INTERIM REPORT for The Swedish Covered Bond Corporation, company reg. no. 556645-9755, 1 January – 30 June 2007

Summary	**Jun 2007**	Jun 2006
Net interest income, SEK million	**399**	36
Net operating income, SEK million	**326**	(408)
Loan losses, SEK million	**(3)**	-
Capital ratio, % [1)]	**8.9**	8.6
Primary capital ratio, % [1)]	**8.9**	8.6
Lending, SEK million	**119,788**	62,454

[1)] *The comparative figures have not been recalculated according to IAS/IFRS.*

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

SCBC's business activities are mainly focused on issuing covered bonds in the Swedish and international capital market. To this end, the company currently uses two funding programmes: the Swedish bond loan programme for issue of covered bonds and SCBC's € 10,000,000,000 Euro Medium Term Covered Note Programme. These two programmes have both been assigned the highest possible credit rating Aaa/AAA by the rating agencies Moody's and Standard & Poor's respectively.

During the period, SCBC has carried out the following public issues: In February, EUR 1 billion was issued with a three-year maturity, in May a Swedish Benchmark bond no. 124 was launched corresponding to a total volume of around SEK 5 billion with a five-year maturity and in June CHF 250 million was issued with a six-year maturity. In addition to these issues, a number of private placements have been made in different currencies. In July 2007, a public issue of EUR 1 billion was also launched with a two-year maturity.

SCBC has entered into derivative agreements, under what are known as ISDA master agreements, with SBAB and a number of external counterparties for managing interest and currency risks. SCBC has also entered into a transfer agreement with SBAB regarding continuous acquisitions of loans. Moreover, SCBC and SBAB have entered into a subordination agreement concerning subordination of all claims SBAB may have on SCBC due to the agreements in the event of SCBC's bankruptcy.

With a view to achieving efficiency improvements in SBAB's existing organisation and systems, SCBC and SBAB have entered into an outsourcing agreement. According to this agreement, SBAB undertakes to perform administrative services, credit management services, operating services and financing services on behalf of SCBC.

Lending

SCBC does not carry out new lending itself, instead SCBC acquires loans from SBAB from time to time. 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 are holders of SCBC's covered bonds. Loans have also been continuously acquired and divested between SBAB and SCBC during the period. At the turn of the month February/March 2007, an exchange of assets took place between SBAB and SCBC whereby SCBC acquired around SEK 19 billion and SBAB SEK 9 billion. The net contribution of assets to SCBC during the period totalled around SEK 31 billion. The aim is for SCBC's acquisition of loans to take place in such a way that these are by and large a representative cross-section of SBAB's loan portfolio.

Loan losses of SEK 3 million is due to a change in group provisions. During the period the lending increased from SEK 88 654 million to SEK 119 788 million. The share of group provision in relation to the lending portfolio has decreased.

Information on SCBC's total assets is published monthly on the website www.scbc.se.

Funding and capital adequacy

SCBC's funding consists largely of the issue of covered bonds and, to some extent, of entry into repo transactions. In addition to this, SCBC also receives funding from SBAB in the form of a subordinated loan.

New rules apply to capital adequacy and large exposures from 1 February 2007. Capital requirements have now been introduced for operational risks as well as for credit risk and market risk. The new rules mean that the low risk of the company's activities now starts to affect the company's capital adequacy requirements. However, during a three-year transitional period, the effect will be limited due to transitional provisions. SCBC reports credit risk mainly in accordance with the IRB approach and operational risks according to the standard method. These mean that the minimum capital during 2007 may not be less than 95% of the capital requirement calculated in accordance with the older rules. The corresponding limit for 2008 and 2009 is 90% and 80% respectively. As at 30 June 2007, the capital requirement is SEK 4,692 million, SEK 3,341 million being attributable to the effect of the transitional rule.

During the year, SCBC will apply for a licence to use an advanced risk classification method for corporate loans. If this licence is granted, the company's own values for LGD (loss given default) can be used from 2008, which is estimated to further reduce the already low minimum capital requirements before the effect of transitional rules.

The new capital ratio* according to Basel II was 1.13 as at 30 June 2007. The capital ratio and the primary capital ratio was 8.9%. The statistics as at June 2007 include profit for March but not for the following months since this result has not yet been reviewed by auditors.

SCBC's capital base totals SEK 5,650 million. The capital base has been reinforced with SEK 1,200 million during the period by a conditional shareholder's contribution from SBAB.

** New capital ratio = Capital base / Capital requirement*

Income statement

SEK million	Jan - Jun 2007	Jan - Jun 2006
Interest income	**1,923**	334
Interest expense	**(1,524)**	(298)
Net interest income	**399**	36
Commission income	**3**	1
Commission expenses	**(0)**	-
Net income from financial items at fair value	**69**	(418)
Other operating income	**0**	0
Total operating income	**471**	(381)
General administrative expenses	**(142)**	(27)
Other interest expense	**(0)**	-
Total expenses before loan losses	**(142)**	(27)
Profit before loan losses	**329**	(408)
Loan losses, net	**(3)**	-
Net operating income	**326**	(408)
Allocations	**-**	-
Tax on profit for the period	**(91)**	114
Net profit for the period	**235**	(294)

Balance sheet

SEK million	**30 Jun 2007**	31 Dec 2006
ASSETS		
Cash in hand and balances at central banks	**0**	-
Repo eligible Treasury bills, etc.	**0**	-
Lending to credit institutions	**0**	0
Lending to the public	**119,788**	88,654
Adjustment in value of hedge accounted loan claims	**(757)**	(40)
Derivative instruments	**2,118**	573
Other assets	**335**	46
Prepaid expenses and accrued income	**265**	193
Total assets	**121,749**	89,426
LIABILITIES AND EQUITY CAPITAL		
LIABILITIES		
Liabilities to credit institutions	**4,166**	4,793
Securities issued, etc.	**87,054**	68,741
Derivative instruments	**1,220**	832
Other liabilities	**158**	297
Accrued expenses and prepaid income	**1,730**	652
Subordinated liabilities	**21,771**	9,896
Total liabilities	**116,099**	85,211
Untaxed reserves	**-**	-
EQUITY CAPITAL		
Share capital	**50**	50
Shareholders' contribution	**5,150**	3,950
Profit brought forward	**215**	-
Net profit for the period	**235**	215
Total equity capital	**5,650**	4,215
TOTAL LIABILITIES AND EQUITY CAPITAL	**121,749**	89,426

Change in equity capital

SEK million	**Jan - Jun 2007**	Jan - Jun 2006
Equity capital at beginning of the period	**4,215**	0 [1)]
Shareholder´s contribution	1,200	2,800
New issue	-	50
Net profit for the period	235	(294)
Equity capital at the end of the period	**5,650**	2,556

[1)] *Equity capital amounted to SEK 500,000 at the beginning of the period.*

Cash flow analysis

mnkr	**Jan - Jun 2007**	Jan - Jun 2006
Liquid funds at the beginning of the period	**0**	0
Cash flow from current operations	(1,200)	(1,743)
Cash flow from investing operations	0	0
Cash flow from financing operations	1,200	2,850
Increase / Decrease in liquid funds	**0**	1,107
Liquid funds at the end of the period	**0**	1,107

Liquid funds are defined as cash in hand and lending to credit institutions with a tenor of at most three months from the acquisition date.

Accounting principles

SCBC has applied the Swedish Financial Supervisory Authority, Finansinspektionen's regulation (FFFS 2006:16) IFRS limited by statute from 1 January 2007. A complete report of the change in the company's accounting principles and its effect on the equity capital is provided on pages 7 - 8.

This interim report has been prepared in accordance with IAS 34 "Interim Financial Reporting".

IAS 39 Financial instruments recognition and measurement
Classification of financial instruments
All financial instruments covered by IAS 39 have been classified in accordance with this standard in the following categories:
Financial assets
- Financial assets valued at fair value through the income statement
- Loan claims and accounts receivable
- Investments intended to be retained until maturity
- Financial assets available for sale

Financial liabilities
- Financial liabilities valued at fair value through the income statement
- Other financial liabilities

This classification serves as the basis for how each financial instrument is valued in the balance sheet and how the change in its fair value is recorded.

Financial assets included in the trading portfolio and derivatives are reported at fair value. Changes in fair value are recognised directly in the income statement.

Financial assets classified as available for sale are also valued at fair value. The effects of changes in fair value are reported against equity capital, except changes in value taking into consideration the accrued acquisition value and changes in value relating to exchange rate changes, which are recognised in the income statement.

Financial assets classified as loans, investments intended to be retained to maturity as well as other financial liabilities are valued at accrued acquisition value applying the effective interest method.

Recognition and derecognition of financial instruments
Financial assets and financial liabilities are recognised in the balance sheet when SCBC becomes a party in a contractual relationship for the financial instrument.

A financial asset is derecognised when the contractual right to the cash flow from the financial asset ceases to apply or when the financial asset is sold.

A financial liability is derecognised from the balance sheet when it ceases to exist, i.e. when the undertaking specified in the agreement has been performed, annulled, or has expired.

Hedge accounting
SCBC has decided to apply hedge accounting for the hedging relations where the risks for significant impacts on results are greatest. SCBC applies the fair value hedge method.

In fair value hedging, the hedged item, i.e. the asset or the liability, and the hedge instrument are valued at fair value. Changes in value are recognised in the income statement under the heading Net income from financial items at fair value, which means that they will cancel one another to the extent that the hedging is effective.

Macro hedge
In the case of fair value hedge of portfolios of assets, the change in value of the hedged portfolio is reported as a separate item in the balance sheet. The hedged item is a portfolio of loan transactions based on the next contractual interest-rate refixing date. The hedging instrument used is a group of interest rate swaps divided into interest-rate refixing ranges based on the terms in the fixed leg. The hedged item, the portfolio of loan transactions, and the hedging transactions, the portfolio of interest rate swaps, are identified at transaction level.

Financial assets
An assessment of the need for group provision is made as before for events that have occurred but are not yet known which would have led to an individual provision if they had been known. In recent years, the SBAB group has adapted the model for group provisions to the IFRS principles. These changes in principles have meant that the opening balance for group provisions has been adjusted. At the same time as the adaptation to IFRS, work has been carried out with a view to modernising the existing model and making use of input data which has been systematised in connection with developing models in Basel II. By using input data from the Basel model, it is also ensured that underlying information is kept up-to-date and continuously evaluated. In the assessment of the need for group provisions, the expected discounted future cash flows are calculated for a homogenous group of loan claims in relation to the initially expected cash flows, despite the reduction not being able to be attributed to an individual claim. This assessment is made on the basis of the risk classification as well as the expected probability of default (PD) and the loss given default (LGD).

Interest compensation
In the event of early redemption of a loan, the customer will pay interest compensation which is intended to cover the cost that arises for SCBC. This payment is recognised directly.

The corresponding applies to SCBC’s repurchase of debt, where expenditure/income is recognised directly.

Accrual of expenses
Transaction expenses in the form of sales commission to business partners attributable to acquisition of loans make up part of the acquisition cost for the loan and will therefore be reported in the balance sheet and accrued as interest over the expected maturity of the loan.

IAS 14 Segment Reporting
SCBC's business activity mainly consists of loan claims with a risk level that makes possible issue of covered bonds. As a result, only one segment is reported, the whole of SCBC.

Effects of changes in accounting principles

The changes entailed by a transition to IFRS limited by statute, and their effect on equity capital are shown below.

Changes in equity capital in the event of changed accounting principles

SEK million	Share capital	Shareholder's contribution	Profit brought forward	Equity capital
Closing balance 31 December 2005 according to previously applied accounting principles	0 [1]			0
Changed accounting principles				
Net effects of changeover to market valuation according to IAS 39				0
Other adjustments according to IAS 39				0
Change in tax attributable to recalculation according to IFRS				0
Opening balance IFRS 1 January 2006	0	-	-	0

[1] *The equity capital was SEK 500,000 at the beginning of the period.*

SEK million	Share capital	Shareholder's contribution	Profit brought forward	Equity capital
Closing balance 30 June 2006 according to previously applied accounting principles	50	2,800	7	2,857
Changed accounting principles				
Net effects of transition to market valuation according to IAS 39			(423)	(423)
Other recalculations according to IAS 39			5	5
Change in tax attributable to recalculation according to IFRS			117	117
Closing balance IFRS 30 June 2006	50	2,800	(294)	2,556

SEK million	Share capital	Shareholder's contribution	Profit brought forward	Equity capital
Closing balance 31 December 2006 according to previously accounting principles	50	3,950	110	4,110
Changed accounting principles				
Net effects of transition to market valuation according to IAS 39			134	134
Other recalculations according to IAS 39			11	11
Change in tax attributable to recalculation according to IFRS			(40)	(40)
Closing balance IFRS 1 January 2007	50	3,950	215	4,215

Application of IAS 39 – Financial instruments and hedge accounting

SCBC has financial derivative instruments, forward contracts, held to create the desired fixation period on lending. These derivative instruments have previously not been recognised at fair value, which is obligatory according to IAS 39. The changes in the fair value of derivative instruments are recognised in the income statement together with changes in the fair value of the asset or liability which has given rise to the hedged risk.

The transitional effect on equity capital which is estimated to arise through derivative instruments and financial assets being valued at fair value as at 1 January 2007 amounts to SEK 96 million after taking tax into consideration.

Interest compensation payments

In the event of early redemption of loans, the customer pays interest compensation which is intended to cover the cost that arises for SCBC. This compensation has previously been accrued over the remaining fixed-interest period. According to IAS 39, interest compensation payments shall be recognised directly. The corresponding applies to SCBC's repurchase of debt, where the cost/income on repurchase has been accrued over the original maturity, while this is to be recognised directly according to IAS 39.

The transitional effect on equity capital, which is calculated to arise by interest compensation payments is recognised directly as at 1 January 2007, amounts to SEK 8 million, after taking tax into consideration.

Taxes

The above adjustments increased the tax expense by SEK 40 million as at 1 January 2007.

The Board of Directors and the Chief Executive Officer certify that the half-year report gives a fair review of the business activities, position and result of the company's business activities, position and result and describes the important risks and uncertainty factors facing the company.

Stockholm, ________________ 2007

Per Tunestam
Chief Executive Officer

Per Balazsi
Chairman of the Board

Johanna Clason
Board member

Bengt-Olof Nilsson Lalér
Board member

Review report

This interim report has not been reviewed by the company's auditors.