INTERIM REPORT

1 January–30 June 2018
The Swedish Covered Bond Corporation (SCBC)

1 2

SCBC
Covered Bonds of SBAB

THE PERIOD IN BRIEF

January–June 2018 (January–June 2017)

- Operating profit increased to SEK 1,072 million (1,023)
- Net interest income rose to SEK 1,587 million (1,432)
- Expenses amounted to SEK 434 million (375)
- Credit losses totalled SEK 26 million (recoveries: 10)
- The Common Equity Tier 1 (CET1) capital ratio was 75.7% (88.3)
- All funding programmes continue to have the highest credit ratings from Moody's

Operating profit

SEK 1,072 million

(SEK 1,023 million)

Net interest income

SEK 1,587 million

(SEK 1,432 million)

CET1 capital ratio

75.7%

(88.3%)

Lending to the public

SEK 327.2 billion

(SEK 243.5 billion)

OPERATIONS

The Swedish Covered Bond Corporation ("SCBC") (in Swedish: AB Sveriges Säkerställda Obligationer (publ)) is a wholly-owned subsidiary of SBAB Bank AB (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. Operations are to be conducted in compliance with the requirements specified in the Covered Bonds Issuance Act (2003:1223) and Finansinspektionen's (the Swedish FSA) regulation FFFS 2013:1.

FINANCIAL PERFORMANCE

OVERVIEW OF EARNINGS

	2018	2017	2017
SEK million	Jan–Jun	Jan–Jun	Jan–Dec
Net interest income	1,587	1,432	2,855
Net commission expense	–36	–29	–63
Net expense from financial transactions (Note 2)	–19	–15	–61
Other operating income	0	0	0
Total operating income	**1,532**	**1,388**	**2,731**
Expenses	–434	–375	–761
Profit before loan losses	**1,098**	**1,013**	**1,970**
Net loan losses (Note 3)	–26	10	12
Operating profit	**1,072**	**1,023**	**1,982**
Tax	–236	–225	–436
Net profit for the period	**836**	**798**	**1,546**
Balance-sheet items			
Lending to the public, SEK billion, at close of period	327.2	243.5	312.2
Key metrics			
CET1 capital ratio, %, at close of period	75.7	88.3	78.0
Rating, long-term funding			
Moody's	Aaa	Aaa	Aaa

Trend for January–June 2018 compared with January–June 2017

SCBC's operating profit increased to SEK 1,072 million (1,023). The increase was primarily attributable to higher net interest income. Increased expenses negatively impacted the item.

Net interest and commissions

SCBC's net interest income grew to SEK 1,587 million (1,432), mainly due to higher lending volumes. Increased funding costs negatively impacted net interest income. The resolution fee, which is recognised in net interest income, totalled SEK 104 million (74) for the period. The net commission expense was SEK 36 million (expense: 29) as a result of increased funding related expenses.

Net result of financial transactions

The net expense from financial transactions was SEK 19 million (expense: 15). The difference between the periods was mainly attributable to the remeasurement of derivatives in the company's interest-rate risk management, which is not encompassed by hedge accounting.

Expenses

SCBC's expenses rose to SEK 434 million (375), and mainly comprised fees to SBAB for administrative services in line with the applicable outsourcing agreements.

Credit losses

Credit losses for the period totalled SEK 26 million (recoveries: 10), mainly as a result of the internal movement of credit impaired loans from SBAB due to the transition to IFRS 9. The credit impaired loans are not included in the assets that qualify for inclusion in the cover pool for the issuance of covered bonds. For more information, please refer to Note 3.

Lending

SCBC does not conduct any new lending itself, but instead acquires loans from SBAB Bank, on an on-going basis or as necessary. 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. SCBC's lending portfolio comprises loans for residential mortgages, with lending to consumers the largest segment. At the end of the period, SCBC's lending amounted to SEK 327.2 billion (243.5).

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

Subordinated debt to the Parent Company increased in the period to SEK 81.3 billion (33.3). The increase was attributable to the acquisition by SCBC of loan receivables from the Parent Company for the purpose of increasing the cover pool at SCBC.

Funding

SCBC's funding is conducted through the issuance of covered bonds, and to a certain extent through repo transactions.

SCBC uses three funding programmes: a Swedish covered bond programme without a preset limit; a EUR 16 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 30 June 2018, the total value of issued debt securities outstanding under SCBC's lending programme was SEK 239.5 billion (196.1), distributed as follows: Swedish covered bonds SEK 130.8 billion (111.9); and the Euro Medium Term Covered Note Programme SEK 108.7 billion (84.2). During the period, SEK 41.6 billion (42.4) in securities were issued. At the same time, securities amounting to SEK 6.2 billion (6.7) were repurchased, while securities amounting to SEK 4.5 billion (15) matured. Alongside changes in premiums/discounts and changes in SEK exchange rates, this resulted in an increase in issued debt securities of SEK 35.3 billion in the period.

Capital adequacy and liquidity risk

SCBC primarily recognises credit risk under the internal ratings-based approach (IRB approach) and operational and market risk using the standardised approach.

SCBC's total capital ratio and CET1 capital ratio amounted to 75.7% (88.3) at 30 June 2018. Net profit is included in own funds, while the expected dividend has reduced own funds. For other capital ratios, refer to the tables starting on page 15. The internally assessed capital requirement amounted to SEK 5,677 million (3,815) on 30 June 2018.

The 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 INFORMATION

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. However, in Q2 2018, consumer confidence declined markedly. Housing prices declined toward the end of 2017, some of which was recovered in Q1. In Q2, house prices have remained relatively still. A housing market with soaring prices over an extended period, together with rising household debt has resulted in the Swedish economy becoming sensitive to rapid changes in interest rates and house prices. The risks associated with these factors are expected to increase as long as debt continues to increase faster than income. The extensive regulatory changes in the residential mortgage market, increased offering of new builds, protraction of the time taken to sell and more uncertain property market conditions all comprise uncertainty factors.

MREL

The Swedish National Debt Office has previously established a Group resolution plan and a minimum requirement for own funds and eligible liabilities (MREL) for SBAB Bank AB (publ) and AB Sveriges Säkerställda Obligationer (publ) (Swedish Covered Bond Corporation — SCBC). On 18 June 2018, the Swedish National Debt Office announced that the principle for subordinated debt should also apply for the six mid-sized institutions (Landshypotek, Länsförsäkringar, SBAB, Skandiabanken, Sparbanken Skåne and Svensk Exportkredit) that in addition to the four major banks are critical for the financial system. The principle entails that all liabilities used to meet MREL are to be subordinated and thus should be possible to be written down before other liabilities and be converted into capital in a financial crisis. The requirement must be met by 2022.

Effects of IFRS 9 at 1 January 2018

Upon the transition to IFRS 9, the net of reserves and provisions for expected credit losses in the Group decreased SEK 51 million. The overall effect increased equity (before tax) by a corresponding amount at 1 January 2018. For more information, please refer to Note 10.

Events after the end of the period

No significant events occurred after the end of the period.

Auditors' review report

This report has been reviewed by the company's auditor in accordance with the International Standard on Review Engagements (ISRE) 2410. The review report is on page 21.

CONDENSED INCOME STATEMENT

SEK million	2018 Jan–Jun	2017 Jul-Dec	2017 Jan–Jun	2017 Jan–Dec
Interest income	2,240	1,831	1,853	3,684
Interest expense	–653	–408	–421	–829
Net interest income	**1,587**	**1,423**	**1,432**	**2,855**
Commission income	7	0	7	7
Commission expense	–43	–34	–36	–70
Net expense from financial transactions (Note 2)	–19	–46	–15	–61
Other operating income	0	0	0	0
Total operating income	**1,532**	**1,343**	**1,388**	**2,731**
General administrative expenses	–433	–387	–374	–761
Other operating expenses	–1	1	–1	0
Total expenses before loan losses	**–434**	**–386**	**–375**	**–761**
Profit before loan losses	**1,098**	**957**	**1,013**	**1,970**
Net loan losses (Note 3)	–26	2	10	12
Operating profit	**1,072**	**959**	**1,023**	**1,982**
Tax	–236	–211	–225	–436
Net profit for the period/year	**836**	**748**	**798**	**1,546**

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

SEK million	2018 Jan–Jun	2017 Jul-Dec	2017 Jan–Jun	2017 Jan–Dec
Net profit for the period/year	**836**	**748**	**798**	**1,546**
Components that will be reclassified to profit or loss				
Changes related to cash-flow hedges	26	4	–622	–618
Tax attributable to components that will be reclassified to profit or loss	–6	–1	137	136
Other comprehensive income, net of tax	**20**	**3**	**–485**	**–482**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**856**	**751**	**313**	**1,064**

CONDENSED BALANCE SHEET

SEK million	30 Jun 2018	31 Dec 2017	30 Jun 2017
ASSETS			
Lending to credit institutions	8,660	150	2,588
Lending to the public (Note 4)	327,193	312,199	243,499
Value changes of interest-rate-risk hedged items in macro hedges	225	224	328
Derivatives (Note 5)	8,109	3,862	3,213
Other assets	618	30	541
Prepaid expenses and accrued income	210	119	171
TOTAL ASSETS	**345,015**	**316,584**	**250,340**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	4,442	955	2,640
Debt securities issued, etc.	239,492	204,153	196,075
Derivatives (Note 5)	468	574	814
Other liabilities	89	55	18
Accrued expenses and deferred income	1,500	1,430	1,413
Deferred tax liabilities	42	39	49
Subordinated debt to the Parent Company (Note 8)	81,301	92,593	33,297
Total liabilities	**327,334**	**299,799**	**234,306**
Equity			
Restricted equity			
Share capital	50	50	50
Total restricted equity	**50**	**50**	**50**
Unrestricted equity			
Shareholder contribution	9,550	9,550	9,550
Fair value reserve	90	70	67
Retained earnings	7,155	5,569	5,569
Net profit for the year	836	1,546	798
Total unrestricted equity	**17,631**	**16,735**	**15,984**
Total equity	**17,681**	**16,785**	**16,034**
TOTAL LIABILITIES AND EQUITY	**345,015**	**316,584**	**250,340**

CONDENSED STATEMENT OF CHANGES IN EQUITY

	RESTRICTED EQUITY	UNRESTRICTED EQUITY				
SEK million	Share capital	Fair value reserve	Shareholder contribution	Retained earnings	Net profit for the year	Total equity
OPENING BALANCE, 1 JANUARY 2018[1)]	**50**	**70**	**9,550**	**7,155**	**–**	**16,825**
Comprehensive income for the period	–	20	–	–	836	856
CLOSING BALANCE, 30 JUNE 2018	**50**	**90**	**9,550**	**7,155**	**836**	**17,681**
OPENING BALANCE, 1 JANUARY 2017	**50**	**552**	**9,550**	**5,569**	**–**	**15,721**
Comprehensive income for the period	–	–485	–	–	798	313
CLOSING BALANCE, 30 JUNE 2017	**50**	**67**	**9,550**	**5,569**	**798**	**16,034**
OPENING BALANCE, 1 JANUARY 2017	**50**	**552**	**9,550**	**5,569**	**–**	**15,721**
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**

1) Opening balance has been restated in accordance with IFRS 9, refer to Note 10.

CONDENSED CASH-FLOW STATEMENT

	2018	2017	2017
SEK million	Jan–Jun	Jan–Jun	Jan–Dec
Opening cash and cash equivalents	**150**	**102**	**102**
OPERATING ACTIVITIES			
Interest and commissions paid/received	1,642	1,225	2,600
Outflows to suppliers and employees	–433	–375	–761
Taxes paid/refunded	–214	–394	–64
Change in assets and liabilities of operating activities	18,807	23,856	–39,198
Cash flow from operating activities	**19,802**	**24,312**	**–37,423**
INVESTING ACTIVITIES			
Cash flow from investing activities	**–**	**–**	**–**
FINANCING ACTIVITIES			
Change in subordinated debt	–11,292	–21,826	37,471
Cash flow from financing activities	**–11,292**	**–21,826**	**37,471**
Increase/decrease in cash and cash equivalents	**8,510**	**2,486**	**48**
Closing cash and cash equivalents	**8,660**	**2,588**	**150**

Cash and cash equivalents are defined as cash and lending to credit institutions.

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, Finansinspektionen's regulations and general guidelines on annual accounts for credit institutions and securities companies (FFFS 2008:25) and the Swedish 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.

IFRS 9 Financial Instruments 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. SCBC applies the mandatory sections pertaining to classification and measurement and impairment from 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 as opposed to the previous model, which is instead based on incurred credit loss events. The aim of the new model is to capture and recognise expected credit losses at an earlier stage. For further information regarding the company's accounting policies regarding IFRS 9, please refer to Note 1, page 18-19, of the 2017 Annual Report. The rules have been applied through the adjustment of the balance sheets of the Company at the date of initial application of the standard, January 1, 2018, refer to Note 10. No requirements apply for restatement of comparative periods.

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 became effective as of 1 January 2018.

All other accounting policies and calculation methods are unchanged in comparison with the Annual Report 2017. These consolidated condensed financial statements have been prepared on a going concern basis. On 17 July 2018, the Board of Directors approved the consolidated condensed financial statements for publication.

Forthcoming amendments
According to SCBC's preliminary assessment, other 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.

NOTE 2 Net result of financial transactions

SEK million	2018 Jan–Jun	2017 Jul-Dec	2017 Jan–Jun	2017 Jan–Dec
Gains/losses on interest-bearing financial instruments				
– Change in value of hedged items in hedge accounting	–396	74	547	621
– Realised gain/loss from financial liabilities	–69	–93	–155	–248
– Derivatives in hedge accounting	391	–103	–560	–663
– Other derivatives	36	39	129	168
– Loan receivables	19	37	24	61
Currency translation effects	0	0	0	0
Total	**–19**	**–46**	**–15**	**–61**

SCBC uses derivatives to manage interest rate and currency risks in assets and liabilities. Derivatives are recognised at fair value in the balance sheet. SCBC's risk management and hedge accounting strategies entail that profit variations between periods may arise for individual items in the table above, as a result of changes in market interest rates, but that they are in general offset by profit variations in other items. Profit variations not neutralised through risk management and hedge accounting are commented on in the administration report.

NOTE 3 Net loan losses

SEK million	2018 Jan–Jun	2017 Jul-Dec	2017 Jan–Jun	2017 Jan–Dec
Lending to the public				
Confirmed credit losses	0	–1	0	–1
Recoveries of previously confirmed credit losses	–	–	–	–
Preceding year's provision under IAS39	–	–4	11	7
Change in provision for the period — credit stage 1	–3	–	–	–
Change in provision for the period — credit stage 2	–3	–	–	–
Change in provision for the period — credit stage 3	–22	–	–	–
Guarantees	2	7	–1	6
Net credit losses for the period — lending to the public	**–26**	**2**	**10**	**12**

The negative change in credit stage 3 is primarily attributable to an intra-group transfer from SBAB of credit-impaired loans due to transition to IFRS 9. For further information about definitions and assumptions for judgements and calculations of credit risk and the various credit stages under IFRS 9, refer to SCBC's 2017 Annual Report, Note 1, pages 18–19.

NOTE 4 Lending to the public

Group, SEK million	30 Jun 2018	31 Dec 2017	30 Jun 2017
Opening balance	312,254	244,445	244,445
Transferred to/from Group entities	32,235	89,847	9,760
Amortisation, write-offs, redemption, etc.	–17,268	–22,051	–62,300
Change in provision for expected credit losses[1)]	–28	–42	17
Closing balance	**327,193**	**312,199**	**243,499**

[1)] For further information, please refer to Note 3, "Change in provision for the period – credit stage 1, 2 and 3".

Distribution of lending, including provisions, SEK million	30 Jun 2018	31 Dec 2017	30 Jun 2017
Lending, Residential mortgages	258,076	243,613	183,706
Lending, Corporate Clients & Tenant-Owners' Associations	69,117	68,586	59,793
Total	**327,193**	**312,199**	**243,499**

Lending to the public by credit stage — compared with opening balance	30 Jun 2018	1 Jan 2018
Credit stage 1		
Gross carrying amount	308,955	291,854
Provision for expected credit losses	–26	–24
Carrying amount	**308,929**	**291,830**
Credit stage 2		
Gross carrying amount	18,124	20,411
Provision for expected credit losses	–62	–59
Carrying amount	**18,062**	**20,352**
Credit stage 3		
Gross carrying amount	227	74
Provision for expected credit losses	–25	–2
Carrying amount	**202**	**72**
Gross carrying amount (credit stages 1, 2 and 3)	**327,305**	**312,339**
Provision for expected credit losses (credit stages 1, 2 and 3)	**–113**	**–85**
Total	**327,193**	**312,254**

For further information about definitions and assumptions for judgements and calculations of credit risk and the various credit stages under IFRS 9, refer to SCBC's 2017 Annual Report, Note 1, pages 18–19.

NOTE 5 Derivatives

SEK million	30 Jun 2018 Assets measured at fair value	30 Jun 2018 Liabilities measured at fair value	30 Jun 2018 Total nominal amount	31 Dec 2017 Assets measured at fair value	31 Dec 2017 Liabilities measured at fair value	31 Dec 2017 Total nominal amount
Interest-rate-related	2,202	432	239,447	1,746	514	212,170
Currency-related	5,907	36	72,087	2,116	60	52,703
Total	**8,109**	**468**	**311,534**	**3,862**	**574**	**264,873**

Cross-currency interest-rate swaps are classified as currency-related derivatives.

NOTE 6 Classification of financial instruments

Financial assets

SEK million	30 Jun 2018 Financial assets measured at FVTPL	Financial assets measured at amortised cost	Total	Total fair value
	Held for trading			
Lending to credit institutions	–	8,660	8,660	8,660
Lending to the public	–	327,193	327,193	327,884
Value changes of interest-rate-risk hedged items in macro hedges	–	225	225	–
Derivatives	8,109	–	8,109	8,109
Other assets	–	618	618	618
Prepaid expenses and accrued income	–	119	119	119
Total	**8,109**	**336,815**	**344,924**	**345,390**

Financial liabilities

SEK million	30 Jun 2018 Financial liabilities measured at FVTPL	Financial liablities measured at amortised cost	Total	Total fair value
Liabilities to credit institutions	–	4,442	4,442	4,442
Issued debt securities, etc.	–	239,492	239,492	241,226
Derivatives	468	–	468	468
Other liabilities	–	22	22	22
Accrued expenses and deferred income	–	1,500	1,500	1,500
Subordinated debt to the Parent Company	–	81,301	81,301	81,301
Total	**468**	**326,757**	**327,225**	**328,959**

Cont. NOTE 6 Classification of financial instruments

Financial assets

	31 Dec 2017			
SEK million	**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**

Financial liabilities

	31 Dec 2017			
SEK million	**Liabilities measured at FVTPL**	**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**

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 2017 Annual Report. 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. 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. Issued debt securities are measured at the company's current borrowing interest rate, Level 2.

NOTE 7 Fair Value Disclosures

SEK million	30 Jun 2018 Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total
Assets				
Derivatives	–	8,109	–	8,109
Total	**–**	**8,109**	**–**	**8,109**
Liabilities				
Derivatives	–	468	–	468
Total	**–**	**468**	**–**	**468**

SEK million	31 Dec 2017 Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total
Assets				
Derivatives	–	3,862	–	3,862
Total	**–**	**3,862**	**–**	**3,862**
Liabilities				
Derivatives	–	574	–	574
Total	**–**	**574**	**–**	**574**

The measurement policies for financial instruments recognised at fair value in the balance sheet are provided in Note 1 of the Accounting Policies in the 2017 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 levels used below. No transfers were made between levels in 2017 and 2018.

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 market 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 the Parent Company

SEK million	30 Jun 2018	31 Dec 2017	30 Jun 2017
Subordinated debt to the Parent Company	81,301	92,593	33,297
Total	**81 301**	**92,593**	**33,297**

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 9 Capital adequacy, own funds and capital requirements

CAPITAL ADEQUACY, SEK million	30 Jun 2017	31 Dec 2017	30 Jun 2016
CET1 capital	17,538	16,710	15,959
Tier 1 capital	17,538	16,710	15,959
Total capital	17,541	16,710	15,959
Risk exposure amount	23,163	21,422	18,066
CET1 capital ratio, %	75.7	78.0	88.3
Excess [1] of CET1 capital	16,496	15,746	15,146
Tier 1 capital ratio, %	75.7	78.0	88.3
Excess [1] of Tier 1 capital	16,148	15,424	14,875
Total capital ratio, %	75.7	78.0	88.3
Excess [1] of total capital	15, 688	14,996	14,513

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

Definitions

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

Cont. NOTE 9 Capital adequacy, own funds and capital requirements

Disclosure in accordance with Article 4 of Commission Implementing Regulation (EU) No 1423/2013, Annex V.

OWN FUNDS, **SEK million**	30 Jun 2018	31 Dec 2017	30 Jun 2017
CET1 capital instruments: Instruments and reserves			
Capital instruments and the related share premium accounts	9,600	9,600	9,600
Retained earnings	7,155	5,569	5,568
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	90	70	68
Independently verified net profit for the year net of any foreseeable charge or dividend	836	1,546	798
CET1 capital before regulatory adjustments	**17,681**	**16,785**	**16,034**
CET1 capital: regulatory adjustments			
Additional value adjustments (negative amount)	–9	–4	–4
Fair value reserves related to gains or losses on cash-flow hedges	–90	–70	–67
Negative amounts resulting from the calculation of expected loss amounts	–44	–1	–4
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0	–	0
Total regulatory adjustments to CET1 capital	**–143**	**–75**	**–75**
CET1 capital	**17,538**	**16,710**	**15,959**
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)	**17,538**	**16,710**	**15,959**
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)	**17,541**	**16,710**	**15,959**
Total risk-weighted assets	**23,163**	**21,422**	**18,066**
Capital ratio and buffers			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	75.7	78.0	88.3
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	75.7	78.0	88.3
Total capital (as a percentage of total risk-weighted exposure amount), %	75.7	78.0	88.3
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	9.0	9.0
Of which: CET1 capital, minimum requirement, %	*4.5*	*4.5*	*4.5*
Of which: capital conservation buffer requirement, %	*2.5*	*2.5*	*2.5*
Of which: countercyclical capital buffer requirement, %	*2.0*	*2.0*	*2.0*
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, %)	67.7	70.0	80.3

Cont. **NOTE 9** Capital adequacy, own funds and capital requirements

RISK EXPOSURE AMOUNT & CAPITAL REQUIREMENTS, SEK million	30 Jun 2017 Risk exposure amount	30 Jun 2017 Capital requirement	31 Dec 2017 Risk exposure amount	31 Dec 2017 Capital requirement	30 Jun 2017 Risk exposure amount	30 Jun 2017 Capital requirement
Credit risk recognised in accordance with IRB approach						
Exposures to corporates	5,420	434	5,458	437	5,304	424
Retail exposures	12,087	967	11,343	907	7,819	626
Of which: exposures to SMEs	*811*	*65*	*916*	*73*	*749*	*60*
Of which: retail exposures secured by immovable property	*11,276*	*902*	*10,427*	*834*	*7,070*	*566*
Total exposures recognised with IRB approach	**17,507**	**1 ,401**	**16,801**	**1,344**	**13,123**	**1,050**
Credit risk recognised with the standardised approach						
Exposure to governments and central banks	0	0	0	0	0	0
Exposures to regional governments or local authorities or agencies	0	0	0	0	0	0
Exposures to institutions [1]	207	16	69	6	134	11
Of which: derivatives according to CRR, Appendix 2	*96*	*7*	*60*	*5*	*87*	*7*
Of which, repos	*111*	*9*	*9*	*1*	*47*	*4*
Of which other	–	–	*0*	*0*	–	–
Exposures to institutions and corporates with a short-term credit rating	150	12	0	0	0	0
Other items	374	30	288	23	465	37
Total exposures recognised with standardised approach	**731**	**58**	**357**	**29**	**599**	**48**
Market risk	**711**	**57**	**512**	**41**	**559**	**44**
Of which: position risk	–	–	–	–	–	–
Of which: currency risk	*711*	*57*	*512*	*41*	*559*	*44*
Operational risk	**3,876**	**310**	**3,486**	**279**	**3,486**	**279**
Credit valuation adjustment risk	**338**	**27**	**266**	**21**	**299**	**24**
Total risk exposure amount and minimum capital requirement	**23,163**	**1,853**	**21,422**	**1,714**	**18,066**	**1,445**
Capital requirements for capital conservation buffer		**579**		**536**		**452**
Capital requirements for countercyclical buffer		**463**		**428**		**361**
Total capital requirement		**2,895**		**2,678**		**2,258**

[1] The risk exposure amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 207 million (262).

NOTE 10 Effect of changes in accounting policies

Restatement of the balance sheet as of 31 December 2017 on transition to IFRS 9 as of 1 January 2018.

SEK million	Previous accounting policies	Impairment expected credit losses	IFRS 9
ASSETS			
Lending to credit institutions	150	–	150
Lending to the public	312,199	55	312,254
Value changes of interest-rate-risk hedged items in macro hedges	224	–	224
Derivatives	3,862	–	3,862
Other assets	30	–	30
Prepaid expenses and accrued income	119	–4	115
TOTAL ASSETS	**316,584**	**51**	**316,635**
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	955	–	955
Debt securities issued, etc.	204,153	–	204,153
Derivatives	574	–	574
Other liabilities	55	–	55
Accrued expenses and deferred income	1,430	–	1,430
Deferred tax liabilities	39	11	50
Subordinated debt to the Parent Company	92,593	–	92,593
Total liabilities	**299,799**	**11**	**299,810**
Equity			
Restricted equity			
Share capital	50	–	50
Total restricted equity	**50**	**–**	**50**
Unrestricted equity			
Shareholder contribution	9,550	–	9,550
Fair value reserve	70	–	70
Retained earnings	5,569	40	5,609
Net profit for the period	1,546	–	1,546
Total unrestricted equity	**16,735**	**40**	**16,775**
Total equity	**16,785**	**40**	**16,825**
SUMMA SKULDER OCH EGET KAPITAL	**316,584**	**51**	**316,635**

Cont. **NOTE 10** Effect of changes in accounting policies

Changes in the classification of financial assets at 31 December 2017 on the transition to IFRS 9 on 1 January 2018.

SEK million	2018 Financial assets measured at FVTPL	Financial assets measured at amortised cost	Total
	Held for trading		
Closing balance 31 December 2017	**–**	**–**	**316,581**
Reclassification			
Reclassified from financial assets at FVTPL	3,862	–	3,862
Reclassified from loan receivables	–	312,719	312,719
Impairment, expected credit losses			
Value change recognised directly in equity	–	51	51
Opening balance, 1 January 2018	**3,862**	**312,770**	**316,632**

Financial calendar

Year-end report 2018	15 February 2019

Contact

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The Board of Directors and the CEO affirm 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, July 17 2018

Bo Magnusson Chairman of the Board	Jane Lundgren-Ericsson Board Member	Klas Danielsson Board Member

Mikael Inglander
CEO

The information in this report is such that AB Sveriges Säkerstallda Obligationer (publ) (Swedish Covered Bond Corporation — SCBC) is legally obligated 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 July 18 2018 at 08:00 a.m. (CET).

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 and the CEO, is in Swedish.

AUDITORS' REVIEW REPORT

Introduction

We have reviewed the interim report for The Swedish Covered Bond Corporation (publ) for the period 1 January – 30 June 2018. The Board of Directors and the CEO 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 International Standard on Review Engagements (ISRE) 2410 Review of Interim Financial Information performed by the company's auditors. A review consists of making inquiries, primarily with 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 ISA and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

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

Stockholm July 17, 2018

Deloitte AB

Patrick Honeth
Authorised Public Accountant