives in cash-flow hedges						
Interest-rate-related						
– interest-rate swaps	388	86	49,904	610	–	31,848
Currency-related	2,032	3	50,462	936	–	31,569
Total	**2,420**	**89**	**100,366**	**1,546**	**–**	**63,417**
Other derivatives						
Interest-rate-related						
– interest-rate swaps	95	16	19,515	125	44	63,998
Currency-related	47	–	542	33	1	603
Total	**142**	**16**	**20,057**	**158**	**45**	**64,601**

Derivatives allocated by remaining maturity, carrying amounts, SEK million	2017 Fair value	2017 Nominal amount	2016 Fair value	2016 Nominal amount
Maximum 3 months	21	11,950	466	28,090
3–12 months	106	40,525	–80	13,230
1–5 years	2,465	155,548	2,684	129,451
Longer than five years	696	56,850	501	25,795
Total	**3,288**	**264,873**	**3,571**	**196,566**

NOTE 12 Classification of financial instruments

FINANCIAL ASSETS

SEK million	2017 Assets measured at FVTPL (held for trading)	Loan receivables	Total	Total fair value
Lending to credit institutions		150	150	150
Lending to the public		312,199	312,199	312,789
Value changes of interest-rate-risk hedged items in macro hedges		224	224	–
Derivatives	3,862		3,862	3,862
Other assets		30	30	30
Prepaid expenses and accrued income		116	116	116
Total	**3,862**	**312 719**	**316,581**	**316,947**

Cont. NOTE 12 Classification of financial instruments

SEK million	2016 Assets measured at FVTPL (held for trading)	Loan receivables	Total	Total fair value
Lending to credit institutions		102	102	102
Lending to the public		244,445	244,445	245,366
Value changes of interest-rate-risk hedged items in macro hedges		485	485	–
Derivatives	4,442		4,442	4,442
Other assets		27	27	27
Prepaid expenses and accrued income		105	105	105
Total	**4,442**	**245,164**	**249,606**	**250,042**

FINANCIAL LIABILITIES

SEK million	2017 Liabilities measured at FVTPL (held for trading)	Other financial liabilities	Total	Total fair value
Liabilities to credit institutions		955	955	955
Issued debt securities, etc.		204,153	204,153	204,846
Derivatives	574		574	574
Other liabilities		21	21	21
Accrued expenses and deferred income		1,430	1,430	1,430
Subordinated debt to the Parent Company		92,593	92,593	92,593
Total	**574**	**299,152**	**299,726**	**300,419**

SEK million	2016 Liabilities measured at FVTPL (held for trading)	Other financial liabilities	Total	Total fair value
Liabilities to credit institutions		498	498	498
Issued debt securities, etc.		175,933	175,933	177,674
Derivatives	871		871	871
Other liabilities		13	13	13
Accrued expenses and deferred income		1,612	1,612	1,612
Subordinated debt to the Parent Company		55,123	55,123	55,123
Total	**871**	**233,179**	**234,050**	**235,791**

Fair value measurement of financial instruments

The measurement policies for financial instruments recognised at fair value in the balance sheet are provided in Note 1 Accounting Policies. In the "Total fair value" column above, information is also provided on the fair value of financial instruments that are recognised at amortised cost in the balance sheet. The carrying amounts for current receivables and liabilities, including subordinated debt to the Parent Company, have been assessed as equal to their fair values. Investments held to maturity were measured at quoted prices, Level 1. Issued debt securities and subordinated debt are measured at the company's current borrowing rate, Level 2. For Lending to the public, where no observable credit margin data is available at the time of measurement, the credit margin on the most recent date for changes in terms is applied to set the discount rate, Level 3.

NOTE 13 Fair Value Disclosures

SEK million	2017 Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total	2016 Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total
Assets								
Derivatives	–	3,862	–	3,862	–	4,442	–	4,442
Total	**–**	**3,862**	**–**	**3,862**	**–**	**4,442**	**–**	**4,442**
Liabilities								
Derivatives	–	574	–	574	–	871	–	871
Total	**–**	**574**	**–**	**574**	**–**	**871**	**–**	**871**

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.

No transfers were made between levels in 2016 and 2017.

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 measurement method is currently not used on any asset or liability.

Measurement based on observable market data (Level 2)
Measurement aided by external market information other than quoted prices included in Level 1, such as quoted interest rates or prices for closely related instruments. The main tools used are models based on discounted cash flows.

This group includes all non-quoted derivatives.

Measurement based in part on unobservable market data (Level 3)
Measurement whereby a material input in 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 Offsetting disclosures

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.

SEK million	2017 Amounts reported in the balance sheet	Financial instruments	Provided (+)/ Received (-) collateral – securities	Provided (+)/ Received (-) cash collateral	Net amount
Assets					
Derivatives	3,862	–574	–	–23	3,265
Repos	150	–150	–	–	–
Liabilities					
Derivatives	–574	574	–	–	–
Repos	–929	150	774	–	–5
Total	**2,509**	**–**	**774**	**–23**	**3,260**

SEK million	2016 Amounts reported in the balance sheet	Financial instruments	Provided (+)/ Received (-) collateral – securities	Provided (+)/ Received (-) cash collateral	Net amount
Assets					
Derivatives	4,442	–730	–	–	3,712
Repos	118	–118	–	–	–
Liabilities					
Derivatives	–871	730	–	–	–141
Repos	–498	118	–380	–	–
Total	**3,191**	**–**	**–380**	**–**	**3,571**

To limit the potential counterparty credit risk associated with derivative transactions involving non-standardised derivatives that are not cleared by clearing organisations approved by the Swedish FSA (in accordance with FFFS 2007:1), a framework agreement is to be entered into with the counterparty. Where appropriate, such framework agreements, which are known as ISDA Master Agreements or similar agreements, have been supplemented with associated collateral agreements, known as a Credit Support Annex (CSA). A CSA must always be established for counterparties entering into derivative contracts with SCBC.

Cont. NOTE 14 Offsetting disclosures

Counterparty risk is reconciled on a daily basis for all counterparties. Reconciliation is performed on a daily basis or on a weekly basis if a CSA has been entered into. When CSAs are in place, collateral is pledged to reduce net exposures. 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. Repos are recognised in the balance sheet under the headings Lending and Liabilities to credit institutions, respectively.

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	2017	2016
Tax assets	–	370
Other	30	12
Total	**30**	**382**
Other assets distributed by remaining maturity, carrying amount		
Maximum 1 year	30	382
Total	**30**	**382**

NOTE 16 Prepaid expenses and accrued income

SEK million	2017	2016
Accrued interest income	81	86
Other accrued income	38	19
Total	**119**	**105**
Prepaid expenses and accrued income distributed by remaining maturity, carrying amount		
Maximum 1 year	107	100
More than 1 year	12	5
Total	**119**	**105**

NOTE 17 Liabilities to credit institutions

SEK million	2017	2016
Liabilities in SEK	995	498
Liabilities in foreign currencies	–	0
Total	**995**	**498**
of which, repos	*929*	*498*

NOTE 18 Issued debt securities, etc.

SEK million	2017	2016
Bond loans		
Bond loans in SEK		
– at amortised cost	*58,353*	*59,087*
– in fair-value hedging	*90,988*	*70,568*
Bonds loans in foreign currency		
– at amortised cost	*53,136*	*32,913*
– in fair-value hedging	*1,676*	*13,365*
Total issued debt securities	**204,153**	**175,933**
of which, covered bonds	*204,153*	*175,933*

See also the Funding section, page 5.

NOTE 19 Other liabilities

SEK million	2017	2016
Liabilities to employees	12	13
Other	43	–
Total	**55**	**13**
Liabilities outstanding allocated by remaining maturity, carrying amounts		
Maximum 1 year	55	13
Total	**55**	**13**

NOTE 20 Accrued expenses and deferred income

SEK million	2017	2016
Accrued interest expense	1,376	1,568
Other accrued expenses	54	44
Total	**1,430**	**1,612**
Accrued expenses and deferred income distributed by remaining maturity, carrying amounts		
Maximum 1 year	1,430	1,612
Total	**1,430**	**1,612**

NOTE 21 Deferred tax

SEK million	2017	2016
Deferred tax assets (+)/tax liabilities (-) for temporary differences in:		
Stock of financial instruments	–20	–34
Hedging instruments	–19	–156
Total	**–39**	**–190**
Change in deferred tax		
Deferred tax in the income statement	15	29
Deferred tax attributable to items recognised directly against other comprehensive income	136	–88
Total	**151**	**–59**
Deferred tax distributed by expected maturity date, carrying amount		
More than 1 year	–39	–190
Total	**–39**	**–190**

NOTE 22 Subordinated debt to the Parent Company

SEK million	2017	2016
Subordinated debt to the Parent Company	92,593	55,123
Total	**92,593**	**55,123**

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

NOTE 23 Equity

The share capital amounted to SEK 50,000,000. At 31 December 2017, the number of shares was 500,000 (500,000), each with a quotient value of SEK 100. All shares are held by the Parent Company, SBAB Bank AB (publ), Corp. Reg. No. 556253-7513. Unrestricted equity in SCBC amounts to SEK 16,735 million (15,670). Dividends are proposed by the Board in accordance with provisions in the Companies Act and are resolved by the Annual General Meeting, refer to Note 26 Proposed appropriation of profits.

Further information on changes in equity is provided on page 17.

STATEMENT OF CHANGES IN THE FAIR VALUE RESERVE

Fair value reserve, SEK million	2017	2016
Cash-flow hedges, opening balance	**552**	**241**
Unrealised change in value over the year	1,072	735
Reclassified to profit or loss during the year	–1,690	–336
Tax attributable to the change	136	–88
Cash-flow hedges, closing balance	**70**	**552**
Total	**70**	**552**

NOTE 24 Assets pledged for own liabilities

SEK million	2017	2016
Loan receivables	282,026	240,086
Repos	–	–
Total	**282,026**	**240,086**

Of the total lending portfolio, see Note 10 and Note 9 "Lending to credit institutions," the values reported above represent the carrying amount for the cover pool for covered bonds, which amounted to SEK 204.2 billion (175.9).

Loan receivables pledged as collateral mainly 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 Related party disclosures

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

LOANS TO THE BOARD, CEO AND OTHER KEY SENIOR EXECUTIVES

	2017		2016	
SEK million	Lending	Interest income	Lending	Interest income
Loans to key personnel				
CEO	–	–	–	–
Board of Directors	–	–	–	–
Other key senior executives	2	0	6	0
Total	**2**	**0**	**6**	**0**

The Parent Company SBAB has lending to key personnel at SCBC. Lending to key personnel is not permitted on terms that are not available to other personnel. The ceiling for total capital debt on preferential terms is SEK 2,000,000 per household on the condition that the loan is within 85% of the property's LTV. On preferential loans of up to SEK 2,000,000, a 2 percentage point discount is given against SBAB's current list rate. The preferential loan is a taxable benefit. The interest rate received after the discount must not be less than 0.25%.

	2017		2016	
SEK million	Deposits	Interest expense	Deposits	Interest expense
Deposits from key personnel				
CEO and other key senior executives	–	–	–	–
Board of Directors	2	0	–	–
Total	**2**	**0**	**–**	**–**

The Parent Company SBAB has deposits from key personnel at SCBC. Deposits from key personnel are made on the same terms and conditions as other deposits at SBAB.

Cont. NOTE 25 Related party disclosures

Related-party transactions in the SBAB Group
SBAB Bank AB (the Parent Company) is a Swedish public limited company that is wholly owned by the Swedish state.
Related-party transactions are conducted at market terms.

	SBAB BANK AB		TOTAL	
	2017			
SEK million	**Assets/ Liabilities**	**Interest income/ Interest expense**	**Assets/ Liabilities**	**Interest income/ Interest expense**
Derivatives	3,697	901	3,697	901
Other assets	–	–	–	–
Total	**3,697**	**901**	**3,697**	**901**
Liabilities to credit institutions	92,593	−429	92,593	−429
Derivatives	574	−106	574	−106
Other liabilities	89	–	89	–
Total	**93,256**	**–535**	**93,256**	**–535**

	SBAB BANK AB		TOTAL	
	2016			
SEK million	**Assets/ Liabilities**	**Interest income/ Interest expense**	**Assets/ Liabilities**	**Interest income/ Interest expense**
Derivatives	3,826	1,215	3,826	1,215
Other assets	–	–	–	–
Total	**3,826**	**1,215**	**3,826**	**1,215**
Liabilities to credit institutions	55,123	−524	55,123	−524
Issued debt securities, etc.	–	–	–	–
Derivatives	645	−434	645	−434
Other liabilities	2	–	2	–
Total	**55,770**	**–958**	**55 770**	**–958**

Of SCBC's commission expense, SEK 14 million (26) pertained to the possibility for SCBC to utilise a liquidity facility at the Parent Company. Of the company's general administrative costs, SEK 757 million (716) represented compensation to the Parent Company for administrative services rendered in accordance with an outsourcing agreement.

NOTE 26 Proposed appropriation of profits

SCBC posted a net profit for the year after tax of SEK 1,546,453,582. According to the balance sheet, SEK 16,735,014,075 is at the disposal of the Annual General Meeting.

Shareholder contribution	9,550,000,000
Fair value reserve	69,610,502
Retained earnings	5,568,949,991
Net profit for the year	1,546,453,582
Total	**16,735,014,075**

The Board proposes that the earnings be appropriated as follows:

Carried forward to next year	16,735,014,075
Total	**16,735,014,075**

THE BOARD OF DIRECTORS' SIGNATURES

The Board and the CEO certify that the annual accounts were prepared in accordance with the Swedish 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 company'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 sufficient in relation to the scope and risks of the operations.

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

Solna, 21 March 2018

Bo Magnusson
Chairman of the Board

Jane Lundgren-Ericsson
Board Member

Klas Danielsson
Board Member

Mikael Inglander
CEO

Our audit report was submitted on 21 March 2018

Deloitte AB
Patrick Honeth
Authorised Public Accountant

AUDITOR'S REPORT

To the general meeting of the shareholders of Swedish Covered Bond Corporation (publ)
(SCBC) corporate identity number 556645-9755

REPORT ON THE ANNUAL ACCOUNTS

Opinions

We have audited the annual accounts of Swedish Covered Bond Corporation (publ) (SCBC) for the financial year 2017-01-01–2017-12-31 except for the corporate governance statement on pages 8–11. The annual accounts of the company are included on pages 2–7 and 12–40 in this document.

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 the company as of 31 December 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. Our opinions do not cover the corporate governance statement on pages 8-11. The statutory administration report is consistent with the other parts of the annual accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the company.

Our opinions in this report on the annual accounts are consistent with the content of the additional report that has been submitted to the company's Board of Directors in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the company in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts as a whole, but we do not provide a separate opinion on these matters.

Judgments and estimates with respect to valuation of loan receivables

Recognition and measurement of financial instruments as regulated in IAS 39 is a complex and significant area with large impact on SCBC's business and financial reporting. SCBC's management exercises significant judgment when determining both when and how much to record as loan loss provisions. Example of various assumptions and judgments includes the financial condition of the counterparty, expected future cash flow, observable market prices and expected net selling prices. The use of different modelling techniques and assumptions could produce significantly different estimates of loan loss provisions. Furthermore, the associated disclosures are complex and dependent on high quality data.

At December 31, 2017, gross loans to the public amounted to SEK 312 199 million, with loan loss provisions of SEK 140 million. Given the significance of loans to the public (representing 99% of total assets) as well as the impact from the inherent uncertainty and subjectivity involved in assessing loan loss provisions, we consider this to be a key audit matter for our audit.

Refer to accounting principles regarding critical judgments and estimates in note 1 in the financial statement and related disclosures of credit risk in note 2a.

Our audit procedures included, but were not limited to:

- We assessed key controls over the approval, recording and monitoring of loans and receivables, and evaluating the methodologies, inputs and assumptions used in determining and calculating the loan loss provisions.
- For provisions calculated on an individual basis we examined a selection of individual loan exposure in detail, and evaluated management assessment of the recoverable amount. We tested the assumptions underlying the impairment, including forecast of future cash flows, valuation of underlying collateral and estimates of recovery on default. We examined a selection of loans that had been identified by management as potentially impaired.
- We examined the sufficiency of the underlying models, assumptions and data used to measure loan loss provisions for portfolios of loans with similar credit characteristics. Likewise we have examined the models, assumptions and data used for the collective impairment for incurred but not identified loss events.
- Finally, we assessed the completeness and accuracy of the disclosures relating to loan loss provision to assess compliance with disclosure requirements included in IFRS.

Application of hedge accounting

Several criteria's in IAS 39 has to be fulfilled to be able to qualify for hedge accounting, including documentation of the characteristics and purpose of the hedge and regular testing performed on the effectiveness of the hedge. Given the complexity of the regulation for hedge accounting this is an area with higher risks for banks.

SCBC has chosen to use hedge accounting for hedging of interest and currency risk and applies hedging of fair value, macro hedge and cash flow hedges.

At December 31, 2017, effects of hedge accounting in Net result of financial items measured at fair value amounted to SEK −663 million, and in Other comprehensive income of SEK −618 million.

Given the complexity in the regulation for hedge accounting and the subjectivity involved in the judgements made, we consider this to be a key audit matter for our audit.

Refer to accounting principles regarding critical judgments and estimates in note 1 in the financial statement and related disclosures of market risk in note 2d.

Our audit procedures included, but were not limited to:

- We assessed key controls over the documentation and overview of hedge relations and their initial and on-going effectiveness.
- We evaluated the hedge documentation and relations to assess if the hedges were appropriately designed in accordance with IFRS.
- We evaluated management's assessment of the effectiveness of the hedges, and assessment and accounting for ineffectiveness in hedges.
- Finally, we assessed the completeness and accuracy of the disclosures relating to hedge accounting to assess compliance with disclosure requirements included in IFRS.

IT-systems that support complete and accurate financial reporting

SCBC is dependent on their IT-systems to (1) serve customers, (2) support their business processes, (3) ensure complete and accurate processing of financial transactions and (4) support the overall internal control framework. Many of SCBC's internal controls over financial reporting are depending upon automated application controls and completeness and integrity of reports generated by the IT-systems. Given the high dependency on technology, we consider this to be a key audit matter for our audit.

SCBC categorises their key IT-risk and control domains relating to financial reporting in the following sections:

- Modifications to the IT-environment
- Operations and monitoring of the IT-environment
- Information security

Modifications to the IT-environment

Inappropriate modifications to the IT-environment may result in systems that do not function as expected and result in unreliable data processing with impact on financial reporting. Hence SCBC has implemented processes and controls to support that changes to the IT-environment are appropriately implemented and function consistently with management's intentions.

Our audit procedures included, but were not limited to:

- We assessed management principles and processes for modifications to the IT-environment.
- We assessed management monitoring of modifications in the IT-environment.
- We evaluated segregations of duties.

Operations and monitoring of the IT-environment

Inappropriate operation and monitoring of the IT- environment may result in the inability to prevent or detect incorrect data processing. Hence SCBC has implemented processes and controls to support that IT-environment is monitored continuously and that incorrect data processing is identified and corrected.

Our audit procedures included, but were not limited to:

- We evaluated the appropriateness of IT-System job scheduling and alarm configuration capabilities.
- We evaluated the process for monitoring IT-System.

Information security

If physical and logical security tools and controls are not implemented and configured appropriately, key control activities may be ineffective, desired segregation of duties may not be maintained, and information may be modified inappropriately, become unavailable or disclosed inappropriately. This is of particular importance considering the current cyber threat level. Hence SCBC has implemented processes and controls to support that information is safeguarded through access controls and that known vulnerabilities are managed timely.

Our audit procedures included, but were not limited to:

- We evaluated the process for identity and access management, including access granting, change and removal.
- We evaluated the appropriateness of processes and tools to ensure availability of data as per user requests and business requirements, including data back-up and restore procedures.
- We evaluated the appropriateness of controls for security governance to protect systems and data from unauthorised use, including logging of security events and procedures to identify known vulnerabilities

Other information than the annual accounts
This document also contains other information than the annual accounts and is found on page 1. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

In preparing the annual accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility
Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

A further description of our responsibilities for the audit of the annual accounts is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisornsansvar. This description forms part of the auditor's report.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts, we have also audited the administration of the Board of Directors and the Managing Director of Swedish Covered Bond Corporation (publ) for the financial year 2017-01-01–2017-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to 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.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the company in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

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. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's type of operations, size and risks place on the size of the company's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Banking and Financing Business Act, the Annual Accounts Act for Credit Institutions and Securities Companies or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibilities for the audit of the annual accounts is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisornsansvar. This description forms part of the auditor's report.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 8–11 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and are in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies.

Deloitte AB was appointed auditor of Swedish Covered Bond Corporation (publ) by the general meeting of the shareholders on the 24th of April 2017 and has been the company's auditor since 28th pf April 2016.

Stockholm March 21, 2018
Deloitte AB

Patrick Honeth
Authorised Public Accountant

ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures (APMs) are financial metrics of historical or future performance, financial position or cash flows that are not defined in the applicable rules for financial reporting (for example, IFRS and the Swedish Annual Accounts Act) or in the EU's Capital Requirements Directive (CRD IV)/Capital Requirements Regulation (CRR).

SCBC uses APMs when these are relevant for the presentation and follow-up of the Group's financial position and when these metrics are deemed to provide additional valuable information to readers of the financial reports. SCBC has also chosen to present the APMs as they are in common use within the industry. APMs can be calculated with various approaches and, accordingly, SCBC's metrics are not directly comparable with similar metrics presented by other companies.

Loan loss ratio

Definition: Loan losses in relation to total lending (closing balances).

The APM aims to provide the reader with further information regarding the relative ratio of loan losses to total lending.

SCBC	2017	2016
Loan losses, SEK million	12	–9
Lending to the public, SEK million	312,199	244,445
Loan loss ratio, %	**0.00**	**–0.00**

Return on equity

Definition as of 31 March 2017: Earnings after tax in relation to average (calculated using the opening and closing balances) equity, after adjustment for additional Tier 1 instruments and value changes in financial assets recognised in equity.

Definition prior to 31 March 2017: Earnings after tax in relation to average (calculated using the opening and closing balances) equity, after adjustment for additional Tier 1 instruments.

Previously recognised figures have not been restated as per the definition from 31 March 2017.

The APM aims to provide the reader with further information regarding SCBC's profitability. The revised definition also follows established industry practice.

SCBC	2017	2016
Operating profit after tax, SEK million	1,546	1,221
Average equity, SEK million	15,942	14,955
Return on equity, %	**9.7**	**8.2** [1)]

[1)] For the full-year 2016, return on equity amounted to 8,4% according to the revised definition.

Net interest margin

Definition: Net interest income in relation to average (calculated using the opening and closing balances for the reporting period) total assets.

The APM aims to provide the reader with further information regarding SCBC's profitability.

SCBC	2017	2016
Net interest income, SEK million	2,855	2,503
Average total assets, SEK million	283,273	236,636
Net interest margin, %	**1.01**	**1.06**

C/I ratio

Definition: Total operating expenses, excluding loan losses, in relation to total operating income.

The APM aims to provide the reader with further information regarding SCBC's cost/efficiency.

SCBC	2017	2016
Total operating expenses, excluding loan losses, SEK million	–761	–720
Total operating income, SEK million	2,731	2,292
C/I ratio, %	**28**	**31**

Definitions of other key performance indicators

Number of employees	Number of employees
Return on assets	Operating profit/loss after tax, in relation to average total assets
CET1 capital ratio	CET1 capital in relation to risk-weighted assets
Total capital ratio	Own funds in relation to risk-weighted assets
Tier 1 capital ratio	Tier 1 capital in relation to 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

SCBC

Covered Bonds of SBAB