

SCBC Year-end Report

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

January–December 2015 (January–December 2014)

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

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

Operations

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

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

Financial performance

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

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

¹⁾ Without transition rules

Operating profit

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

Net interest and net commission

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

Expenses

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

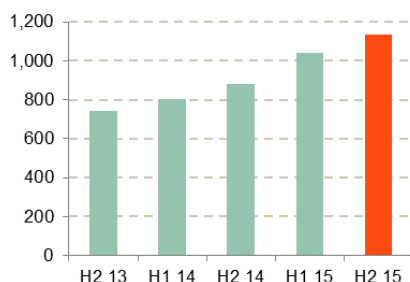
Loan losses

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

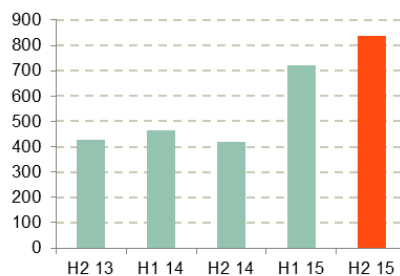
Net income/expense from financial transactions

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

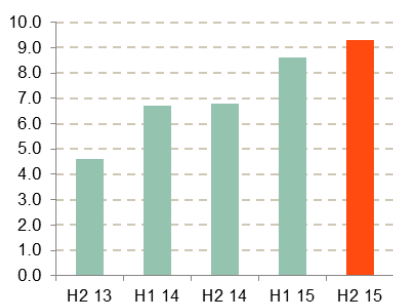
Operating income, excluding net income/expense from financial instruments (SEK million)



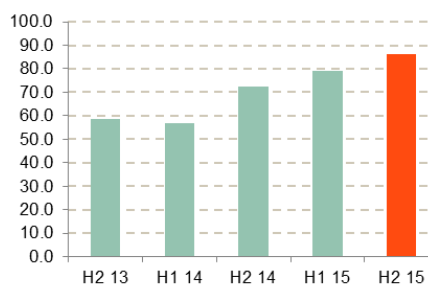
Operating profit/loss, excluding net income/expense from financial instruments (SEK million)



Return on equity (%)



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



Lending

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

Information regarding SCBC's lending, the cover pool, is published monthly on the website www.sbab.se.

Funding

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

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

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

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

Capital adequacy and risk

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

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

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

Other significant information

Risks and uncertainties

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

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

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

Financial calendar

Interim report January–June 2016
Year-end report 2016

19 July 2016
8 February 2017

Review Report

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

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

Solna, 4 February 2016

Mikael Ingländer
CEO

Contacts

For further information, contact Mikael Ingländer, CEO, +46 8 614 43 28, mikael.inglander@sbab.se.

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

Income statement

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

Statement of comprehensive income

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

Balance sheet

SEK million	31/12/2015	31/12/2014
ASSETS		
Lending to credit institutions	1,219	2,841
Lending to the public (Note 4)	215,774	217,579
Change in value of interest-rate-hedged items in portfolio hedges	717	1,193
Derivative instruments (Note 5)	4,784	6,315
Deferred tax assets	-	17
Other assets	695	329
Prepaid expenses and accrued income	122	175
TOTAL ASSETS	223,311	228,449
LIABILITIES AND EQUITY		
Liabilities		
Liabilities to credit institutions	2,143	4,080
Debt securities in issue	187,280	174,986
Derivative instruments (Note 5)	2,437	2,866
Other liabilities	10	19
Accrued expenses and prepaid income	2,201	2,472
Deferred tax liabilities	131	-
Subordinated debt to the Parent Company (Note 8)	14,920	31,181
Total liabilities	209,122	215,604
Equity		
Restricted equity		
Share capital	50	50
Shareholder contribution	9,550	9,550
Total restricted equity	9,600	9,600
Unrestricted equity		
Fair value reserve	241	100
Retained earnings	3,145	2,307
Profit for the period	1,203	838
Total unrestricted equity	4,589	3,245
Total equity	14,189	12,845
TOTAL LIABILITIES AND EQUITY	223,311	228,449
Memorandum items		
Assets pledged for own liabilities	211,420	211,651

Statement of changes in equity

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

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

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

Cash flow statement

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

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

Own funds

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

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

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

Capital requirements

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

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

Capital adequacy

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

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

Notes

Note 1 Accounting policies

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

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

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

Note 2 Net income/expense from financial transactions

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

Fair value recognition

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

Note 3 Loan losses, net

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

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

Note 4 Lending to the public

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

*Refers only to non-pure commercial properties

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

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

Note 5 Derivative instruments

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

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

Note 6 Classification of financial instruments

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

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

Fair value measurement of financial instruments

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

Note 7 Information about fair value

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

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

Quoted market prices (Level 1)

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

Measurement based on observable data (Level 2)

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

Measurement based in part on unobservable data (Level 3)

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

Note 8 Subordinated debt to Parent Company

SEK million	31/12/2015	31/12/2014
Subordinated debt to the Parent Company	14,920	31,181
Total	14,920	31,181

Terms and conditions governing subordination

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

Review Report

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

Introduction

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

The direction and extent of the review

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

Opinion

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

Stockholm, 4 February 2016

KPMG AB

Anders Tagde

Authorised Public Accountant