

INTERIM REPORT 1 January – 30 June 2009

The Swedish Covered Bond Corporation, (SCBC)

	Summary	June 2009	June 2008
• The Swedish covered bond market continued to operate relatively well despite the prevailing global financial crisis.	Net interest income, SEK million	203	454
	Operating profit/loss, SEK million	(405)	211
	Net profit/loss for the period, SEK million	(298)	152
• The rating agency Standard & Poor's declared its intention to change its general rating methodology for covered bonds. The impact of this on SCBC is not yet known.	Lending, SEK million	157,383	157,722
	Capital adequacy ratio, %	12.3	9.9
	Primary capital ratio, %	12.3	9.9
	Volume of international borrowing, SEK million	68,145	53,863
	Rating, long-term borrowing		
	Standard & Poor's	AAA	AAA
	Moody's	Aaa	Aaa

All income-statement figures in parentheses pertain to the year-earlier period. For balance-sheet items, 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 is a credit-market company whose operations focus primarily on issuing covered bonds in Swedish and international capital markets. For this purpose, the company currently uses two funding programmes, the mortgage bond programme in Sweden and the EMTCN programme primarily in the international market.

SCBC's operations are conducted by personnel employed by the Parent Company SBAB. These services are regulated by an outsourcing agreement between the parties under which SBAB performs the services on behalf of SCBC and receives outsourcing revenue.

The loans that are not funded by issuing covered bonds are financed by a subordinated loan from the Parent Company SBAB. The subordinated loan and SBAB's claims on SCBC under the outsourcing agreement are subordinate to liabilities to all non-covered creditors in the event of SCBC's bankruptcy, liquidation or company restructuring. SCBC thus minimises the risk of conflicts between creditors.

To hedge currency and interest rate risks that arise as a natural part of operations, SCBC regularly enters into derivative transactions with SBAB and external counterparties. SCBC must conduct 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 loss of SEK 405 million (profit: 211) for the first six months. Net interest income amounted to SEK 203 million (454), down 55% on the year-earlier period. The change was primarily due to falling market interest rates. Fierce competition in recent years has resulted in a distinct downward trend for margins in the Swedish residential mortgage market.

SCBC's total operating income has fallen to negative SEK 188 million (positive: 414) since the year-earlier period. This was mainly attributable to unrealised changes in the market value of derivative instruments and to hedged items.

Expenses for the period totalled SEK 221 million (188), pertaining mainly to the outsourcing agreement between SCBC and SBAB.

Net loan losses declined compared with the year-earlier period and amounted to a recovery of SEK 4 million (loss: 15). This decrease was primarily attributable to the change in the provision for collectively measured loan receivables, which in turn reflected a slight improvement in the credit quality of SCBC's portfolio.

Lending

SCBC does not conduct any new lending itself; instead it continuously or when necessary acquires loans from SBAB and loans originated by SBAB's business partners. The intention of the acquisitions is for these loans to be wholly or partly included in the cover pool that serves as collateral for investors with holdings of SCBC's covered bonds. Loans were continuously acquired or divested between SBAB and SCBC during the period. Information regarding SCBC's cover pool is presented every month on the company's website, www.scbc.se.

Lending to the public totalled SEK 157,383 million (157,792).

The table below shows the distribution of the loan portfolio between the retail and corporate markets.

Loan portfolio

SEK million	Jun 2009	Dec 2008
Retail market	100,951	105,740
Corporate market	56,432	52,052
Total	157,383	157,792

Based on the agreement between SBAB and SCBC, SBAB undertakes to repurchase loans that become past due by 30 days or more.

Funding

SCBC's operations focus primarily on issuing covered bonds in Swedish and international capital markets. For this purpose, the company currently uses two funding programmes: the mortgage bond programme in Sweden for issuing covered bonds and SCBC's EUR 10,000,000,000 Euro Medium Term Covered Note Programme. Both programmes received the highest possible long-term ratings of Aaa/AAA from the rating agencies Moody's and Standard & Poor's. During the period, Standard & Poor's announced its intention to change its general rating methodology for covered bonds. The impact of this on SCBC is not yet known.

SCBC's funding takes place predominantly by issuing covered bonds, and, to a certain extent, through repo transactions. In addition, SCBC receives funding in the form of a subordinated loan from SBAB.

Ongoing issuing and repurchasing occurred during the period, principally in the Swedish covered bond market.

The value of outstanding debt securities in issue totalled SEK 140,735 million (126,578). Programme utilisation on 30 June 2009 was as follows: Swedish covered bonds SEK 69.8 billion (61.9) and Euro Medium Term Covered Note Programme EUR 6,118 million (5,818).

The period was marked by continued credit turmoil in capital markets. The international public market for issuing covered bonds remained practically closed for most of the period, although the market started functioning sporadically towards the end of the period.

Although the Swedish mortgage bond market functioned relatively well compared with the international market, funding levels remained relatively high.

Capital adequacy and risk

SCBC reports credit risk mainly in accordance with the Internal Ratings-Based (IRB) approach, and reports operational risk and market risk in accordance with the standardised approach. SCBC's capital ratio, taking the transitional regulations into account, amounted to 1.54% (1.25) on 30 June 2009 and the capital adequacy ratio as well as the primary capital ratio amounted to 12.3% (10.0). After full implementation of Basel II, without taking into account the transitional regulations, the capital adequacy ratio and primary capital ratio under Pillar 1 were 34.2% (21.8). Figures for June 2009 included earnings for the first half of the 2009 financial year.

There are no ongoing or anticipated material obstacles or legal barriers to a rapid transfer of funds from the capital base other than those that ensue from the terms applying for the subordinated debentures (see Note 6) or from what generally applies pursuant to the Companies Act (2005:551).

Interest-rate risk

Interest-rate risk arises as a natural part of SCBC's activities and originates primarily when the interest-rate structure between the company's deposits and lending (ALM risk) is not fully matched. The main principle is that SCBC's interest-rate risk is hedged, either in relation to the Parent Company SBAB or to external counterparties. Accordingly, SCBC is subject to only a limited interest-rate risk. SCBC does not conduct trading operations. An account of other risks in SCBC can be found in the 2008 Annual Report.

Current events

- No events of material importance to the assessment of the company's financial position occurred after the end of the reporting period.
- SCBC joined the Swedish Government's guarantee scheme on 29 June 2009.

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 2.2, Accounting for Legal Entities, and 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).

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the new amendment to IAS 1 Presentation of Financial Statements.

Following the amendment to IAS 1, income and expenses are recognised in a single statement known as the statement of comprehensive income. This statement includes "Other comprehensive income" which comprises income and expenses from transactions recognised under shareholders' equity until the closing of the 2008 accounts. SCBC's transactions are solely with the company's shareholders, which are reported in the statement of changes in equity.

The accounting policies and calculation methods remain unchanged compared with the 2008 Annual Report, with the exception that SCBC now applies the new standard IFRS 8 Operating Segments, instead of IAS 14 Segment Reporting.

According to IFRS 8, a segment is a component of a company that can earn revenues and incur expenses. Discrete financial information must be available and operating profit/loss must be regularly reviewed and monitored by the company's chief operating executive. SCBC's operations are monitored at the comprehensive level, since the company primarily comprises loan receivables at a risk level that enables the issuance of covered bonds. As a result, only one operating segment is recognised, comprehensive SCBC, which conforms with the previous application of IAS 14.

All amounts are stated in millions of Swedish kronor (SEK million).

Financial information

The next financial statement scheduled for publication is the Annual Report for the 2009 financial year.

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, 12 August 2009

Per Balazsi
Chairman of the Board

Bo Andersson
Board Member

Johanna Clason
Board Member

Bengt-Olof Nilsson Lalér
Board Member

Per Tunestam
Managing Director

Statement of comprehensive income

SEK million

	Note	Jan - Jun 2009	Jan - Jun 2008
Interest income		2,273	3,835
Interest expense		(2,070)	(3,381)
Net interest income/expense		203	454
Commission income		6	5
Commission expense		(16)	(8)
Net income/expense from financial items measured at fair value	1	(382)	(37)
Other operating income		1	-
Total operating income/expense		(188)	414
General administrative expenses		(220)	(187)
Other operating expenses		(1)	(1)
Total expenses before loan losses		(221)	(188)
Profit/loss before loan losses		(409)	226
Loan losses, net	2	4	(15)
Operating profit/loss		(405)	211
Tax		107	(59)
Net profit/loss for the period		(298)	152
OTHER COMPREHENSIVE INCOME			
Income/expenses recognised directly in shareholders' equity		-	-
Other comprehensive income for the period, after tax		-	-
Total comprehensive income/expense for the period		(298)	152

Balance sheet

SEK million

	Note	30 June 2009	31 Dec 2008
ASSETS			
Loans and advances to credit institutions		9,989	5,535
Loans and advances to the public	3	157,383	157,792
Fair value adjustment of hedge accounted loan receivables		3,657	4,568
Derivative financial instruments	5	15,829	14,745
Deferred income tax assets		242	135
Other assets		278	1,382
Prepaid expenses and accrued income		235	289
TOTAL ASSETS		187,613	184,446
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions		22,758	20,629
Debt securities in issue		140,735	126,578
Derivative financial instruments	5	4,059	4,020
Other liabilities		476	1,629
Accrued expenses and prepaid income		2,660	2,782
Deferred income tax liabilities		-	-
Subordinated liability to Parent Company	6	7,841	19,426
Total liabilities		178,529	175,064
Equity			
Share capital		50	50
Shareholder contribution		9,550	9,550
Retained earnings		(218)	(938)
Net profit/loss for the period		(298)	720
Total equity		9,084	9,382
TOTAL LIABILITIES AND EQUITY		187,613	184,446

Statement of changes in equity

SEK million

	<u>Restricted equity</u>	<u>Non-restricted equity</u>			
	Share capital	Shareholder contribution	Retained earnings	Net profit/ loss for the period	Total equity
Opening balance 1 January 2009	50	9,550	(218)		9,382
Total comprehensive income/expense for the period				(298)	(298)
Shareholder contribution					0
Closing balance 30 June 2009	50	9,550	(218)	(298)	9,084

	<u>Restricted equity</u>	<u>Non-restricted equity</u>			
	Share capital	Shareholder contribution	Retained earnings	Net profit/ loss for the period	Total equity
Opening balance 1 January 2008	50	5,150	622		5,822
Total comprehensive income for the period				152	152
Shareholder contribution		2,000			2,000
Dividend to Parent Company			(408)		(408)
Closing balance 30 June 2008	50	7,150	214	152	7,566

	<u>Restricted equity</u>	<u>Non-restricted equity</u>			
	Share capital	Shareholder contribution	Retained earnings	Net profit/ loss for the period	Total equity
Opening balance 1 January 2008	50	5,150	622		5,822
Total comprehensive income for the period				720	720
Shareholder contribution		4,400			4,400
Dividend to Parent Company			(408)		(408)
Group contribution provided to Parent Company, after tax			(1,152)		(1,152)
Closing balance 31 December 2008	50	9,550	(938)	720	9,382

The shareholder contributions provided are conditional and the Parent Company, the Swedish Housing Finance Corporation (SBAB), is entitled to receive repayment of the contributions from the Swedish Covered Bond Corporation's unappropriated earnings, provided that the Annual General Meeting grants its approval.

Cash flow statement

SEK million

	Jan - Jun 2009	Jan - Jun 2008
Cash and cash equivalents at the beginning of the year	5,535	7,015
Cash flow from operating activities	4,854	(8,518)
Cash flow from investing activities	-	-
Cash flow from financing activities	(400)	1,592
Increase / decrease in cash and cash equivalents	4,454	(6,926)
Cash and cash equivalents at period-end	9,989	89

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.

Not

Note 1 Net income from financial items measured at fair value

SEK million

	Jan - Jun 2009	Jan - Jun 2008
Gains/losses on interest-bearing financial instruments:		
- Hedged items	(718)	79
- Derivative financial instruments	491	(130)
- Loan receivables	74	10
- Other financial liabilities	(229)	5
Currency translation effects	0	(1)
Total	(382)	(37)

Note 2 Loan losses/recoverables, net

CORPORATE MARKET

SEK million

	Jan - Jun 2009	Jan - Jun 2008
INDIVIDUAL PROVISION, CORPORATE MARKET LOAN		
Write-off for confirmed loan losses for the period	-	-
Reversal of prior year provisions for probable loan losses reported as confirmed loan losses in the financial statements for this period	-	-
Provision for probable loan losses for the period	-	-
Recovered in respect of confirmed loan losses in prior years	-	-
Reversal of prior year provisions for probable loan losses no longer required	-	-
Guarantees	-	-
Net expense for the period for individual provisions for corporate market loans	-	-
COLLECTIVE PROVISION, CORPORATE MARKET LOANS		
Allocation/reversal of collective provision	1	(13)
Guarantees	(1)	3
Net expense for the period for collective provisions for corporate market loans	0	(10)

RETAIL MARKET

SEK million

COLLECTIVE PROVISION, RETAIL MARKET LOANS		
Write-off for confirmed loan losses for the period	-	-
Recovered in respect of confirmed loan losses in prior years	-	-
Allocation/reversal of collective provision	(10)	21
Guarantees	6	4
Net expense for the period for collective provisions for retail market loans	(4)	25
Net income/net expense for loan losses during the period	(4)	15

Note 1 Net income from financial items measured at fair value

SEK million

	Jan - Jun 2009	Jan - Jun 2008
Gains/losses on interest-bearing financial instruments:		
- Hedged items	(718)	79
- Derivative financial instruments	491	(130)
- Loan receivables	74	10
- Other financial liabilities	(229)	5
Currency translation effects	0	(1)
Total	(382)	(37)

Note 2 Loan losses/recoverables, net

CORPORATE MARKET

SEK million

	Jan - Jun 2009	Jan - Jun 2008
INDIVIDUAL PROVISION, CORPORATE MARKET LOAN		
Write-off for confirmed loan losses for the period	-	-
Reversal of prior year provisions for probable loan losses reported as confirmed loan losses in the financial statements for this period	-	-
Provision for probable loan losses for the period	-	-
Recovered in respect of confirmed loan losses in prior years	-	-
Reversal of prior year provisions for probable loan losses no longer required	-	-
Guarantees	-	-
Net expense for the period for individual provisions for corporate market loans	-	-
COLLECTIVE PROVISION, CORPORATE MARKET LOANS		
Allocation/reversal of collective provision	1	(13)
Guarantees	(1)	3
Net expense for the period for collective provisions for corporate market loans	0	(10)
RETAIL MARKET		
SEK million		
COLLECTIVE PROVISION, RETAIL MARKET LOANS		
Write-off for confirmed loan losses for the period	-	-
Recovered in respect of confirmed loan losses in prior years	-	-
Allocation/reversal of collective provision	(10)	21
Guarantees	6	4
Net expense for the period for collective provisions for retail market loans	(4)	25
Net income/net expense for loan losses during the period	(4)	15

Note 3 Loans and advances to the public

SEK million	30 June 2009		31 Dec 2008	
	Lending	Provision	Lending	Provision
Single-family dwellings and holiday homes	70,355	(41)	72,878	(58)
Tenant-owned apartments	30,650	(13)	32,940	(20)
Tenant-owner associations	34,783	(3)	30,664	(1)
Private multi-family dwellings	16,162	(7)	16,275	(6)
Municipal multi-family dwellings	5,374		4,996	-
Commercial properties	123		124	-
Provision for probable loan losses	(64)		(85)	-
Total	157,383	(64)	157,792	(85)

Doubtful loan receivables and provisions	30 June 2009	31 Dec 2008
a) Doubtful loan receivables	-	-
b) Individual provisions, loan receivables	-	-
c) Collective provisions, corporate market loans	10	7
d) Collective provisions, retail market loans	54	78
e) Total provisions (b+c+d)	64	85
f) Doubtful loan receivables after individual provisions (a-b)	-	-
g) Provision ratio for individual provisions (b/a)	-	-

For loans that SCBC acquired from SBAB and that were brokered by business partners, it is possible, in certain cases, for the partners to acquire the brokered loans. Unless it has approval from FriSpar Bolån AB, SCBC is not entitled to sell on to a third party the loans that SCBC acquired from SBAB through FriSpar Bolån AB.

Note 4 Classification of financial instruments

SEK million	30 June 2009			
	Assets measured at fair value through profit and loss	Hedge-accounted derivative financial instruments	Loan receivables	Total
Financial assets				
Loans and advances to credit institutions			9,989	9,989
Loans and advances to the public			157,383	157,383
Fair value adjustment of hedge accounted loan receivables			3,657	3,657
Derivative financial instruments	722	15,107		15,829
Other assets			278	278
Prepaid expenses and accrued income			235	235
Total	722	15,107	171,542	187,371

	Liabilities measured at fair value through profit and loss	Hedge-accounted derivative financial instruments	Other financial liabilities	Total
Financial liabilities				
Liabilities to credit institutions			22,758	22,758
Debt securities in issue			140,735	140,735
Derivative financial instruments	413	3,646		4,059
Other liabilities			476	476
Accrued expenses and prepaid income			2,660	2,660
Subordinated liabilities to Parent Company			7,841	7,841
Total	413	3,646	174,470	178,529

Note 5 Derivative financial instruments

SEK million	30 June 2009		
	Assets measured at fair value	Liabilities measured at fair value	Nominal amount
Interest-rate-related	5,676	3,995	306,192
Currency-related	10,153	64	58,268
Total derivative financial instruments	15,829	4,059	364,460

Note 6 Subordinated liability to Parent Company

SEK million	30 June 2009	31 Dec 2008
Subordinated liability to Parent Company	7,841	19,426
Total	7,841	19,426

Conditions concerning subordination

The subordinated liability was issued by the Parent Company. The subordinated liability is subordinate to the company's other liabilities in bankruptcy, liquidation or undergoing reconstruction, which means that they carry an entitlement to payment only after other claimants have received payment.

Capital base

SEK million

	30 June 2009	31 Dec 2008
Primary capital		
Share capital	50	50
Retained earnings	(218)	(938)
Net profit/loss for the year	(298)	720
Primary capital contribution	9,550	8,350
Total primary capital gross	9,084	8,182
Less other intangible assets	-	-
Less deferred income tax receivables	(242)	(135)
Deductions in accordance with Chapter 3, Section 8 of the Capital Adequacy Act	(142)	(676)
Total primary capital net	8,700	7,371
Supplementary capital		
Perpetual subordinated debentures	-	-
Time-limited subordinated debentures	-	-
Deductions in accordance with Chapter 3, Section 8 of the Capital Adequacy Act	-	-
Total supplementary capital	8,700	7,371
Expanded part of capital base	-	-
Deduction from entire capital base	-	-
Amount for capital base net after deductible items and limit value	8,700	7,371

Capital requirement

SEK million

	30 June 2009	31 Dec 2008
Credit risk reported in accordance with IRB Approach		
- Corporate exposures	1,307	1,201
- Retail exposures	377	419
Total credit risk in accordance with IRB Approach	1,684	1,620
Credit risk reported in accordance with Standardised Approach		
- Exposures to states and central banks	0	0
- Exposures to municipalities and comparable associations	0	0
- Institutional exposures	197	931
- Corporate exposures	12	50
- Retail exposures	2	3
- Unregulated items	0	0
- Other items	1	2
Total credit risk in accordance with Standardised Approach	212	986
Risks in the commercial portfolio	-	-
Operational risk	137	97
Currency risk	-	-
Commodity risk	-	-
Total capital requirement	2,033	2,703
Addition during transitional period	3,615	3,180
Capital requirement including addition	5,648	5,883

Capital adequacy

SEK million

	30 June 2009	31 Dec 2008
Primary capital	8,700	7,371
Total capital	8,700	7,371
Risk-weighted assets	70,599	73,535
Primary capital ratio	12.3%	10.0%
Capital adequacy ratio	12.3%	10.0%
Capital ratio	1.54	1.25

Review Report

To the Board of Swedish Covered Bond Corporation, (SCBC)

Corporate registration number 556645-9755

Introduction

We have reviewed the interim report of the Swedish Covered Bond Corporation, SCBC, Corp. Reg. No. 556645-9755 for the period 1 January 2009 – 30 June 2009. The Board of Directors and the Managing Director are responsible for preparing and presenting this interim report 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* issued by FAR. 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 report has not been prepared, in all essentials, in accordance with the Annual Accounts (Credit Institutions and Securities Companies) Act.

Stockholm, 13 August 2009

Öhrlings PricewaterhouseCoopers AB

Ulf Westerberg

Authorised Public Accountant