



INTERIM REPORT

1 January–30 June 2017 | The Swedish Covered Bond Corporation (SCBC)

SCBC

— Covered Bonds of SBAB —

THE PERIOD IN BRIEF

January–June 2017 (January–June 2016)

- Operating profit increased to SEK 1,023 million (842).
- Net interest income rose to SEK 1,432 million (1,262).
- Expenses amounted to SEK 375 million (344).
- Net loan losses amounted to recoveries of SEK 10 million (recoveries: 1).
- The Common Equity Tier 1 (CET1) capital ratio was 88.3% (72.6).
- All funding programmes continue to have the highest credit ratings from Moody's.

Operating profit

SEK **1,023** million

(SEK 842 million)

Net interest income

SEK **1,432** million

(SEK 1,262 million)

Common Equity Tier 1 capital ratio

88.3%

(72.6%)

Lending to the public

SEK **243.5** billion

(SEK 245.1 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 (Sweden's financial supervisory authority) regulation FFFS 2013:1.

FINANCIAL PERFORMANCE

OVERVIEW OF EARNINGS

	2017	2016	2016
Summary, SEK million	Jan-Jun	Jan-Jun	Jan-Dec
Net interest income	1,432	1,262	2,503
Net commission expense	-29	-17	-39
Net expense from financial transactions (Note 2)	-15	-60	-179
Other operating income	0	-	7
Total operating income	1,388	1,185	2,292
Expenses	-375	-344	-720
Profit before loan losses	1,013	841	1,572
Net loan losses (Note 3)	10	1	-9
Operating profit	1,023	842	1,563
Tax	-225	-185	-342
Net profit for the period	798	657	1,221
Balance-sheet items			
Lending to the public, SEK billion, at close of period	243.5	245.1	244.4
Key metrics			
CET1 capital ratio, %, at close of period	88.3	72.6	82.4
Rating, long-term funding			
Moody's	Aaa	Aaa	Aaa

Trend for January–June 2017 compared with January–June 2016

Net interest and commissions

SCBC's net interest income rose to SEK 1,432 million (1,262). The rise in net interest income was mainly due to a reduction in SCBC's funding costs. The resolution fee, which is recognised in net interest income, amounted to SEK 74 million for the period. The net commission expense for the period was SEK 29 million (expense: 17) as a result of higher expenses in conjunction with lending and issuance of securities.

Net result of financial transactions

The net expense from financial transactions measured at fair value was SEK 15 million (expense: 60). The greatest factor impacting earnings was the repurchase of own bonds. The repurchase of bonds with shorter maturities resulted in a lower negative impact on earnings for the item during the period, compared with the preceding period.

Expenses

SCBC's expenses rose to SEK 375 million (344), and mainly comprised fees to SBAB for administrative services in line with the applicable outsourcing agreements.

Loan losses

Loan losses amounted to recoveries of SEK 10 million (recoveries: 1) for the period. For more information on loan losses; please refer to Note 4.

Operating profit

SCBC's operating profit increased to SEK 1,023 million (842), primarily due to higher net interest income.

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 close of the period, SCBC's lending amounted to SEK 243.5 billion (245.1), compared with SEK 244.4 billion at the end of 2016.

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

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.

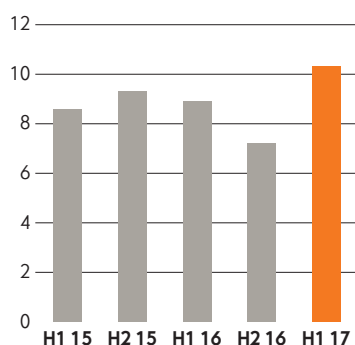
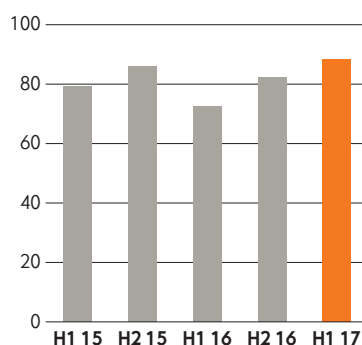
Covered bonds are the SBAB Group's principal source of funding, and at 30 June 2017, the total value of issued debt securities outstanding under SCBC's lending programme was SEK 196.1 billion (191.2), distributed as follows: Swedish covered bonds SEK 111.9 billion (116.4) and the Euro Medium Term Covered Note Programme SEK 84.2 billion (74.8). During the period, SEK 42.4 billion (21) in securities were issued. At the same time, securities amounting to SEK 6.7 billion (4) were repurchased, while securities amounting to SEK 15 billion (14) matured. Alongside revaluations (both upward and downward) of liabilities due to changes in premiums/discounts, and changes in SEK exchange rates, this resulted in a increase in issued securities of SEK 20.1 billion over the period. Subordinated debt to the Parent Company decreased by SEK 21.8 billion to SEK 33.3 billion, mainly due to the increased volume of issued securities.

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 under Pillar 1, without the transitional rules, amounted to 88.3% (72.6) at 30 June 2017, compared with 82.4% at the end of 2016. Net profit for the period is included in own funds, while the expected dividend has reduced own funds. For other capital ratios, refer to the tables starting on page 16. The internally assessed capital requirement amounted to SEK 3,815 million (4,471) on 30 June 2017.

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.

Return on equity (%)¹⁾**CET1 capital ratio without transitional rules (%)**

¹⁾ From Q1 2017, SCBC has used a new definition to calculate the return on equity. The return on equity is calculated as earnings after tax in relation to average equity, after adjustment for Tier 1 capital loans and value changes in financial assets recognised in equity. The comparative figures prior to 2017 have not been restated.

OTHER INFORMATION

Risks and uncertainties

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 risks 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. A housing market with soaring prices and rising household debt means the Swedish economy is sensitive to changes in interest rates and house prices. The risks associated with these factors are expected to increase as long as house prices and debt continue to outpace increases in income. Extensive regulation in the residential mortgage market is another uncertainty factor.

For further information about SCBC's risks and risk management; please refer to the Risk Management section and Note 2 in the 2016 Annual Report.

Events after the end of the period

Since 30 June 2017 no additional events to those disclosed in these Consolidated Condensed financial statements have occurred that might significantly affect the information reflected herein.

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 20.

CONDENSED INCOME STATEMENT

SEK million	2017	2016	2016	2016
	Jan-Jun	Jul-Dec	Jan-Jun	Jan-Dec
Interest income	1,853	1,854	1,971	3,825
Interest expense	-421	-613	-709	-1,322
Net interest income	1,432	1,241	1,262	2,503
Commission income	7	4	6	10
Commission expense	-36	-26	-23	-49
Net expense from financial transactions (Note 2)	-15	-119	-60	-179
Other operating income	0	7	-	7
Total operating income	1,388	1,107	1,185	2,292
General administrative expenses	-374	-375	-343	-718
Other operating expenses	-1	-1	-1	-2
Total expenses before loan losses	-375	-376	-344	-720
Profit before loan losses	1,013	731	841	1,572
Net loan losses (Note 3)	10	-10	1	-9
Operating profit	1,023	721	842	1,563
Tax	-225	-157	-185	-342
Net profit for the period	798	564	657	1,221

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

SEK million	2017	2016	2016	2016
	Jan-Jun	Jul-Dec	Jan-Jun	Jan-Dec
Net profit for the period	798	564	657	1,221
<i>Components that will be reclassified to profit or loss</i>				
Changes related to cash-flow hedges, before tax	-622	-420	819	399
Tax attributable to components that will be reclassified to profit or loss	137	92	-180	-88
Other comprehensive income, net of tax	-485	-328	639	311
Total comprehensive income for the period	313	236	1,296	1,532

CONDENSED BALANCE SHEET

SEK million	30 Jun 2017	31 Dec 2016	30 Jun 2016
ASSETS			
Lending to credit institutions	2,588	102	1,395
Lending to the public (Note 4)	243,499	244,445	245,126
Value changes of interest-rate-risk hedged items in macro hedges	328	485	764
Derivatives (Note 5)	3,213	4,442	5,234
Other assets	541	382	570
Prepaid expenses and accrued income	171	105	130
TOTAL ASSETS	250,340	249,961	253,219
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	2,640	498	1,559
Debt securities issued, etc.	196,075	175,933	191,248
Derivatives (Note 5)	814	871	1,397
Other liabilities	18	13	11
Accrued expenses and deferred income	1,413	1,612	1,931
Deferred tax liabilities	49	190	294
Subordinated debt to the Parent Company (Note 8)	33,297	55,123	41,294
Total liabilities	234,306	234,240	237,734
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	67	552	880
Retained earnings	5,569	4,348	4,348
Net profit for the period	798	1,221	657
Total unrestricted equity	15,984	15,671	15,435
Total equity	16,034	15,721	15,485
TOTAL LIABILITIES AND EQUITY	250,340	249,961	253,219

CONDENSED STATEMENT OF CHANGES IN EQUITY

SEK million	RESTRICTED EQUITY	UNRESTRICTED EQUITY				Total equity
	Share capital	Shareholder contribution	Fair value reserve	Retained earnings	Net profit for the period	
OPENING BALANCE, 1 JANUARY 2017	50	9,550	552	5,569		15,721
Other comprehensive income, net of tax			-485			-485
Net profit for the period					798	798
Comprehensive income for the period			-485		798	313
CLOSING BALANCE, 30 JUNE 2017	50	9,550	67	5,569	798	16,034
OPENING BALANCE, 1 JANUARY 2016	50	9,550	241	4,348		14,189
Other comprehensive income, net of tax			639			639
Net profit for the period					657	657
Comprehensive income for the period			639		657	1,296
CLOSING BALANCE, 30 JUNE 2016	50	9,550	880	4,348	657	15,485
OPENING BALANCE, 1 JANUARY 2016	50	9,550	241	4,348		14,189
Other comprehensive income, net of tax			311			311
Net profit for the year					1,221	1,221
Comprehensive income for the year			311		1,221	1,532
CLOSING BALANCE, 31 DECEMBER 2016	50	9,550	552	4,348	1,221	15,721

The shareholder contributions that were paid were conditional and the Parent Company, SBAB Bank AB (publ), is entitled to reimbursement for these contributions from the Swedish Covered Bond Corporation's distributable earnings, with the proviso that the Annual General Meeting grants approval thereof.

CONDENSED CASH-FLOW STATEMENT

SEK million	2017	2016	2016
	Jan-Jun	Jan-Jun	Jan-Dec
Opening cash and cash equivalents	102	1,219	1,219
OPERATING ACTIVITIES			
Interest and commissions paid/received	1,225	975	1,943
Outflows to suppliers and employees	-375	-344	-720
Taxes paid/refunded	-394	-394	-352
Change in assets and liabilities of operating activities	23,856	-26,435	-42,191
Cash flow from operating activities	24,312	-26,198	-41,320
INVESTING ACTIVITIES			
Cash flow from investing activities	-	-	-
FUNDING ACTIVITIES			
Change in subordinated debt	-21,826	26,374	40,203
Cash flow from funding activities	-21,826	26,374	40,203
Increase/decrease in cash and cash equivalents	2,486	176	-1,117
Closing cash and cash equivalents	2,588	1,395	102

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.

The accounting policies and calculation methods are unchanged in comparison with the 2016 Annual Report. These consolidated condensed financial statements have been prepared on a going concern basis. On 18 July 2017, the Board of Directors approved the consolidated condensed financial statements for publication.

According to SCBC's preliminary assessment, new or changed international accounting standards that have been published but not yet applied will have a limited effect on the financial reports.

In 2014, the IASB published IFRS 9 Financial Instruments. IFRS 9 Financial Instruments will replace IAS 39 Financial Instruments: Recognition and Measurement – with regard to classification and measurement, and impairment and hedge accounting. A separate project under the IASB is ongoing with regard to macro hedge accounting. The standard becomes effective as of 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 loan losses as opposed to the current model, which is instead based on the incurred credit loss events. The aim of the new model is to capture and recognise expected credit losses at an earlier stage. The new hedge accounting rules primarily aim to better adapt accounting to risk management. The new standard also allows more detailed disclosures in terms of credit losses and hedge accounting. SCBC has conducted a comprehensive study of how the new rules will impact SCBC and continued analysis is ongoing. The new rules will have most impact on SCBC's reporting in terms of the recognition of expected credit losses. The development of models and processes is ongoing. The development of models and methods is characterised by a large number of choices and judgements, and since no final decision has been taken on these issues, it is not possible to state a figure with sufficient precision to represent the impact of the new rules. The rules governing classification and measurement are not expected to have any impact on the income statement or balance sheet.

In terms of any future possible impact of the new hedge accounting rules, a preliminary assessment has been made that the new rules will not have any material effect on the income statement and balance sheet. Preliminarily, SCBC intends to continue to apply the rules for hedge accounting in IAS 39, even after 1 January 2018.

NOTE 2 Net result of financial transactions

SEK million	2017	2016	2016	2016
	Jan-Jun	Jul-Dec	Jan-Jun	Jan-Dec
Gains/losses on interest-bearing financial instruments				
– Change in value of hedged items in hedge accounting	547	909	-689	220
– Derivatives	-431	-816	705	-111
– Loan receivables	24	129	42	171
– Realised gain/loss from financial liabilities	-155	-340	-119	-459
Currency translation effects	0	-1	1	0
Total	-15	-119	-60	-179

NOTE 3 Net loan losses

SEK million	2017	2016	2016	2016
	Jan-Jun	Jul-Dec	Jan-Jun	Jan-Dec
CORPORATE MARKET				
Collective provision for corporate market loans				
Allocations to/unwinding of collective provisions	0	4	5	9
Guarantees ¹⁾	0	1	-1	-0
Net expense for the period for collective provisions for corporate market loans	0	5	4	9
RETAIL MARKET				
Individual provision for retail market loans				
Write-off for the period for confirmed loan losses	-	-	-	-
Reversal of prior provisions for probable loan losses, recognised as confirmed losses in the financial statements for the period	-	-	-	-
Provision for probable loan losses for the period	-	-	-	-
Net expense for the period for individual provisions for retail market loans	-	-	-	-
Collective provision for retail market loans				
Write-off for the period for confirmed loan losses	0	0	-0	-0
Recoveries of confirmed loan losses in prior years	-	-	-	-
Allocations to/unwinding of collective provisions ²⁾	11	-16	-2	-18
Guarantees ¹⁾	-1	1	-1	-0
Net expense for the period for collective provisions for retail market loans	10	-15	-3	-18
Net income/expense for loan losses for the period	10	-10	1	-9

¹⁾ The guarantees pertain to received or expected receivables from the National Board of Housing, Building and Planning, insurance companies and banks.

²⁾ The unwinding of collective provisions for retail market loans during Jan-Jun 2017 are mainly due to reclassification to better risk classes within the lending portfolio.

NOTE 4 Lending to the public

SEK million	30 Jun 2017		31 Dec 2016		30 Jun 2016	
	Lending	Provision	Lending	Provision	Lending	Provision
Single-family dwellings and holiday homes	94,444	-31	92,895	-37	97,706	-48
Tenant-owners' rights	89,342	-49	87,924	-60	85,349	-37
Tenant-owners' associations	38,265	-1	40,316	-0	40,671	-6
Private multi-family dwellings	21,192	0	23,111	-1	21,018	-0
Municipal multi-family dwellings	215	-	213	-	393	-
Commercial properties ¹⁾	122	-	84	-	80	-
Provision for probable losses	-81		-98		-91	
Total	243,499	-81	244,445	-98	245,126	-91

¹⁾ Refers only to mixed-use commercial properties. Mixed-use properties consists of office spaces, premises and housing.

Doubtful and non-performing loan receivables	30 Jun 2017	31 Dec 2016	30 Jun 2016
a) Doubtful loan receivables	-	-	-
b) Specific provisions for individually measured loan receivables	-	-	-
c) Collective provision for corporate market loans	1	1	6
d) Collective provision for retail market loans	80	97	85
e) Total provisions (b+c+d)	81	98	91
f) Doubtful loan receivables after individual provisions (a-b)	-	-	-
g) Provision ratio for individual provisions (b/a), %	-	-	-

NOTE 5 Derivatives

SEK million	30 Jun 2017			31 Dec 2016		
	Assets measured at fair value	Liabilities measured at fair value	Total nominal amount	Assets measured at fair value	Liabilities measured at fair value	Total nominal amount
Interest-rate-related	1,956	750	239,707	3,019	635	151,436
Currency-related	1,257	64	52,703	1,423	236	45,130
Total	3,213	814	292,410	4,442	871	196,566

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

NOTE 6 Classification of financial instruments

Financial assets

30 June 2017

SEK million	Assets measured at FVTPL (held for trading)	Loan receivables	Total	Total fair value
Lending to credit institutions		2,588	2,588	2,588
Lending to the public		243,499	243,499	244,168
Value changes of interest-rate-risk hedged items in macro hedges		328	328	–
Derivatives	3,213		3,213	3,213
Other assets		22	22	22
Prepaid expenses and accrued income		97	97	97
Total	3,213	246,534	249,747	250,088

Financial liabilities

30 Jun 2017

SEK million	Liabilities measured at FVTPL	Other financial liabilities	Total	Total fair value
Liabilities to credit institutions		2,640	2,640	2,640
Issued debt securities, etc.		196,075	196,075	197,027
Derivatives	814		814	814
Other liabilities		18	18	18
Accrued expenses and deferred income		1,413	1,413	1,413
Subordinated debt to the Parent Company		33,297	33,297	33,297
Total	814	233,443	234,257	235,209

Cont. **NOTE 6** Classification of financial instruments**Financial assets**

SEK million	31 Dec 2016			
	Assets measured at FVTPL (held for trading)	Loan receivables	Total	Total fair value
Lending to credit institutions		102	102	102
Lending to the public		244,445	244,445	245,366
Value changes of interest-rate-risk hedged items in macro hedges		485	485	–
Derivatives	4,442		4,442	4,442
Other assets		27	27	27
Prepaid expenses and accrued income		105	105	105
Total	4,442	245,164	249,606	250,042

Financial liabilities

SEK million	31 Dec 2016			
	Liabilities measured at FVTPL	Other financial liabilities	Total	Total fair value
Liabilities to credit institutions		498	498	498
Issued debt securities, etc.		175,933	175,933	177,674
Derivatives	871		871	871
Other liabilities		13	13	13
Accrued expenses and deferred income		1,612	1,612	1,612
Subordinated debt to the Parent Company		55,123	55,123	55,123
Total	871	233,179	234,050	235,791

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 2016 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 val-

ues. 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 stipulated date of expiry 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

30 Jun 2017

SEK million	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total
Assets				
Derivatives	–	3,213	–	3,213
Total	–	3,213	–	3,213
Liabilities				
Derivatives	–	814	–	814
Total	–	814	–	814

31 Dec 2016

SEK million	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	Total
Assets				
Derivatives	–	4,442	–	4,442
Total	–	4,442	–	4,442
Liabilities				
Derivatives	–	871	–	871
Total	–	871	–	871

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 2016 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 2016 and 2017.

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 2017	31 Dec 2016	30 Jun 2016
Subordinated debt to the Parent Company	33,297	55,123	41,294
Total	33,297	55,123	41,294

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 SCBC, SEK million

	30 Jun 2017	31 Dec 2016	30 Jun 2016
CET1 capital	15,959	15,162	14,573
Tier 1 capital	15,959	15,162	14,573
Total capital	15,959	15,165	14,573
Without transitional rules			
Risk exposure amount	18,066	18,402	20,064
CET1 capital ratio, %	88.3	82.4	72.6
Excess ¹⁾ of CET1 capital	15,146	14,334	13,670
Tier 1 capital ratio, %	88.3	82.4	72.6
Excess ¹⁾ of Tier 1 capital	14,875	14,058	13,369
Total capital ratio, %	88.3	82.4	72.6
Excess ¹⁾ of total capital	14,513	13,693	12,968
With transitional rules			
Own funds	15,962	15,162	14,597
Risk exposure amount	133,705	133,171	132,772
Total capital ratio, %	11.9	11.4	11.0

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

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

Disclosures in accordance with Article 5 of Commission Implementing Regulation (EU) No 1423/2013. No amounts are subject to the provisions preceding Regulation (EU) No 575/2013 (CRR) or the prescribed residual amount according to Regulation (EU) No 575/2013.

OWN FUNDS SCBC, SEK million	30 Jun 2017	31 Dec 2016	30 Jun 2016
CET1 capital instruments: Instruments and reserves			
Capital instruments and the related share premium accounts	9,600	9,600	9,600
Retained earnings	5,568	4,347	4,348
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	68	552	880
Independently verified interim profits net of any foreseeable charge or dividend	798	1,221	657
CET1 capital before regulatory adjustments	16,034	15,720	15,485
CET1 capital: regulatory adjustments			
Additional value adjustments (negative amount)	-4	-5	-7
Fair value reserves related to gains or losses on cash-flow hedges	-67	-552	-881
Negative amounts resulting from the calculation of expected loss amounts	-4	0	-23
Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	0	-1	-1
Total regulatory adjustments to CET1 capital	-75	-558	-912
CET1 capital	15,959	15,162	14,573
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)	15,959	15,162	14,573
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)	15,959	15,165	14,573
Total risk-weighted assets	18,066	18,402	20,064
Capital ratio and buffers			
CET1 capital (as a percentage of total risk-weighted exposure amount), %	88.3	82.4	72.6
Tier 1 capital (as a percentage of total risk-weighted exposure amount), %	88.3	82.4	72.6
Total capital (as a percentage of total risk-weighted exposure amount), %	88.3	82.4	72.6
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	8.5	8.5
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	1.5	1.5
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, %)	80.3	74.4	64.6

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

RISK EXPOSURE AMOUNT & CAPITAL REQUIREMENTS, SCBC, SEK million	30 Jun 2017		31 Dec 2016		30 Jun 2016	
	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement	Risk exposure amount	Capital requirement
Credit risk recognised in accordance with IRB approach						
Exposures to corporates	5,304	424	5,632	451	5,400	432
Retail exposures	7,819	626	8,269	662	9,651	772
<i>Of which: exposures to SMEs</i>	749	60	860	69	944	75
<i>Of which: retail exposures secured by immovable property</i>	7,070	566	7,409	593	8,707	697
Total exposures recognised with IRB approach	13,123	1,050	13,901	1,112	15,051	1,204
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⁾	134	11	262	21	255	20
<i>Of which: derivatives according to CRR, Appendix 2</i>	87	7	259	21	238	19
<i>Of which, repos</i>	47	4	3	0	16	1
<i>Of which other</i>	–	–	0	0	1	0
Exposures to corporates	–	–	–	–	–	–
Retail exposures	–	–	–	–	–	–
Exposures in default	–	–	–	–	–	–
Exposures in the form of covered bonds	–	–	–	–	–	–
Exposures to institutions and corporates with a short-term credit rating	0	0	0	0	15	1
Other items	465	37	565	45	919	74
Total exposures recognised with standardised approach	599	48	827	66	1,189	95
Market risk	559	44	377	30	450	36
<i>Of which: position risk</i>	–	–	–	–	–	–
<i>Of which: currency risk</i>	559	44	377	30	450	36
Operational risk	3,486	279	3,008	241	3,008	241
Credit valuation adjustment risk	299	24	289	23	366	29
Total risk exposure amount and minimum capital requirement	18,066	1,445	18,402	1,472	20,064	1,605
Capital requirements for capital conservation buffer		452		460		502
Capital requirements for countercyclical buffer		361		276		302
Total capital requirement		2,258		2,208		2,409

¹⁾ The risk-weighted amount for counterparty risk according to the CRR, Article 92(3)(f), amounts to SEK 134 million (262).

Financial calendar

Year-end report 2017

15 February 2018 *

* Publication moved from 9 February 2018

The information in this report is such that the Swedish Covered Bond Corporation is 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 19 July 2017 at 8:00 a.m. (CEST).

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, 18 July 2017

Bo Magnusson
Chairman of the Board

Jakob Grinbaum
Board Member

Klas Danielsson
Board Member

Mikael Inglander
CEO

AUDITORS' REVIEW REPORT

Introduction

We have reviewed the interim report for The Swedish Covered Bond Corporation (publ) for the period January 1 – June 30 2017. The Board of Directors and the President 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 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 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 is not, in all material respects, in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm 18 July, 2017

Deloitte AB

Patrick Honeth
Authorised Public Accountant

DEFINITIONS

Alternative Performance Measures (APMs) are financial metrics of historical or future performance, financial position or cash flows that are not defined in the applicable rules for financial reporting (for example, IFRS or the Swedish Annual Accounts Act) or in the EU Capital Requirements Regulation and Directive CRR/CRD IV.

SCBC uses APMs when these are relevant for the presentation and follow-up of the Group's financial position and when these metrics are deemed to provide additional valuable information to readers of the financial reports. SCBC has also chosen to present the APMs as they are in common use within the industry. APMs can be calculated with various approaches and, accordingly, SCBC's metrics are not directly comparable with similar metrics presented by other companies.

For more information about Alternative Performance Measures, visit sbab.se.

Definitions of Alternative Performance Measures

Return on equity

Definition as of 2017/31/03: Earnings after tax in relation to average (calculated using opening and closing balances) equity, after adjustment for additional Tier 1 securities and value changes in financial assets recognised in equity

Definition before 2017/31/03: Earnings after tax in relation to average (calculated using opening and closing) equity, after adjustment for additional Tier 1 securities

Definitions of other key performance indicators

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