SCBC Year-end Report

1 Jan-31 Dec 2013 | The Swedish Covered Bond Corporation, SCBC

July-December 2013 (Jan-Jun 2013)

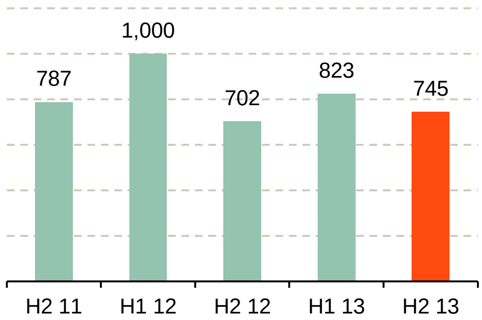
- Profit excl. net result from financial transactions amounted to SEK 429 million (504)
- Operating profit totalled SEK 336 million (405)
- NII amounted to SEK 787 million (864)
- Expenses totalled SEK 314 million (342)
- Loan losses amounted to SEK 2 million (positive 23), corresponding to a loan loss level of 0.00 percent (-0.02)
- The Core Tier 1 capital ratio was 58.8 percent (55.5) without taking the transitional regulations into account and 10.6 percent (10.5) taking the transitional regulations into account

January-December 2013 (Jan-Dec 2012)

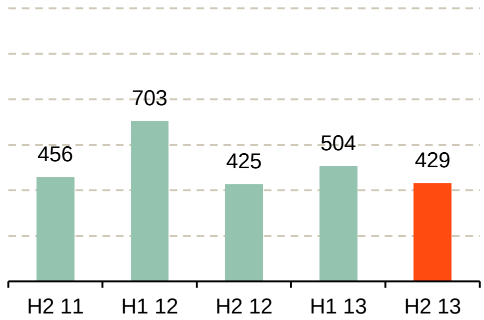
- Profit excl. net result from financial transactions amounted to SEK 933 million (1,128)
- Operating profit totalled SEK 741 million (-194)
- NII amounted to SEK 1,651 million (1,787)
- Expenses totalled SEK 656 million (587)
- Loan losses amounted to a positive SEK 21 million (positive 13), corresponding to a loan loss level of -0.01 percent (-0.01)
- The Core Tier 1 capital ratio was 58.8 percent (33.6) without taking the transitional regulations into account and 10.6 percent (10.3) taking the transitional regulations into account

- All funding programmes continue to have the highest credit rating from both Moody’s and S&P

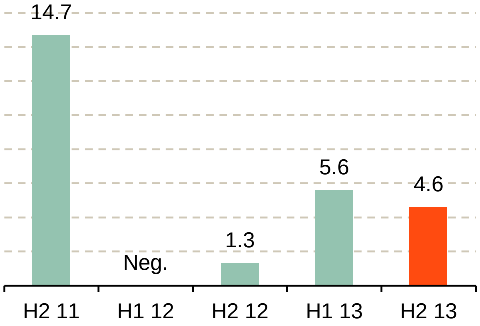
Operating income, excluding net result from financial transactions (SEK million)



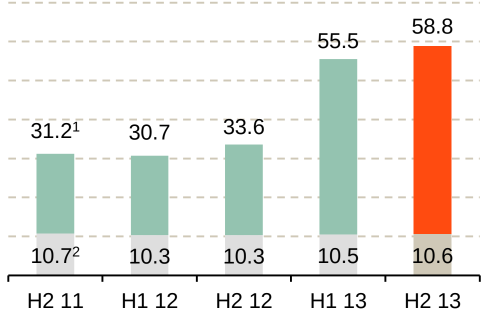
Operating profit, excluding net result from financial transactions (SEK million)



Return on equity (percent)



Core Tier 1 capital ratio without[1] and with[2] transitional regulations (percent)



Operations

The Swedish Covered Bond Corporation, SCBC, is a wholly owned subsidiary of SBAB Bank AB (publ), “SBAB”.

SCBC’s operations focus primarily on the issuance of covered bonds in Swedish and international capital markets. The operation shall be conducted in such a manner as to comply with the requirements specified in the Covered Bonds Act (2003:1223) pertaining to the issuance of covered bonds and the Swedish Financial Supervisory Authority’s regulation FFFS 2013:1.

Financial performance

Performance for January-December 2013 compared with January-December 2012

Summary **SEK million**	**2013** **Jan-Dec**	**2012** **Jan-Dec**
Net interest income	1,651	1,787
Net commission income	-83	-86
Net result from financial transactions (Note 2)	-192	-1,322
Other operating income	-	1
Total operating income	**1,376**	**380**
Costs	-656	-587
Loan losses, net (Note 3)	21	13
Operating profit/loss	**741**	**-194**
Operating profit excl. net result from financial transactions	***933***	***1,128***
Tax	-171	52
Profit/loss for the period	**570**	**-142**
Balance sheet items		
Lending to the public, SEK billion	210.0	208.9
Key figures		
Core Tier 1 Capital ratio[1)]	58.8%	33.6%
Rating, long-term funding		
Standard & Poor's	AAA	AAA
Moody's	Aaa	Aaa

[1)] *Without transitional regulations*

Operating result
SCBC’s operating profit excluding net result from financial transactions decreased by 17 percent to SEK 933 million (1,128). The decline in profit derived mainly from lower net interest income and higher costs. SCBC’s operating profit amounted to SEK 741 million (loss -194). The increase is primarily attributable to the change in net result from financial transactions.

Net interest income and commission expense
SCBC’s net interest income amounted to SEK 1,651 million (1,787). The lower net interest income is mainly due to an increase in SCBC’s funding costs for the unsecured funding. Net commission amounted to an expense of SEK -83 million (-86), including a fee of SEK -62 million (-63) for the government stability fund.

Expenses
SCBC’s expenses totalled SEK 656 million (587). The increase in expenses is largely attributable to higher costs totalling SEK 579 million (514) for payment to SBAB for administrative services provided in accordance with an outsourcing agreement, along with payment to SBAB for the management of loans amounting to SEK 75 million (70) transferred from SBAB to SCBC granted by Frispar Bolån AB.

Loan losses
Loan losses amounted to a positive SEK 21 million (positive 13). This outcome is due to the redemption of collective provisions.

Net result of financial transactions

Net result from financial transactions amounted to an expense of SEK -192 million (-1,322). The single largest factor impacting earnings was unrealised market-value changes on basis swaps. Basis swaps are used to minimise interest-rate and currency risks that arise in conjunction with funding in foreign currency. For further information on fair-value recognition of derivative instruments, see Note 2.

Lending

SCBC does not conduct any new lending activities itself, and instead acquires loans from SBAB on an ongoing basis or as required. The aim of securing these loans is to increase the collateral for investors who are holders of SCBC's covered bonds. SCBC's lending portfolio comprises loans for residential mortgages, with the retail market as the largest segment.

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.

The company 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 Program (EMTCN program), and an AUD 4 billion Australian Covered Bonds Issuance Programme. All programmes have received the highest possible long-term ratings of Aaa and AAA from the rating agencies Moody's and Standard & Poor's.

Covered bonds are still the SBAB Group's principal source of funding, and at 31 December 2013, the total value of debt securities in issue under SCBC's lending programme was SEK 152.7 billion (152.9), distributed as follows: Swedish covered bonds SEK 91.4 billion (92.5) and the Euro Medium Term Covered Note Programme SEK 61.3 billion (60.4). During the year securities valued at SEK 29.8 billion were issued. At the same time, securities valued at SEK 16.6 billion were repurchased, while securities for SEK 11 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 decline in value by SEK 0.2 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 capital adequacy ratio and Core Tier 1 capital ratio under Pillar 1, with consideration for transitional regulations, amounted to 10.6 percent (10.3) at 31 December 2013. Without consideration for transitional regulations, the capital adequacy ratio and Core Tier 1 capital ratio amounted to 58.8 percent (33.6). The increase is attributable to exposures to tenant-owner associations with turnover of less than EUR 50 million now being classified as household exposures. For information concerning other capital ratios, refer to the table on pages 8-9.

Due to the low risk in SCBC's operations the company is also assessed to be well capitalised in accordance with expected Basel III regulations.

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 its assets since the operation 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 is showing stable growth, underpinned by low inflation, low interest rates and rising stock market and property prices. The Swedish economy is sensitive to global economic developments and to conditions on the international financial markets. Risks regarding these factors are assessed to have decreased in recent months, however they remain significant. A strained housing market and high household indebtedness result in the economy also being sensitive to changes in interest rates and house prices. The risks associated with these factors are expected to increase as long as housing prices and indebtedness continue to rise faster than incomes. For further information on SCBC's risks and risk management, please refer to the Risk Management section and Note 2 in the 2012 Annual Report.

Events after the balance-sheet date

On 13 January 2014, it was announced that Carl-Viggo Östlund, who has been CEO of SBAB and Chairman of SCBC since 2012, is leaving the bank. Since that date, former board member of SBAB Per Anders Fasth has been acting CEO of SBAB.

Due to the change of SBAB's CEO, SCBC held an extraordinary general meeting on 13 January 2014 to elect a new Board of Directors. Jakob Grinbaum (Chairman of the Board), Per Anders Fasth, Christine Ehnström, Per Olov Dahlstedt and Sarah Bucknell were elected to the new Board of Directors.

Financial calendar

The Annual Report for 2013 will be published on the company's website in the week beginning 24 March 2014.

Interim report January–June	18 July 2014
Year-end report 2014	February 2015

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.

Stockholm, 6 February 2014

Lennart Krän
CEO

For further information, contact CEO Lennart Krän, +46 8 614 43 28, lennart.kran@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 7 February 2014 at 9.00 A.M. (CET).

Income statement

SEK million	2013 Jan-Dec	2013 Jul-Dec	2013 Jan-Jun	2012 Jan-Dec
Interest income	6,211	3,079	3,132	7,902
interest expense	-4,560	-2,292	-2,268	-6,115
Net interest income	**1,651**	**787**	**864**	**1,787**
Commission income	8	4	4	10
Commission expense	-91	-46	-45	-96
Net result from financial transactions (Note 2)	-192	-93	-99	-1,322
Other operating income	-	-	-	1
Total operating income	**1,376**	**652**	**724**	**380**
General administrative expenses	-655	-313	-342	-586
Other expenses	-1	-1	-0	-1
Total expenses before loan losses	**-656**	**-314**	**-342**	**-587**
Protit/loss before loan losses	**720**	**338**	**382**	**-207**
Loan losses, net (Note 3)	21	-2	23	13
Operating profit/loss	**741**	**336**	**405**	**-194**
Tax	-171	-74	-97	52
Profit/loss for the period	**570**	**262**	**308**	**-142**

Statement of comprehensive income

SEK million	2013 Jan-Dec	2012 Jul-Dec	2012 Jan-Jun	2012 Jan-Dec
Profit/loss for the period	**570**	**262**	**308**	**-142**
Other comprehensive income, net after tax	-	-	-	-
Total comprehensive income for the period	**570**	**262**	**308**	**-142**

Balance sheet

SEK million	31/12/2013	31/12/2012
ASSETS		
Lending to credit institutions	11,179	10,054
Lending to the public (Note 4)	209,982	208,875
Change in value of interest-rate-hedged items in portfolio hedges	1,164	2,129
Derivative instruments (Note 5)	4,631	9,578
Other assets	866	197
Prepaid expenses and accrued income	217	244
TOTAL ASSETS	**228,039**	**231,077**
LIABILITIES AND EQUITY		
Liabilities		
Liabilities to credit institutions	14,644	15,084
Debt securities in issue	152,656	152,874
Derivative instruments (Note 5)	5,617	9,806
Other liabilities	10	17
Accrued expenses and prepaid income	2,702	2,896
Deferred tax liabilities	388	7
Subordinated debt to the Parent Company (Note 9)	40,115	39,602
Total liabilities	**216,132**	**220,286**
Equity		
Share capital	50	50
Shareholder contribution	9,550	9,550
Retained earnings	1,737	1,333
Profit/loss for the year	570	-142
Total equity	**11,907**	**10,791**
TOTAL LIABILITIES AND EQUITY	**228,039**	**231,077**
Memorandum items		
Assets pledged for own liabilities	**204,189**	**203,010**

Statement of changes in equity

	Restricted equity		Unrestricted equity		
SEK million	**Share capital**	**Shareholder Contribution**	**Retained earnings**	**P/L for the year**	**Total equity**
Opening balance, 1 January 2013	**50**	**9,550**	**1,191**		**10,791**
Transactions with shareholders:					
Group contribution received, after tax			546		546
Total comprehensive income for the year[1)]				570	570
Closing balance, 31 December 2013	**50**	**9,550**	**1,737**	**570**	**11,907**

	Share capital	**Shareholder Contribution**	**Retained earnings**	**P/L for the year**	**Total equity**
Opening balance, 1 January 2012	**50**	**9,550**	**1,333**		**10,933**
Total comprehensive income for the year[1)]				-142	-142
Closing balance, 31 December 2012	**50**	**9,550**	**1,333**	**-142**	**10,791**

[1)] Total comprehensive income for the year equals profit for the year

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 AGM grants approval thereof.

Cash flow statement

SEK million	2013 Jan-Dec	2012 Jan-Dec
Cash and cash equivalents at the beginning of the year	**10,054**	**11,562**
Cash flow from operating activities	1,125	-998
Cash flow from investing activities	-	-
Cash flow from funding activities	-	-510
Increase/Decrease in cash and cash equivalents	**1,125**	**-1,508**
Cash and cash equivalents at the end of the year	**11,179**	**10,054**

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

Capital base

SEK million	31/12/2013	31/12/2012
Core Tier 1 capital		
Equity	11,907	10,791
Group contribution, not received	-546	-
Net reserves for IRB exposures	-43	-67
Core Tier 1 capital	**11,318**	**10,724**
Tier 1 capital	11,318	10,724
Tier 2 capital	-	-
Amount for capital base net after deductible items and limit value	**11,318**	**10,724**

Capital requirements

SEK million	31/12/2013	31/12/2012
Credit risk recognised in accordance with IRB approach		
Exposures to corporates	439	1,597
Retail exposures	713	555
Total exposures in accordance with IRB approach	**1,152**	**2,152**
Credit risk reported in accordance with standardised approach		
Exposures to governments and central banks	0	0
Exposures to municipalities and comparable associations	0	0
Exposures to institutions	212	226
Exposures to corporates	2	4
Retail exposures	1	1
Past due items	0	-
Other items	3	2
Total exposures in accordance with standardised approach	**218**	**233**
Risk in commercial portfolio	**-**	**-**
Operational risk	**171**	**167**
Currency risk	**-**	**-**
Total minimum capital requirements	**1,541**	**2,552**
Addition to transitional rules	7,026	5,745
Total capital requirements according to transition rules	**8,567**	**8,297**

In February 2013, SCBC's Parent Company SBAB received permission from Finansinspektionen (the Swedish Financial Supervisory Authority) to include tenant-owner associations with a turnover of less than EUR 50 million and with full collateral in the retail exposure category, and to apply an internal method for the calculation of Loss Given Default (LGD) for those exposures. Since this portfolio is secured, internal LGD is lower than that prescribed, resulting in a reduction in the minimum capital requirement without taking transitional regulations into account.

Capital adequacy

SEK million	31/12/2013	31/12/2012
Core Tier 1 capital	11,318	10,724
Tier 1 capital	11,318	10,724
Total capital	11,318	10,724
Without transition rules		
Risk-weighted assets	19,263	31,903
Core Tier 1 capital ratio	58.8%	33.6%
Tier 1 capital ratio	58.8%	33.6%
Capital adequacy ratio	58.8%	33.6%
Capital quotient	7.34	4.20
With transition rules		
Risk-weighted assets	107,089	103,714
Core Tier 1 capital ratio	10.6%	10.3%
Tier 1 capital ratio	10.6%	10.3%
Capital adequacy ratio	10.6%	10.3%
Capital quotient	1.32	1.29

Notes

Note 1 Accounting policies

SCBC applies statutory IFRS, which means that the 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.

Compared with 2012, a number of disclosure requirements have been changed, affecting the appearance and contents of the interim reports for 2013.

In IFRS 7, Financial Instruments: Additional disclosure requirements have been added regarding the offsetting of financial assets and liabilities. The disclosure requirements apply to all recognised financial instruments that are offset in accordance with item 42 in IAS 32, but also to recognised financial instruments covered by a legally binding framework agreement on offsetting or any similar agreement, regardless of whether or not they are offset in accordance with item 42 in IAS 32. During 2013, these disclosures shall also be made in the interim reports.

IFRS 13 Fair Value Measurement entails a new uniform standard for the assessment of fair value. Fair value is defined as the price that would be received on the sale of an asset, or the price that would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. The new standard has not resulted in any change in how SCBC established fair value and does not result in any new items to be measured at fair value. Beyond this, IFRS 13 contains extensive disclosure requirements that, as a consequence of an addition to IAS 34 Interim Financial Reporting, shall also, to a large extent, be provided in the interim reports.

In other regards, the accounting policies and calculation methods are unchanged compared with the 2012 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 or after 1 January 2017, no complete assessment has as yet been made.

Note 2 Net result of financial transactions

SEK million	2013 Jan-Dec	2013 Jul-Dec	2013 Jan-Jun	2012 Jan-Dec
Gains/losses on interest-bearing financial instruments				
- Change in value of hedged items in hedge accounting	954	144	810	-1,187
- Derivative instruments	-1,092	-180	-912	-38
- Loan receivables	71	37	34	75
- Realised expense from financial liabilities	-126	-94	-32	-171
Currency translation effects	**1**	**0**	**1**	**-1**
Total	**-192**	**-93**	**-99**	**-1,322**

Changes in the market value of basis swaps are attributable to "Derivative instruments". With respect to risk management, derivative instruments are related to and have their counter items in all other categories of interest-bearing financial instruments. All derivative instruments represent financial hedges of interest-rate risk and/or currency risk in funding or lending.

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), with changes in fair value included in net result from financial transactions. Major variations in the actual market value between reporting periods could result in significant changes in the carrying amount and thus 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	2013 Jan-Dec	2013 Jul-Dec	2013 Jan-Jun	2012 Jan-Dec
CORPORATE MARKET				
COLLECTIVE PROVISION FOR CORPORATE MARKET LOANS				
Allocations to/redemption of collective provisions	4	-1	5	-1
Guarantees	2	-1	3	-7
Net income/cost for the period for collective provisions for corporate market loans	**6**	**-2**	**8**	**-8**
RETAIL MARKET				
INDIVIDUAL PROVISION FOR RETAIL MARKET LOANS				
Write-off of confirmed loan losses for the period	-	-	-	-3
Reversal of prior year provisions for probable loan losses recognised as confirmed loan losses in the financial statements for the period	-	-	-	3
Provision for probable loan losses for the period	-3	-3	-	-
Net cost for the period for individual provisions for retail market loans	**-3**	**-3**	**-**	**0**
COLLECTIVE PROVISION FOR RETAIL MARKET LOANS				
Write-off of confirmed loan losses for the period	-2	-1	-1	-2
Recoveries in respect of confirmed loan losses in prior years	-	-	-	-
Allocation to/redemption of collective provisions	26	8	18	33
Guarantees	-6	-4	-2	-10
Net income/cost for the period for collective provisions for retail market loans	**18**	**3**	**15**	**21**
NET INCOME/COST FOR THE PERIOD FOR LOAN LOSSES	**21**	**-2**	**23**	**13**

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	31/12/2013 Lending	31/12/2013 Provision	31/12/2012 Lending	31/12/2012 Provision
Single-family dwellings and holiday homes	85,346	-66	84,471	-68
Tenant-owner rights	56,931	-37	51,650	-39
Tenant-owner associations	45,485	-6	46,668	-6
Private multi-family dwellings	18,699	-3	21,688	-8
Municipal multi-familiy dwellings	3,619	-	4,439	-
Commercial properties*	14	-	80	-
Provision for probable loan losses	-112		-121	
Total	**209,982**	**-112**	**208,875**	**-121**

Doubtful and non-performing loan receivables	**31/12/2013**	**31/12/2012**
a) Doubtful loan receivables	3	-
b) Specific provisions for individually measured loan receivables	3	-
c) Collective provisions for corporate market loans	9	14
d) Collective provisions for retail market loans	100	107
e) Total provisions (b+c+d)	112	121
f) Doubtful loan receivables after individual provisions (a-b)	0	-
g) Provision ratio for individual provisions (b/a)	100%	-

**Refers only to non-pure commercial properties*

Note 5 Derivative instruments

SEK million	31/12/2013 Assets measured at fair value	31/12/2013 Liabilities measured at fair value	31/12/2013 Total nominal amount
Interest-rate related	3,543	1,447	157,193
Currency related	1,088	4,170	54,629
Total	**4,631**	**5,617**	**211,822**

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

Note 6 Classification of financial instruments

Financial assets SEK million	Assets measured at fair value through P/L	Hedge-accounted derivative instru-ments	Loan receivables	Total	Total fair value
	31/12/2013				
Lending to credit institutions			11,179	11,179	11,179
Lending to the public			209,982	209,982	211,841
Change in value of interest-rate-hedged items in portfolio			1,164	1,164	-
Derivative instruments	175	4,456		4,631	4,631
Other assets			866	866	866
Prepaid expenses and accrued income			217	217	217
Total	**175**	**4,456**	**223,408**	**228,039**	**228,734**

Financial liabilities SEK million	Liabilities measured at fair value through P/L	Hedge-accounted derivative instru-ments	Other financial liabilities	Total	Total fair value
	31/12/2013				
Liabilities to credit institutions			14,644	14,644	14,644
Debt securities in issue			152,656	152,656	152,930
Derivative instruments	1,105	4,512		5,617	5,617
Other liabilities			10	10	10
Accrued expenses and prepaid income			2,702	2,702	2,702
Subordinated debt to the Parent Company			40,115	40,115	40,115
Total	**1,105**	**4,512**	**210,127**	**215,744**	**216,018**

Fair value measurement of financial instruments
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.

Note 7 Information about fair value

SEK million	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total
	31/12/2013			
Assets				
Derivatives in the category trade	-	175	-	175
Other derivatives	-	4,456	-	4,456
Total	**-**	**4,631**	**-**	**4,631**
Liabilities				
Derivatives in the category trade	-	1,105	-	1,105
Other derivatives	-	4,512	-	4,512
Total	**-**	**5,617**	**-**	**5,617**

In the table, financial assets and liabilities recognised at fair value in the balance sheet are divided on the basis of the measurement methods used. There were no transfers between the levels in 2012 or 2013.

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 for any assets or liabilities.

Measurement based on observable data (Level 2)
Measurement aided by external market information, such as quoted interest rates or prices for closely related instruments. This group includes all non-quoted derivative instruments.

Measurement based in part on unobservable data (Level 3)
Measurement whereby a material component of the model is based on estimates or assumptions that do not originate directly from the market. This method is currently not used for any assets or liabilities.

Note 8 Information about offsetting

Disclosure by type of instrument.

SEK million	31/12/2013				
	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				
		Related amounts that are not offset in the balance sheet			
SEK million	Amount recognised in the balance sheet	Financial instruments	Provided (+)/ Received (-) collateral - securities	Provided (+)/ Received (-) cash collateral	Net amount
Assets					
Derivative instruments	4,631	-3,040		-951	640
Repos	11,072	-11,072	0		0
Liabilities					
Derivative instruments	-5,617	3,040	0	0	-2,577
Repos	-13,242	11,072	2,169	1	-1
Total	**-3,156**	**0**	**2,169**	**-950**	**-1,938**

To limit the potential counterparty credit risk associated with derivative transactions involving non-standardised derivative instruments that are not cleared by clearing organisations approved by the Swedish Financial Supervisory Authority (in accordance with FFFS 2007:1), a framework agreement is to be entered into with the counterparty.

Where appropriate, such framework agreements, known as ISDA Master Agreements, or similar agreements have been supplemented with associated collateral agreements, known as Credit Support Annexes (CSAs).

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

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

Note 9 Subordinated debt to Parent Company

SEK million	31/12/2013	31/12/2012
Subordinated debt to the Parent Company	40,115	39,602
Total	**40,115**	**39,602**

Terms and conditions governing subordination
The subordinated debt was issued by the Parent Company. The subordinated debt is the 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)

Corp. ID No. 556645-9755

Introduction

We have reviewed the summary interim financial information (interim report) of AB Sveriges Säkerställda Obligationer (publ) as of 31 December 2013 and the twelve-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and 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.

Scope of review

We conducted our review in accordance with the Standard on review engagements (ISRE) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm, 6 February 2014

KPMG AB

Hans Åkervall
Authorized Public Accountant