



Interim report 1 January – 30 June 2010

The Swedish Covered Bond Corporation (SCBC)

Summary	June 2010	June 2009
Net interest income, SEK million	648	203
Operating profit/loss, SEK million	445	-405
Net profit/loss for the period, SEK million	328	-298
Lending, SEK billion	200.9	157.4
Capital adequacy ratio, %	10.3	12.3
Tier 1 capital ratio, %	10.3	12.3
Volume of international funding, SEK billion	73.0	68.1
<i>Rating, long-term funding</i>		
Standard & Poor's	AAA	AAA
Moody's	Aaa	Aaa

All profit and loss figures in parentheses pertain to the year-earlier period. For balance-sheet items and capital adequacy the comparative period corresponds to the immediately preceding year-end. This is a translation of the Swedish interim report. The auditor has not signed the translation for approval.

Organisation

The Swedish Covered Bond Corporation, SCBC, is a wholly owned subsidiary of The Swedish Housing Finance Corporation, SBAB. SCBC conducts its operations in such a manner that they comply with the requirements specified in the Covered Bonds Act (2003:1223) and the Swedish Financial Supervisory Authority's regulations FFFS 2004:11.

Operating profit

SCBC reported an operating profit of SEK 445 million (loss: 405) for the first six months of 2010. The change was due to "Net income from financial instruments measured at fair value", which derived from unrealised changes in the market value of derivative instruments and hedged items. SCBC's total operating income increased compared with the year-earlier period to SEK 681 million (expense: 188).

Net interest income amounted to SEK 648 million (203). Expenses for the period totaled SEK 221 million (221). Net loan losses amounted to SEK -15 million (4).

Lending

SCBC does not conduct any new lending activities itself, but acquires loans from SBAB on an ongoing basis or as required. The intention of the acquisitions is for these loans to be included in full or in part in the cover pool that serves as collateral for SCBC's covered bond investors. SCBC's portfolio mainly comprises loans for residential mortgages, with the retail market as the largest segment. The portfolio contains no loans for purely commercial properties. Information regarding SCBC's cover pool is published monthly on scbc.se.

Funding

SCBC's operations are primarily focused on issuing covered bonds in the Swedish and international capital markets. For this purpose, the company uses two funding programmes: the Swedish mortgage bond programme for the issuance of covered bonds and SCBC's EUR 10 billion Euro Medium Term Covered Note Programme. Both programmes received the highest possible long-term ratings of Aaa and AAA from the rating agencies Moody's and Standard & Poor's.

SCBC's funding is conducted through the issuance of covered bonds, and to a certain extent through repo transactions. In addition, SCBC receives funding in the form of a subordinated loan from SBAB. The value of debt securities in issue totalled SEK 157.7 billion (139.9). Programme utilisation on 30 June 2010 was as follows: Swedish covered bonds SEK 83.1 billion (83.9) and Euro Medium Term Covered Note Programme EUR 7.5 billion (5.2).

The average maturity of the debt portfolio has been extended through continuous issuances and repurchases in the international and Swedish covered bond markets. Covered bonds are still the SBAB Group's principal source of funding.

Capital adequacy

SCBC reports credit risk mainly in accordance with the internal ratings-based approach (IRB approach), and reports operational and market risk in accordance with the standardised approach. Taking into account the transitional regulations, the capital quotient was 1.29 (1.39) and the capital adequacy ratio and Tier 1 capital ratio amounted to 10.3 % (11.1). In accordance with Basel II, without taking the transitional regulations into account, the capital quotient was 3.63 (4.14), while the capital adequacy ratio and Tier 1 capital ratio amounted to 29.0 % (33.1). The calculation of Tier 1 capital and total capital includes profit for the period.

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 2.3 Accounting for Legal Entities, Finansinspektionen's (The Swedish Financial Supervisory Authority's) regulations and general guidelines on annual reports in credit institutions and securities companies undertakings (FFFS 2008:25) and the Annual Accounts (Credit Institutions and Securities Companies) Act. This interim report complies with the requirements specified in IAS 34 Interim Financial Reporting and IAS 1 Presentation of Financial Statements. The accounting policies and calculation methods remain unchanged compared with the 2009 Annual Report.

Significant events after the balance-sheet date

- ➡ No events of material importance to assessments of the company's financial position have occurred after the close of the report period.

Financial information

The next financial report scheduled for publication is the year-end report for 2010.

The Board of Directors and Managing Director certify that the interim report provides a fair view of the company's operations, position and earnings, and describes the significant risks and uncertainties to which the company is exposed.

Stockholm, 21 July 2010

Eva Cederbalk

Chairman of the Board

Bo Andersson

Board Member

Per Balazsi

Board Member

Johan Brodin

Board Member

Johanna Clason

Managing Director

Income statement

SEK million	Note	Jan - Jun 2010	Jan - Jun 2009
Interest income		1,313	2,273
Interest expense		-665	-2,070
Net interest income		648	203
Commission income		5	6
Commission expense		-42	-16
Net income/expense from financial items measured at fair value	1	70	-382
Other operating income		0	1
Total operating income/expense		681	-188
General administration expenses		-220	-220
Other operating expenses		-1	-1
Total expenses before loan losses		-221	-221
Profit/loss before loan losses		460	-409
Loan losses, net	2	-15	4
Operating profit/loss		445	-405
Tax		-117	107
Profit/loss for the period		328	-298

Statement of comprehensive income

SEK million	Jan - Jun 2010	Jan - Jun 2009
Profit/loss for the period	328	-298
Income/expense recognised directly in equity	-	-
Other comprehensive income/loss for the period, after tax	-	-
Total comprehensive income/loss for the period	328	-298

Balance sheet

SEK million	Note	30 Jun 2010	31 Dec 2009
ASSETS			
Loans and advances to credit institutions		14,130	9,972
Loans and advances to the public	3	200,897	173,371
Change in fair value of hedge-accounted loan receivables		2,729	2,961
Derivative instruments	5	7,085	10,901
Deferred tax assets		10	55
Other assets		339	638
Prepaid expenses and accrued income		247	214
Total assets		225,437	198,112
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions		17,994	14,625
Debt securities in issue		157,706	139,963
Derivative instruments	5	4,787	4,059
Other liabilities		99	18
Accrued expenses and prepaid income		1,994	3,206
Deferred tax liabilities		-	-
Subordinated debt to Parent Company	6	32,914	26,626
Total liabilities		215,494	188,497
Equity			
Share capital		50	50
Shareholder contribution		9,550	9,550
Retained earnings		15	232
Profit/loss for the period		328	-217
Total equity		9,943	9,615
Total liabilities and equity		225,437	198,112

Statement of changes in equity

SEK million

	Share capital	Shareholder contribution	Retained earnings	Profit/loss for the period	Total equity
Opening balance, 1 Jan 2010	50	9,550	15		9,615
Total comprehensive income for the period				328	328
Closing balance, 30 Jun 2010	50	9,550	15	328	9,943

	Share capital	Shareholder contribution	Retained earnings	Profit/loss for the period	Total equity
Opening balance, 1 Jan 2009	50	9,550	-218		9,382
Total comprehensive loss for the period				-298	-298
Closing balance, 30 Jun 2009	50	9,550	-218	-298	9,084

	Share capital	Shareholder contribution	Retained earnings	Profit/loss for the period	Total equity
Opening balance, 1 Jan 2009	50	9,550	-218		9,382
Group contribution received from the Parent Company, after tax			450		450
Total comprehensive loss for the period				-217	-217
Closing balance, 31 Dec 2009	50	9,550	232	-217	9,615

The shareholder contributions that have been paid are conditional and the Parent Company, SBAB, is entitled to demand repayment of the contributions from SCBC's disposable earnings, assuming that the Annual General Meeting approves such a course of action.

Cash flow statement

SEK million

	Jan - Jun 2010	Jan - Jun 2009
Cash and cash equivalents at the beginning of the period	9,972	5,535
Cash flow from operating activities	3,548	4,854
Cash flow from investing activities	-	-
Cash flow from funding activities	610	-400
Increase in cash and cash equivalents	4,158	4,454
Cash and cash equivalents at the end of the period	14,130	9,989

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

Notes

Note 1 - Net income from financial items measured at fair value

SEK million	Jan - Jun 2010	Jan - Jun 2009
Gains/losses on interest-bearing financial instruments		
- Hedged items	-238	-718
- Derivative instruments	679	491
- Loan receivables	54	74
- Other financial liabilities	-426	-229
Currency translation effects	1	0
Total	70	-382

Note 2 - Loan losses, net

SEK million	Jan - Jun 2010	Jan - Jun 2009
CORPORATE MARKET		
Collective provision, corporate market loans		
Allocation to collective provision	-10	-1
Guarantees	-1	1
Net cost for the period for collective provisions for corporate market loans	-11	0
RETAIL MARKET		
Individual provision, retail market loans		
Provision for probable loan losses for the period	0	-
Guarantees	-0	-
Net cost for the period for individual provisions for retail market loans	0	-
Collective provision, retail market loans		
Write-off of confirmed loan losses for the period	-0	-
Allocation/reversal of collective provision	-5	10
Guarantees	1	-6
Net cost for the period for collective provisions for retail market loans	-4	4
Net cost for the period for loan losses	-15	4

Note 3 - Loans and advances to the public

30 Jun 2010

31 Dec 2009

SEK million

	Lending	Provision	Lending	Provision
Single-family dwellings and holiday homes	77,174	-74	68,674	-59
Tenant-owner rights	45,237	-31	38,570	-28
Tenant-owner associations	47,702	-13	39,859	-7
Private multi-family dwellings	23,010	-11	19,133	-8
Municipal multi-family dwellings	7,744	-	7,229	-
Commercial properties	159	-	8	-
Provision for probable loan losses	-129	-	-102	-
Total	200,897	-129	173,371	-102

	30 Jun 2010	31 Dec 2009
Doubtful loan receivables and provisions		
a) Doubtful loan receivables	2	2
b) Individual provisions for loan receivables	2	2
c) Collective provisions, corporate market loans	23	14
d) Collective provisions, retail market loans	104	86
e) Total provisions (b+c+d)	129	102
f) Doubtful loan receivables after individual provisions (a-b)	0	-
g) Provision ratio for individual provisions (b/a)	93%	93%

Note 4 - Classification of financial instruments

SEK million

30 Jun 2010

Financial assets	Assets measured at fair value through profit and loss	Hedge-accounted derivative instruments	Loan receivables	Total
Loans and advances to credit institutions			14,130	14,130
Loans and advances to the public			200,897	200,897
Change in fair value of hedge-accounted loan receivables			2,729	2,729
Derivative instruments	6,905	180		7,085
Other assets			339	339
Prepaid expenses and accrued income			247	247
Total	6,905	180	218,342	225,427

Financial liabilities	Liabilities measured at fair value through profit and loss	Hedge-accounted derivative instruments	Other financial liabilities	Total
Liabilities to credit institutions			17,994	17,994
Debt securities in issue			157,706	157,706
Derivative instruments	4,366	421		4,787
Other liabilities			99	99
Accrued expenses and prepaid income			1,994	1,994
Subordinated debt to Parent Company			32,914	32,914
Total	4,366	421	210,707	215,494

Note 5 - Derivative instruments
SEK million

30 Jun 2010	Assets measured at fair value	Liabilities measured at fair value	Nominal amount
Interest-rate related	2,869	1,617	73,982
Currency related	4,216	3,170	372,501
Total derivative instruments	7,085	4,787	446,483

Note 6 - Subordinated debt to Parent Company
SEK million

	30 Jun 2010	31 Dec 2009
Subordinated debt to Parent Company	32,914	26,626
Total	32,914	26,626

Conditions concerning subordination

The subordinated debt was 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 they carry an entitlement to payment only after other claimants have received payment.

Capital base
SEK million

	30 Jun 2010	31 Dec 2009
Tier 1 capital		
Share capital	50	50
Retained earnings	15	-218
Profit/loss for the period	328	-217
Shareholder contribution	9,550	9,550
Total Tier 1 capital, gross	9,943	9,165
Less other intangible assets	-	-
Less deferred tax assets	- 9	-55
Deductions in accordance with Chapter 3, Section 8 of the Capital Adequacy Act	-149	-117
Total Tier 1 capital, net	9,785	8,993
Tier 2 capital		
Perpetual subordinated debentures (Upper Tier 2)	-	-
Time-limited subordinated debentures (Lower Tier 2)	-	-
Deductions in accordance with Chapter 3, Section 8 of the Capital Adequacy Act	-	-
Total Tier 2 capital	-	-
Expanded part of capital base	-	-
Deduction from entire capital base	-	-
Amount for capital base net after deductible items and limit value	9,785	8,993

Capital requirement

SEK million

	30 Jun 2010	31 Dec 2009
Credit risk reported in accordance with IRB approach		
- Corporate exposures	1,872	1,478
- Retail exposures	527	461
Total credit risk in accordance with IRB approach	2,399	1,939
Credit risk reported in accordance with standardised approach		
- Exposures to governments and central banks	0	0
- Exposures to local governments and comparable associations	0	0
- Exposures to institutions	157	92
- Exposures to corporates	26	3
- Retail exposures	2	2
- Past due items	0	0
- Other items	2	1
Total credit risk in accordance with standardised method	187	98
Risks in the trading book	-	-
Operational risk	111	137
Currency risk	-	-
Commodity risk	-	-
Total minimum capital requirement	2,697	2,174
Addition during transitional period	4,893	4,287
Capital requirement including addition	7,590	6,461

Capital adequacy

SEK million

	30 Jun 2010	31 Dec 2009
Tier 1 capital	9,785	8,993
Total capital	9,785	8,993
With transitional regulations		
Risk-weighted assets	94,872	80,760
Tier 1 capital ratio	10.3 %	11.1%
Capital adequacy ratio	10.3 %	11.1%
Capital quotient	1.29	1.39
Without transitional regulations		
Risk-weighted assets	33,710	27,172
Tier 1 capital ratio	29.0 %	33.1%
Capital adequacy ratio	29.0 %	33.1%
Capital quotient	3.63	4.14

Review report

To the Board of The Swedish Covered Bond Corporation (SCBC) ▪ Corporate registration number 556645-9755

Introduction

We have reviewed the enclosed interim report of the Swedish Covered Bond Corporation, SCBC, corp. reg. no. 556645-9755 for the period 1 January 2010 – 30 June 2010.

The Board of Directors and the Managing Director are responsible for preparing and presenting this interim financial information in accordance with the Annual Accounts (Credit Institutions and Securities Companies) Act. Our responsibility is to express an opinion on this interim report, based on our review.

The direction and extent of the review

We have performed this review in accordance with the Swedish Standard on Review Engagements SÖG 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 has another direction and is substantially more limited in scope than an audit conducted in accordance with the Auditing Standard in Sweden (RS) and generally accepted auditing practice otherwise. The measures undertaken in a review do not permit us to be certain that we have become aware of all significant matters that might have been identified in an audit.

The expressed conclusion based on a review does not therefore have the degree of certainty that a conclusion expressed as a result of an audit has.

Conclusion

On the basis of our review, nothing has come to our attention which gives us cause to believe that the enclosed interim financial information has not been prepared, in all essentials, in accordance with the Annual Accounts (Credit Institutions and Securities Companies) Act.

Stockholm, 21 July 2010
Öhrlings PricewaterhouseCoopers AB

Ulf Westerberg
Authorised Public Accountant

The Swedish Covered Bond Corporation, SCBC, is a wholly owned subsidiary of The Swedish Housing Finance Corporation, SBAB.

Visiting address: Löjtnantsgatan 21 ▪ Box 27308, SE-102 54 Stockholm ▪ Tel: +46-(0)8-614 43 00 ▪ Fax: +46-(0)8-614 38 60
E-mail: investor@sbab.se ▪ www.scbc.se ▪ Corporate registration number, SCBC: 556645-9755