

INTERIM REPORT for The Swedish Covered Bond Corporation, reg. no. 556645-9755, 1 January – 30 June 2008

Summary

	Jun 2008	Jun 2007
Net interest income, SEK million	454	399
Net operating income, SEK million	211	326
Impairment charges, SEK million	(15)	(3)
Lending, SEK million	157,722	119,788
Capital adequacy, % ¹⁾	9.9	9.0
Primary capital ratio, % ¹⁾	9.9	9.0
Volume int. borrowing, SEK million	53,863	36,005
Rating, long-term borrowing		
Standard & Poor's	AAA	AAA
Moody's	Aaa	Aaa

¹⁾ The comparative figures have been adjusted due to changed calculation methods; see the section "Capital adequacy".

Current events

- A large transfer from SBAB took place on one occasion in June with the intention of enabling additional borrowing via covered bonds. As at 30 June 2008, this transfer amounted to SEK 18,686 million.
- No events of significance for assessment of the company's financial position have occurred after the end of the report period.

In general

The Swedish Covered Bond Corporation, hereinafter referred to as SCBC, is a wholly-owned subsidiary of The Swedish Housing Finance Corporation, SBAB hereinafter referred to as SBAB.

SCBC's business activities are mainly focused on issuing covered bonds in the Swedish and international capital market. For this purpose, the company currently uses two funding programmes, the mortgage bond programme in Sweden for issuance of covered bonds and a € 10,000,000,000 Euro Medium Term Covered Note Programme. Both programmes have been granted the highest possible long-term credit ratings Aaa/AAA by the rating institutes Moody's och Standard & Poor's.

SCBC has entered into derivative agreements, under what are referred to as ISDA agreements, with SBAB as well as a number of external counterparties to manage interest rate and currency risks. SCBC has also entered into a transfer agreement with SBAB for continuous acquisition of loans. Furthermore, SCBC has entered into a subordination agreement for subordination of all claims that SBAB has the right to make on SCBC arising from the agreements in the event of SCBC's bankruptcy.

SCBC and SBAB have entered into an outsourcing agreement with a view to obtaining efficiency gains in SBAB's existing organisation and systems. According to this agreement, SBAB undertakes to perform administrative services, credit management services, operational services and funding services on behalf of SCBC.

Net operating income

SCBC's net operating income for the first six months of 2008 totalled SEK 211 million (SEK 326 million). Net interest income amounted to SEK 454 million as at 30 June 2008, an increase of 14 % compared with the corresponding period last year. This change is mainly attributable to the increased loan portfolio. The stiff competition in the Swedish residential mortgage market in recent years has, however, led to a clear downward marginal trend in the residential mortgage market. However, interest income from invested equity has improved due to higher market interest rates and higher equity.

SCBC's total operating income has decreased since last year to SEK 414 million (SEK 471 million). This is largely attributable to unrealised changes in market value of derivative financial instruments and hedged items.

Expenses totalled SEK 188 million (SEK 142 million). These largely consist of expenses relating to the outsourcing agreement between SCBC and SBAB. The increase of the cost of outsourcing reflects the increase of the loan portfolio.

Net impairment charges have risen since the previous period and now total SEK 15 million (SEK 3 million). This increase is mainly attributable to the change in the collective provisions for homogeneous groups of loan receivables. Impairment is still low in relation to the size of the loan portfolio.

Lending

SCBC does not carry out new lending itself; instead SCBC acquires loans from SBAB currently or when required. The intention of the acquisitions is for these loans to be wholly or partly included in the cover pool which is collateral for the investors who own SCBC's covered bonds. Loans have been acquired or divested between SBAB and SCBC currently during the period. Information about SCBC's cover pool is published monthly on the website www.scbc.se.

Lending to customers totalled SEK 157,722 million compared with SEK 128,205 million at the beginning of the period. SEK 18,686 million of the increase in the portfolio as at 30 June 2008 are the loans acquired by SBAB in June from the 51 % owned FriSpar Bolån AB. The subsequent transfer of loans to SCBC has taken place to enable further borrowing via covered bonds.

The following table shows the distribution of the loan portfolio between the consumer and the corporate market.

Loan portfolio		
SEK million	Jun 2008	Dec 2007
Retail market	109,026	80,555
Corporate market	48,696	47,650
Total	157,722	128,205

According to the agreement between SBAB and SCBC, SBAB undertakes to repurchase loans which do not comply with the requirements that the parties have agreed on. During this period, the portion that concerns loans with claims past due has changed. SBAB now undertakes to repurchase loans which are 30 or more days past due instead of repurchasing taking place at 60 or more days past due as before.

All figures in brackets relating to profit and loss items refer to the corresponding period last year. The figures relating to balance sheet items refer to the comparison date at the previous year-end.

Funding

The predominant part of SCBC's funding takes place through issuance of covered bonds and, to some extent, through repurchase agreement transactions. In addition to this, SCBC obtains funding in the form of a subordinated loan of SEK 31,779 million (SEK 15,439 million) from SBAB.

During the period, SCBC has made a public issue of CHF 150 million with a maturity of just under two years in the Swiss market. An additional number of issues in various currencies have been made in the international market in addition to on-going tap issues in the Swedish bond market.

The total value of outstanding securities issued was SEK 114,361 million (SEK 105,361 million). As at 30 June, the programmes were utilised as follows: Swedish Covered Bonds SEK 61,9 billion (SEK 55,3 billion) and Euro Medium Term Covered Note Programme EUR 5,818 million (EUR 5,418 million).

The period has been characterised by considerable credit turbulence in the capital market. The international public market for issuance of covered bonds has operated sporadically during the period. Compared with the international market, the Swedish residential bond market has worked relatively well, although funding levels have increased.

Capital adequacy

SCBC mainly discloses credit risk in accordance with the IRC method and operational risks according to the standard method. As of 2008, capital adequacy is disclosed as Total capital base/(Capital requirement/8%) instead of as previously as Total capital base/Risk-weighted assets*limit value. The comparative figures for 2007 have been adjusted in this connection.

The capital ratio for SCBC was 1.24 (1.07) as at 30 June 2008. The capital adequacy totalled 9.9 % (8.6 %), the primary capital ratio was 9.9 % (8.6 %) and the capital base amounted to SEK 6,750 million (SEK 4,806 million). During the period, the capital base has been strengthened by a total of SEK 2,000 million through two conditional shareholder's contributions from SBAB in March and June respectively.

The capital requirement without taking into consideration the transitional regulations according to the rules in Basel II amounted to SEK 2,114 million (SEK 1,832 million) as at 30 June. The available data as at June 2008 do not include a result for 2008.

Interest-rate risk

Interest-rate risk arises naturally in SCBC's activities and occurs mainly when the interest-rate structure between the company's deposits and lending (ALM risk) is not fully matched. As a main principle, interest-rate risk arising in SCBC is hedged directly, either with the parent company SBAB or with external counterparties. Accordingly, SCBC only bears interest-rate risk itself to a minor extent. SCBC does not engage in any trading operations. An account of other risks is contained in SCBC's annual report for 2007.

All figures in brackets relating to balance sheet items and capital adequacy refer to the comparison date at the previous year-end.

Accounting policies

SCBC applies statutory IFRS, which means that the interim report has been prepared in compliance with IFRS with the additions and exceptions that ensue from the Swedish Financial Board's recommendation RFR 2:1 Accounting for Legal Entities and the Swedish Financial Supervisory Authority's, Finansinspektionen, regulations and general guidelines on annual reports in credit institutions and securities companies undertakings (FFFS 2006:16).

The accounting policies and calculation methods are unchanged compared with those applied in the annual report for 2007.

Financial information

The next financial report published will be the annual report for 2008.

This is a translation of the Swedish interim report. The auditor has not signed the translation for approval.

Income Statement

SEK million

	Note	Jan - Jun 2008	Jan - Jun 2007
Interest income		3,835	1,923
Interest expense		(3,381)	(1,524)
Net interest income		454	399
Commission income		5	3
Commission expense		(8)	(0)
Net income from financial instruments designated at fair value	1	(37)	69
Other operating income		-	0
Total operating income		414	471
General administration expenses		(187)	(142)
Other operating expenses		(1)	(0)
Total expenses before impairment charges		(188)	(142)
Impairment charges, net	2	(15)	(3)
Net operation income		211	326
Income tax expense		(59)	(91)
Profit for the period		152	235

Balance Sheet

SEK million

	Note	Jun 2008	Dec 2007
ASSETS			
Loans and advances to credit institutions		89	7,015
Loans and advances to customers	3	157,722	128,205
Fair value adjustment of interest-rate hedged loan receivables		(1,984)	(708)
Deferred income tax assets		1	-
Derivative financial instruments	5	4,436	3,113
Other assets		69	129
Prepaid expenses and accrued income		311	299
TOTAL ASSETS		160,644	138,053
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions		2,048	8,435
Debt securities in issue		114,361	105,361
Derivative financial instruments	5	2,665	994
Other liabilities		50	83
Accrued expenses and prepaid income		2,174	1,897
Deferred income tax liabilities		-	21
Subordinated liability to parent company	6	31,779	15,439
Total liabilities		153,077	132,230
Equity			
Share capital		50	50
Shareholder's contribution		7,150	5,150
Retained earnings		215	215
Net profit for the year		152	408
Total equity		7,567	5,823
TOTAL LIABILITIES AND EQUITY		160,644	138,053

Statement of changes in equity

SEK million

	<u>Restricted equity</u>	<u>Non-restricted equity</u>			Total equity
	Share capital	Shareholder's contribution	Retained earnings	Net profit for the period	
Opening balance, 1 Jan 2008	50	5,150	623		5,823
Shareholder's contribution		2,000			2,000
Dividend to parent company			(408)		(408)
Net profit of the period				152	152
Closing balance, 30 Jun 2008	50	7,150	215	152	7,567

	<u>Restricted equity</u>	<u>Non-restricted equity</u>			Total equity
	Share capital	Shareholder's contribution	Retained earnings	Net profit for the period	
Opening balance, 1 Jan 2007	50	3,950	215		4,215
Shareholder's contribution		1,200			1,200
Net profit of the period				235	235
Closing balance, 30 Jun 2007	50	5,150	215	235	5,650

	<u>Restricted equity</u>	<u>Non-restricted equity</u>			Total equity
	Share capital	Shareholder's contribution	Retained earnings	Net profit for the period	
Opening balance, 1 Jan 2007	50	3,950	215		4,215
Shareholder's contribution		1,200			1,200
Net profit of the period				408	408
Closing balance, 31 Dec 2007	50	5,150	215	408	5,823

The shareholder's contributions provided are conditional and the parent company SBAB has the right to receive repayment of the advances from SCBC's distributable profits subject to the approval of the Annual General Meeting.

Cash flow statement

SEK million

	Jan - Jun 2008	Jan - Jun 2007
Cash and cash equivalents at the beginning of the period	7,015	0
Cash flow from operating activities	(8,518)	(1,200)
Cash flow from investing activities	-	-
Cash flow from financing activities	1,592	1,200
Increase/decrease of cash and cash equivalents	(6,926)	0
Cash and cash equivalents at the end of the period	89	0

Cash and cash equivalents are defined as loans to credit institutions with original maturity of less than three months.

Notes

Not 1 Net income from financial instruments designated at fair value

SEK million	Jan - Jun 2008	Jan - Jun 2007
Gains/losses on interest-bearing financial instruments:		
- Items in hedge accounting	79	385
- Derivative financial instruments	(130)	(329)
- Loan receivables	10	8
- Other financial liabilities	5	5
Currency translation effects	(1)	0
Total	(37)	69

Not 2 Impairment charges, net

SEK million	Jan - Jun 2008	Jan - Jun 2007
<i>Specific provision for individually assessed loan receivables</i>		
The period's write-off or uncollectible loans	0	-
Reversal of previous year's provisions for probable impairment reported as uncollectible loans in the interim report	-	-
The periods provision for probable impairment	-	5
Recoveries of previous year's uncollectible loans	-	-
Reversal of previous positions for probable impairment no longer required	-	-
Guarantees	-	(5)
Net cost for the period for individually assessed loan receivables	0	0
<i>Collective provision for individually assessed loan receivables</i>		
Allocation to/reversal of collective provision	(13)	(5)
Guarantees	3	4
Net cost for the period for collective provisions for individually assessed loans receivables	(10)	(1)
<i>Collective provision for homogeneous groups of loan receivables</i>		
The year's write off for uncollectible loans	-	-
Recoveries of previous year's uncollectible loans	-	-
Allocation to/reversal of collective provisions	21	7
Guarantees	4	(3)
Net cost for the period for collective provisions for homogeneous groups of loan receivables	25	4
Impairment charges for the period	15	3

Reversal of previous provisions as specified above refers to claims on customers.

Not 3 Loans and advances to customers

SEK million	30 Jun 2008		31 Dec 2007	
	Lending	Provision	Lending	Provision
Single-family dwellings and holiday homes	76,023	(65)	54,500	(42)
Tenant-owned apartments	33,091	(23)	26,106	(9)
Tenant-owner associations	29,425	(2)	27,703	(4)
Private multi-family dwellings	13,476	(5)	12,998	(16)
Municipal multi-family dwellings	5,677	-	6,954	-
Commercial properties	125	-	15	-
Provision for impairment	(95)	-	(71)	-
Total	157,722	(95)	128,205	(71)

<i>Impaired loans</i>	30 Jun 2008	31 Dec 2007
a) Impaired loans	-	-
b) Specific provisions for individually assessed loan receivables	-	-
c) Collective provisions for individually assessed loan receivables	7	20
d) Provisions for collectively assessed homogeneous groups of loans	88	51
e) Total provisions (b+c+d)	95	71
f) Impaired loan receivables after specific provisions for individually assessed loan receivables (a-b)	-	-
g) Provisions ratio for specific provisions for individually assessed loan receivables (b/a)	-	-

Loans acquired by SCBC from SBAB, which have been provided by business partners, the business partner have, in certain cases the possibility to acquire such loans. SCBC does not have the right without obtaining consent to re-sell loans that have been acquired from SBAB, and provided by FriSpar Bolån AB, to a third party.

Not 4 Classification of financial instruments

SEK million	30 Jun 2008		
Financial assets	Loan receivables	Derivatives held for hedging	Total
Loans and advances to credit institutions	89		89
Loans and advances to customers	157,722		157,722
Fair value adjustment of interest-rate hedged loan receivables	(1,984)		(1,984)
Derivative financial instruments		4,436	4,436
Other assets	69		69
Prepaid expenses and accrued income	311		311
Total	156,207	4,436	160,643

Financial liabilities	Financial liabilities	Other hedged financial liabilities	Derivatives held for hedging	Total
Liabilities to credit institutions	2,048			2,048
Debt securities in issue		114,361		114,361
Derivative financial instruments			2,665	2,665
Other liabilities	25			25
Accrued expenses and prepaid income	8	2,166		2,174
Subordinated liability to parent company	31,779			31,779
Total	33,860	116,527	2,665	153,052

Not 5 Derivative financial instruments

SEK million	30 Jun 2008		
	Assets at fair value	Liabilities at fair value	Nominal amount
Interest-rate related	2,874	2,448	253,512
Currency related	1,468	217	54,886
Credit related	94	-	18,042
Total derivative financial instruments	4,436	2,665	326,440

Not 6 Subordinated liability to parent company

SEK million	30 Jun 2008	31 Dec 2007
Subordinated liability to parent company	31,779	15,439
Total	31,779	15,439

The subordinated liability is issued by the parent company. The subordinated liability is subordinated to the company's other liabilities, which means that it confers a right to payment only after the other creditors have received payment.

Terms of subordination

In the event of the company's bankruptcy, liquidation or company reconstruction, the subordinated liability entails right to payment from the company's assets after other claims.

Capital base

SEK million	30 Jun 2008	31 Dec 2007
Primary capital		
Equity	7,414	5,414
Total primary capital gross	7,414	5,414
Less deferred income tax assets	(1)	0
Deduction under Chapter 3, section 8, of the Capital Adequacy Act	(663)	(608)
Total primary capital net	6,750	4,806
Supplementary capital		
Undated subordinated loans	-	-
Dated subordinated loans	-	-
Deduction under Chapter 3, section 8, of the Capital Adequacy Act	-	-
Total supplementary capital	-	-
Expanded part of capital base	-	-
Deduction from whole capital base	-	-
Amount for capital base net after deductible items and limit values	6,750	4,806
Capital requirements		
<i>Minimum capital for:</i>		
Credit risk reported according to standard method	354	469
Credit risk reported according to IRC method	1,567	1,294
Risk in commercial stock	-	-
Operational risk	193	69
Currency risk	-	-
Raw material risk	-	-
Total minimum capital requirement	2,114	1,832
Addition during a transitional period	3,318	2,650
Capital requirement including addition	5,432	4,482

Capital adequacy

SEK million	30 Jun 2008	31 Dec 2007
Primary capital	6,750	4,806
Total capital	6,750	4,806
Risk-weighted assets, Basel I	76,954	59,692
Capital requirement / 8%	67,898	56,027
Primary capital ratio ¹⁾	9.9%	8.6%
Capital adequacy ¹⁾	9.9%	8.6%
Capital ratio	1.24	1.07

¹⁾ Comparative figures have been adjusted due to changed calculation methods; See the section "Capital adequacy".

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

Stockholm, 27 August 2008

Per Tunestam
CEO

Per Balazsi
Chairman of the Board

Bo Andersson
Board Member

Johanna Clason
Board Member

Bengt-Olof Nilsson Lalér
Board Member

Review Report

To the Board of the Swedish Covered Bond Corporation, SCBC,
reg. no. 556645-9755

Introduction

We have reviewed the enclosed interim report covering the Swedish Covered Bond Corporation, SCBC, reg. no. 556645-9755, for the period 1 January 2008 – 30 June 2008. The Board and the Chief Executive Officer are responsible for the preparation and presentation of this financial interim report in accordance with the Annual Accounts Act for Credit Institutions and Securities Companies. It is our responsibility to express an opinion on this financial interim report based on our review.

Scope of review

We have conducted our review in accordance with the Standard of 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 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 the Standards on Auditing in Sweden RS 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 based on an audit.

Conclusion

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

Stockholm, 27 August 2008
Öhrlings PricewaterhouseCoopers AB

Ulf Westerberg
Authorised public accountant