

SCBC Interim Report

1 January – 30 June 2015 | The Swedish Covered Bond Corporation,
SCBC

January–June 2015 (January– June 2014)

- Operating profit totalled SEK 723 million (513). Exclusive of net income/expense from financial transactions, it amounted to SEK 722 million (466).
- Net interest income amounted to SEK 1,093 million (847).
- Expenses totalled SEK 319 million (348).
- Loan losses amounted to SEK 1 million (11).
- The Common Equity Tier 1 capital ratio, without transitional regulations, amounted to 79.2 (57.0).
- All funding programmes continue to have the highest credit rating from Moody's.

| | |
|---|--|
| Operating profit SEK 723 million (513) | Net interest income SEK 1,093 million (847) |
| Common Equity Tier 1 capital ratio 79.2 % (57.0) | Lending to the public SEK 217.7 billion (219.0) |

Operations

The Swedish Covered Bond Corporation (“SCBC”) (in Swedish: AB Sveriges Säkerställda Obligationer (publ)) is a wholly owned subsidiary of SBAB Bank (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. The operation shall be conducted in such a manner as to comply with the requirements specified in the Covered Bonds Issuance Act (2003:1223) and the Swedish Financial Supervisory Authority’s regulation FFFS 2013:1.

Financial performance

Performance for January–June 2015 compared with January–June 2014

| Summary SEK million | 2015 Jan-Jun | 2014 Jan-Jun | 2014 Jan-Dec |
|--|-----------------|-----------------|-----------------|
| Net interest income | 1,093 | 847 | 1,775 |
| Net commission income | -53 | -44 | -92 |
| Net result from financial transactions (Note 2) | 1 | 47 | 181 |
| Total operating income | 1,041 | 850 | 1,864 |
| Costs | -319 | -348 | -826 |
| Loan losses, net (Note 3) | 1 | 11 | 26 |
| Operating profit/loss | 723 | 513 | 1,064 |
| Operating profit excl. net result from financial transactions | 722 | 466 | 883 |
| Tax | -160 | -105 | -226 |
| Profit/loss for the period | 563 | 408 | 838 |
| Balance sheet items | | | |
| Lending to the public, SEK billion | 217.7 | 219.0 | 217.6 |
| Key figures | | | |
| Common Equity Tier 1 capital ratio ¹⁾ | 79.2% | 57.0% | 72.3% |
| Rating, long-term funding | | | |
| Moody’s | Aaa | Aaa | Aaa |

¹⁾ Without transition rules

Operating profit

SCBC’s operating profit increased to SEK 723 million (513). The increase is mainly driven by the lower cost of funding for covered bonds. Compared with the previous year, the net interest income was higher. Operating profit, excluding net income/expense from financial transactions, increased to SEK 722 million (466).

Net interest and net commission

SCBC’s net interest income increased to SEK 1,093 million (847). The higher net interest income is mainly due to a reduction of SCBC’s funding costs. Net commission amounted to an expense of SEK 53 million (expense: 44), including a fee of SEK 35 million (expense: 34) for the government stability fund.

Expenses

SCBC’s expenses decreased to SEK 319 million (348) and consisted primarily of payments to SBAB for administrative services provided in accordance with the applicable outsourcing agreement.

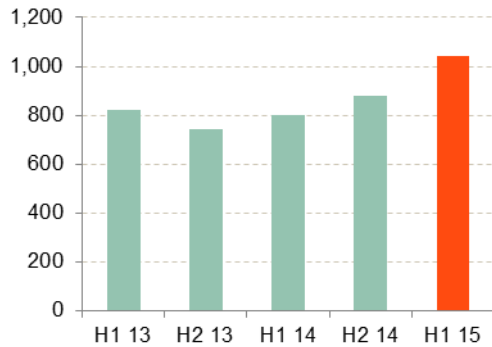
Loan losses

The net effect of loan losses was a gain of SEK 1 million (gain: 11). Confirmed loan losses remained low.

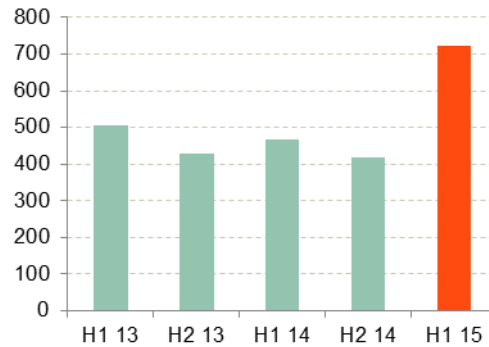
Net income/expense from financial transactions

Net income/expense from financial transactions measured at fair value amounted to an income of SEK 1 million (47). The major factors with an influence on income/expense were hedge accounting effects and unrealised market value changes related to other derivatives. For further information regarding how unrealised changes in market values affected profit/loss for the period, please see Note 2.

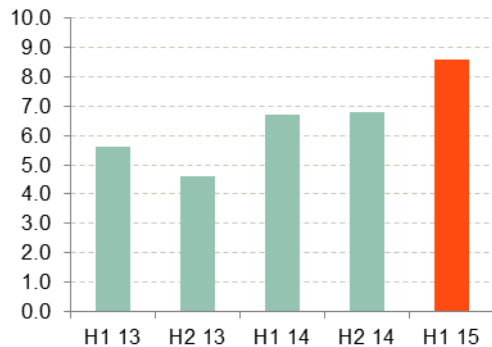
Operating income, excluding net income/expense from financial instruments (SEK million)



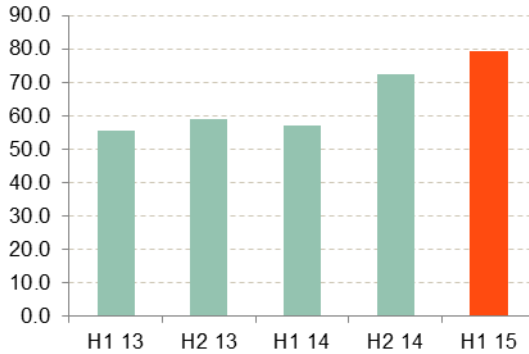
Operating profit/loss, excluding net income/expense from financial instruments (SEK million)



Return on equity (%)



Common Equity Tier 1 capital ratio without transitional regulations (%)



Lending

SCBC does not conduct any new lending activities itself, but instead acquires loans from SBAB Bank, on an on-going basis or as necessary. The aim of securing these loans is to increase the collateral for investors who are holders of SCBC’s covered bonds. The lending portfolio within SCBC comprises loans for residential mortgages, with the retail market as the largest segment. At the end of the period, SCBC’s lending amounted to SEK 217.7 billion (219.0), compared with SEK 217.6 billion at the beginning of the year.

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. In the first quarter, SCBC issued a new covered bond: loan 142.

In June, SCBC also issued a public seven-year bond of EUR 500 million. Despite turbulent markets, SCBC managed to generate favourable demand and carry out a successful transaction.

SCBC has three different covered bond funding programmes: a Swedish mortgage bond programme for the issuance of covered bonds without a preset limit, a EUR 10 billion Euro Medium Term Covered Note Program (EMTCN program), 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. On 30 June 2015, the total value of covered debt securities in issue under SCBC's lending programme was SEK 177.5 billion (150.8), distributed as follows: Swedish covered bonds SEK 106.9 billion (85.9) and the Euro Medium Term Covered Note Programme SEK 70.6 billion (64.9). During the period, securities valued at SEK 29.9 billion were issued. At the same time, bonds valued at SEK 3.6 billion were repurchased, while bonds for SEK 23.3 billion matured. Alongside revaluations (both up and down) of liabilities due to changes in premiums/discounts, and changes in exchange rates for the SEK, this has caused issued securities to increase in value by SEK 2.5 billion.

Capital adequacy and risk

SCBC primarily recognises credit risk pursuant to the internal ratings-based approach (IRB approach) and operational and market risk in accordance with the standardised approach.

SCBC's total capital ratio and Common Equity Tier 1 capital ratio under Pillar 1, without transitional rules, amounted to 79.2% (57.0) at 30 June 2015, compared to 72.3% at the beginning of the year. For other capital ratios, refer to the tables starting on page 9. The internally assessed capital requirement amounted to SEK 3,554 million (3,735).

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.

Other significant information

Risks and uncertainties

The economic trend in Sweden is the primary risk factor for SBAB's future earnings capacity, and the quality of the 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 is showing a stable trend, underpinned by low inflation, low interest-rates and rising stock market and property prices. A housing market with steep price increases and rising household indebtedness among retail customers result in the Swedish economy being sensitive to changes in interest rates and house prices. The risks associated with these factors are expected to increase as long as housing prices and indebtedness continue to rise faster than incomes. Extensive regulatory developments in the residential mortgage market are an uncertainty factor.

The Swedish economy is sensitive to global economic developments and to conditions in the international financial markets.

For further information on SCBC's risks and risk management, please refer to the Risk Management section and Note 2 in the 2014 Annual Report.

Financial calendar

Year-end report 2015 5 February 2016

Review Report

This report has been reviewed by the company's auditor. The review report is given on page 15.

The Board of Directors and 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.

Stockholm, 16 July 2015

Bo Magnusson
Chairman

Jakob Grinbaum
Board member

Klas Danielsson
Board member

Mikael Inghander
CEO

For further information, contact Mikael Inghander, CEO, +46 8 614 43 28, mikael.inghander@sbab.se.

The information in this report is such that the Swedish Covered Bond Corporation is required 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 17 July 2015 at 8.00 a.m. (CET).

While every care has been taken in the translation of this report, readers are reminded that the original report, signed by the Board and the CEO, is in Swedish.

Income statement

| SEK million | 2015 Jan-Jun | 2014 Jul-Dec | 2014 Jan-Jun | 2014 Jan-Dec |
|---|-----------------|-----------------|-----------------|-----------------|
| Interest income | 2,293 | 2,745 | 2,994 | 5,739 |
| Interest expense | -1,200 | -1,817 | -2,147 | -3,964 |
| Net interest income | 1,093 | 928 | 847 | 1,775 |
| Commission income | 5 | 5 | 4 | 9 |
| Commission expense | -58 | -53 | -48 | -101 |
| Net result from financial transactions (Note 2) | 1 | 134 | 47 | 181 |
| Other operating income | - | - | - | - |
| Total operating income | 1,041 | 1,014 | 850 | 1,864 |
| General administrative expenses | -317 | -477 | -347 | -824 |
| Other expenses | -2 | -1 | -1 | -2 |
| Total expenses before loan losses | -319 | -478 | -348 | -826 |
| Profit/loss before loan losses | 722 | 536 | 502 | 1038 |
| Loan losses, net (Note 3) | 1 | 15 | 11 | 26 |
| Operating profit/loss | 723 | 551 | 513 | 1064 |
| Tax | -160 | -121 | -105 | -226 |
| Profit/loss for the period | 563 | 430 | 408 | 838 |

Statement of comprehensive income

| SEK million | 2015 Jan-Jun | 2014 Jul-Dec | 2014 Jan-Jun | 2014 Jan-Dec |
|--|-----------------|-----------------|-----------------|-----------------|
| Profit/loss for the period | 563 | 430 | 408 | 838 |
| Changes related to cash flow hedges, before tax | 56 | 128 | - | 128 |
| Tax attributable to cash flow hedges | -12 | -28 | - | -28 |
| Other comprehensive income, net after tax | 44 | 100 | - | 100 |
| Total comprehensive income for the period | 607 | 530 | 408 | 938 |

Balance sheet

| SEK million | 30/06/2015 | 31/12/2014 | 30/06/2014 |
|---|----------------|----------------|----------------|
| ASSETS | | | |
| Lending to credit institutions | 2,065 | 2,841 | 8,375 |
| Lending to the public (Note 4) | 217,683 | 217,579 | 218,986 |
| Change in value of interest-rate-hedged items in portfolio hedges | 952 | 1,193 | 1,212 |
| Derivative instruments (Note 5) | 5,287 | 6,315 | 4,843 |
| Deferred tax assets | 10 | 17 | - |
| Other assets | 567 | 329 | 665 |
| Prepaid expenses and accrued income | 137 | 175 | 199 |
| TOTAL ASSETS | 226,701 | 228,449 | 234,280 |
| LIABILITIES AND EQUITY | | | |
| Liabilities | | | |
| Liabilities to credit institutions | 3,576 | 4,080 | 11,724 |
| Debt securities in issue | 177,509 | 174,986 | 150,834 |
| Derivative instruments (Note 5) | 2,209 | 2,866 | 3,982 |
| Other liabilities | 322 | 19 | 10 |
| Accrued expenses and prepaid income | 2,096 | 2,472 | 1,837 |
| Deferred tax liabilities | - | - | 436 |
| Subordinated debt to the Parent Company (Note 9) | 27,637 | 31,181 | 53,142 |
| Total liabilities | 213,349 | 215,604 | 221,965 |
| Equity | | | |
| Restricted equity | | | |
| Share capital | 50 | 50 | 50 |
| Shareholder contribution | 9,550 | 9,550 | 9,550 |
| Total restricted equity | 9,600 | 9,600 | 9,600 |
| Unrestricted equity | | | |
| Fair value reserve | 44 | 100 | - |
| Retained earnings | 3,145 | 2,307 | 2,307 |
| Profit for the period | 563 | 838 | 408 |
| Total unrestricted equity | 3,752 | 3,245 | 2,715 |
| Total equity | 13,352 | 12,845 | 12,315 |
| TOTAL LIABILITIES AND EQUITY | 226,701 | 228,449 | 234,280 |
| Memorandum items | | | |
| Assets pledged for own liabilities | 211,651 | 211,651 | 211,650 |

Statement of changes in equity

| SEK million | Restricted equity | | Unrestricted equity | | | Total equity |
|--|-------------------|--------------------|--------------------------|-------------------|--------------------|---------------|
| | Share capital | Fair value reserve | Shareholder Contribution | Retained earnings | P/L for the period | |
| Opening balance, 1 January 2015 | 50 | 100 | 9,550 | 3,145 | | 12,845 |
| Other comprehensive income, net after tax | | -56 | | | | -56 |
| Profit/loss for the year | | | | | 563 | 563 |
| Total comprehensive income for the year | | 44 | | | | |
| Closing balance, 30 June 2015 | 50 | 44 | 9,550 | 3,145 | 563 | 13,352 |

| SEK million | Restricted equity | | Unrestricted equity | | | Total equity |
|--|-------------------|--------------------|--------------------------|-------------------|--------------------|---------------|
| | Share capital | Fair value reserve | Shareholder Contribution | Retained earnings | P/L for the period | |
| Opening balance, 1 January 2014 | 50 | - | 9,550 | 2,307 | | 11,907 |
| Other comprehensive income, net after tax | | 100 | | | | 100 |
| Profit/loss for the year | | | | | 838 | 838 |
| Total comprehensive income for the year | | 100 | | | | |
| Closing balance, 31 December 2014 | 50 | 100 | 9,550 | 2,307 | 838 | 12,845 |

| SEK million | Restricted equity | | Unrestricted equity | | | Total equity |
|--|-------------------|--------------------|--------------------------|-------------------|--------------------|---------------|
| | Share capital | Fair value reserve | Shareholder Contribution | Retained earnings | P/L for the period | |
| Opening balance, 1 January 2014 | 50 | - | 9,550 | 2,307 | | 11,907 |
| Other comprehensive income, net after tax | | - | | | | - |
| Profit/loss for the year | | | | | 408 | 408 |
| Total comprehensive income for the year | | | | | | |
| Closing balance, 30 June 2014 | 50 | - | 9,550 | 2,307 | 408 | 12,315 |

The shareholder's contribution that was paid is conditional and the Parent Company SBAB Bank AB (publ) is entitled to reimbursement for the contribution from the Swedish Covered Bond Corporation's disposable earnings, provided that the Annual General Meeting grants approval thereof.

Cash flow statement

| SEK million | 30/06/2015 | 31/12/2014 | 30/06/2014 |
|---|--------------|---------------|---------------|
| Cash and cash equivalents at the beginning of the period | 2,841 | 11,179 | 11,179 |
| Cash flow from operating activities | -776 | -9,038 | -3,504 |
| Cash flow from investing activities | - | - | - |
| Cash flow from funding activities | - | 700 | 700 |
| Increase/Decrease in cash and cash equivalents | -776 | -8,338 | -2,804 |
| Cash and cash equivalents at the end of the period | 2,065 | 2,841 | 8,375 |

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

Own funds

Disclosures in accordance with Article 5 of Commission Implementing Regulation (EU) No 1423/2013

| SEK million | 30/06/2015 | 31/12/2014 | 30/06/2014 |
|--|---------------|---------------|---------------|
| Common Equity Tier 1 capital: instruments and reserves | | | |
| Capital instruments and associated share premium reserves | 9,600 | 9,600 | 9,600 |
| Retained earnings | 3,145 | 2,307 | 2,307 |
| Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses according to applicable accounting standards) | 44 | 100 | - |
| Interim profit/loss after deduction of foreseeable costs and dividends, verified by persons in an independent position | 563 | 838 | - |
| Common Equity Tier 1 capital before regulatory adjustments | 13,352 | 12,845 | 11,907 |
| Common Equity Tier 1 capital: regulatory adjustments | | | |
| Additional value adjustments (negative amount) | -7 | -9 | - |
| Intangible assets (net after deduction for associated tax liabilities) (negative amount) | - | - | - |
| Deferred tax assets dependent on future profitability, except those arising from temporary differences (net after deductions for associated tax liabilities, provided the conditions in Article 38(3) are met) (negative amount) | - | - | - |
| Reserves in fair value related to profit or loss on cash flow hedging | -44 | -100 | - |
| Negative amounts following the calculation of expected loss amounts | -27 | -36 | -50 |
| Gains or losses on liabilities valued at fair value that result from changes in the own credit standing of the institution | 1 | 0 | -4 |
| Total regulatory adjustments to the Common Equity Tier 1 capital | -77 | -145 | -54 |
| Common Equity Tier 1 capital | 13,275 | 12,700 | 11,853 |
| Additional Tier 1 instruments: instruments | | | |
| Additional Tier 1 instruments before regulatory adjustments | - | - | - |
| Additional Tier 1 instruments: Regulatory adjustments | | | |
| Total regulatory adjustments of additional Tier 1 instruments | - | - | - |
| Additional Tier 1 instruments | - | - | - |
| Tier 1 capital (Tier 1 capital = Common Equity Tier 1 capital + additional Tier 1) | 13,275 | 12,700 | 11,853 |
| Tier 2 capital: instruments and allocations | | | |
| Tier 2 capital before regulatory adjustments | - | - | - |
| Tier 2 capital: regulatory adjustments | | | |
| Total regulatory adjustments of Tier 2 capital | - | - | - |
| Tier 2 capital | - | - | - |
| Total capital (total capital = Tier 1 capital + Tier 2 capital) | 13,275 | 12,700 | 11,853 |

Capital requirements

| SEK million | 30/06/2015 | | 31/12/2014 | | 30/06/2014 | |
|--|---------------------|---------------|---------------------|---------------|---------------------|---------------|
| | Capital requirement | Risk exposure | Capital requirement | Risk exposure | Capital requirement | Risk exposure |
| Credit risk recognised in accordance with IRB approach | | | | | | |
| Exposures to corporates | 359 | 4,482 | 371 | 4,633 | 431 | 5,393 |
| Retail exposures | 657 | 8,212 | 684 | 8,560 | 747 | 9,342 |
| - of which exposures to SME | 90 | 1,124 | 104 | 1,301 | 117 | 1,469 |
| - of which retail exposures secured by immovable property | 567 | 7,088 | 580 | 7,259 | 630 | 7,873 |
| Total exposures in accordance with IRB approach | 1,016 | 12,694 | 1,055 | 13,193 | 1,178 | 14,735 |
| Credit risk reported in accordance with standardised approach | | | | | | |
| Exposures to governments and central banks | 0 | 0 | 0 | 0 | 0 | 0 |
| Exposures to regional governments or local authorities | 0 | 0 | 0 | 0 | 0 | 0 |
| Exposures to institutions* | 38 | 476 | 37 | 463 | 34 | 418 |
| - of which, derivatives according to CRR, Appendix 2 | 34 | 429 | 4 | 54 | 33 | 411 |
| - of which, repos | 4 | 45 | 32 | 405 | 0 | 0 |
| Exposures to corporates | 2 | 26 | 1 | 12 | 2 | 25 |
| Retail exposures | 1 | 9 | 1 | 12 | 1 | 14 |
| Exposures in default | - | - | - | - | - | - |
| Exposures in the form of covered bonds | - | - | - | - | 133 | 1,674 |
| Exposures to institutions and corporates with a short-term credit assessment | 0 | 0 | 1 | 11 | 8 | 101 |
| Other items | 81 | 1,013 | 100 | 1,246 | 101 | 1,255 |
| Total exposures in accordance with standardised approach | 122 | 1,524 | 140 | 1,744 | 279 | 3,487 |
| Market risk | 27 | 344 | 31 | 392 | 29 | 360 |
| - of which, position risk | - | - | - | - | - | - |
| - of which, currency risk | 27 | 344 | 31 | 392 | 29 | 360 |
| Operational risk | 150 | 1,874 | 147 | 1,836 | 147 | 1,836 |
| Credit valuation adjustment risk | 25 | 319 | 32 | 400 | 29 | 359 |
| Total capital requirements | 1,340 | 16,755 | 1,405 | 17,565 | 1,662 | 20,777 |
| Capital requirements for capital conservation buffer | 419 | | 439 | | 519 | - |
| Capital requirements for countercyclical buffer | 0 | | - | | - | - |
| Total capital requirements | 1,759 | | 1,844 | | 2,181 | |

* The risk-weighted exposure amount for counterparty risk according to CRR, Article 92, item 3(f), amounts to SEK 474 million (459)

Capital adequacy

| SEK million | 30/06/2015 | 31/12/2014 | 30/06/2014 |
|-------------------------------------|------------|------------|------------|
| Common Equity Tier 1 capital | 13,275 | 12,700 | 11,853 |
| Tier 1 capital | 13,275 | 12,700 | 11,853 |
| Total own funds | 13,275 | 12,700 | 11,853 |
| Without transition rules | | | |
| Risk exposure amount | 16,755 | 17,565 | 20,777 |
| Common Equity Tier 1 capital ratio | 79.2% | 72.3% | 57.0% |
| Excess Common Equity Tier 1 capital | 12,521 | 11,909 | 10,918 |
| Tier 1 capital ratio | 79.2% | 72.3% | 57.0% |
| Excess Tier 1 capital | 12,269 | 11,646 | 10,606 |
| Total capital ratio | 79.2% | 72.3% | 57.0% |
| Excess total capital | 11,934 | 11,295 | 10,190 |
| With transition rules | | | |
| Own funds | 13,312 | 12,736 | 11,903 |
| Risk exposure amount | 114,798 | 113,258 | 113,925 |
| Total capital ratio | 11.6% | 11.2% | 10.4% |

* Surplus of capital has been calculated based on the minimum capital requirements (without buffer requirements)

Notes

Note 1 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 Accounting for Legal Entities, the Swedish Financial Supervisory Authority's regulations and general guidelines on the annual accounts of credit institutions and securities companies (FFFS 2008:25) and the 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 compared with the 2014 Annual Report.

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. As regards IFRS 9, which will become mandatory on 1 January 2018, no complete assessment has as yet been made.

Note 2 Net income/expense from financial transactions

| SEK million | 2015 Jan-Jun | 2014 Jan-Dec | 2014 Jan-Jun | 2014 Jan-Dec |
|---|-----------------|-----------------|-----------------|-----------------|
| Gains/losses on interest-bearing financial instruments | | | | |
| - Change in value of hedged items in hedge accounting | 531 | -325 | -636 | -961 |
| - Derivative instruments | -548 | 504 | 672 | 1,176 |
| - Loan receivables | 48 | 44 | 31 | 75 |
| - Realised expense from financial liabilities | -30 | -90 | -20 | -110 |
| Currency translation effects | 0 | 1 | 0 | 1 |
| Total | 1 | 134 | 47 | 181 |

Fair value recognition

The currency and interest-rate risk inherent in funding conducted in foreign currency is generally hedged throughout the maturity of the funding through currency interest-rate derivatives, known as basis swaps. According to IFRS, all derivative instruments are to be recognised at fair value (market value), with changes in fair value included in net income/expense from financial transactions. Major variations in the actual market value between reporting periods could result in significant changes in the carrying amount and thus also in capital adequacy. However, changes in the form of losses/gains remain unrealised as long as the basis swap is not closed prematurely. In cases where the derivative is held to maturity, earnings are not affected by the accumulated changes since the market value of each derivative contract starts and ends at zero. Most of SCBC's basis swaps are held to maturity.

Note 3 Loan losses, net

| SEK million | 2015 Jan-Jun | 2014 Jan-Dec | 2014 Jan-Jun | 2014 Jan-Dec |
|---|-----------------|-----------------|-----------------|-----------------|
| CORPORATE MARKET | | | | |
| INDIVIDUAL PROVISION FOR CORPORATE MARKET LOANS | | | | |
| Provision for probable loan losses for the period | -0 | 0 | 1 | 1 |
| Guarantees | -2 | 2 | 0 | 2 |
| Net cost for the period for individual provisions for corporate market loans | -2 | 2 | 1 | 3 |
| RETAIL MARKET | | | | |
| INDIVIDUAL PROVISION FOR RETAIL MARKET LOANS | | | | |
| Write-off of confirmed loan losses for the period | - | -3 | - | -3 |
| Reversal of prior year provisions for probable loan losses recognised as confirmed loan losses in the financial statements for the period | - | 3 | 0 | 3 |
| Provision for probable loan losses for the period | - | - | - | - |
| Net cost for the period for individual provisions for retail market loans | - | 0 | 0 | 0 |
| COLLECTIVE PROVISION FOR RETAIL MARKET LOANS | | | | |
| Write-off of confirmed loan losses for the period | -0 | 0 | -0 | -0 |
| Recoveries in respect of confirmed loan losses in prior years | - | - | - | - |
| Allocation to/redemption of collective provisions | 8 | 14 | 16 | 30 |
| Guarantees | -5 | -1 | -6 | -7 |
| Net income/cost for the period for collective provisions for retail market loans | 3 | 13 | 10 | 23 |
| NET INCOME/COST FOR THE PERIOD FOR LOAN LOSSES | 1 | 15 | 11 | 26 |

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

Note 4 Lending to the public

| SEK million | 30/06/2015 | | 31/12/2014 | | 30/06/2014 | |
|---|----------------|------------|----------------|------------|----------------|-------------|
| | Lending | Provision | Lending | Provision | Lending | Provision |
| Single-family dwellings and holiday homes | 89,871 | -43 | 92,119 | -54 | 91,945 | -65 |
| Tenant-owner rights | 67,299 | -30 | 63,213 | -31 | 61,250 | -38 |
| Tenant-owner associations | 42,241 | -9 | 43,911 | -8 | 44,795 | -4 |
| Private multi-family dwellings | 18,129 | -2 | 17,986 | -5 | 17,763 | -7 |
| Municipal multi-family dwellings | 215 | - | 434 | - | 3,335 | - |
| Commercial properties* | 12 | - | 14 | - | 12 | - |
| Provision for probable loan losses | -84 | - | -98 | - | -114 | - |
| Total | 217,683 | -84 | 217,579 | -98 | 218,986 | -114 |

*Refers only to non-pure commercial properties

| Doubtful and non-performing loan receivables | 30/06/2015 | 31/12/2014 | 30/06/2014 |
|---|------------|------------|------------|
| a) Doubtful loan receivables | - | - | 3 |
| b) Specific provisions for individually measured loan receivables | - | - | 3 |
| c) Collective provisions for corporate market loans | 11 | 13 | 11 |
| d) Collective provisions for retail market loans | 73 | 85 | 100 |
| e) Total provisions (b+c+d) | 84 | 98 | 114 |
| f) Doubtful loan receivables after individual provisions (a-b) | - | - | 0 |
| g) Provision ratio for individual provisions (b/a) | - | - | 100% |

Note 5 Derivative instruments

| SEK million | 30/06/2015 | | |
|-----------------------|-------------------------------|------------------------------------|----------------------|
| | Assets measured at fair value | Liabilities measured at fair value | Total nominal amount |
| Interest-rate related | 3,387 | 1,205 | 144,610 |
| Currency related | 1,900 | 1,004 | 48,821 |
| Total | 5,287 | 2,209 | 193,431 |

Currency interest-rate swaps are classified as currency-related derivative instruments.

Note 6 Classification of financial instruments

| Financial assets SEK million | 30/06/2015 | | | | Total fair value |
|--|---|--|------------------|----------------|------------------|
| | Assets measured at fair value through P/L | Hedge-accounted derivative instruments | Loan receivables | Total | |
| Lending to credit institutions | | | 2,065 | 2,065 | 2,065 |
| Lending to the public | | | 217,683 | 217,683 | 219,488 |
| Change in value of interest-rate-hedged items in portfolio | | | 952 | 952 | - |
| Derivative instruments | 195 | 5,092 | | 5,287 | 5,287 |
| Other assets | | | 567 | 567 | 567 |
| Prepaid expenses and accrued income | | | 137 | 137 | 137 |
| Total | 195 | 5,092 | 221,404 | 226,691 | 227,544 |

| Financial liabilities SEK million | 30/06/2015 | | | | Total fair value |
|---|--|--|-----------------------------|----------------|------------------|
| | Liabilities measured at fair value through P/L | Hedge-accounted derivative instruments | Other financial liabilities | Total | |
| Liabilities to credit institutions | | | 3,576 | 3,576 | 3,576 |
| Debt securities in issue | | | 177,509 | 177,509 | 178,614 |
| Derivative instruments | 182 | 2,027 | | 2,209 | 2,209 |
| Other liabilities | | | 322 | 322 | 322 |
| Accrued expenses and prepaid income | | | 2,096 | 2,096 | 2,096 |
| Subordinated debt to the Parent Company | | | 27,637 | 27,637 | 27,637 |
| Total | 182 | 2,027 | 211,140 | 213,349 | 214,454 |

Fair value measurement of financial instruments

The principles for the measurement of financial instruments recognised at fair value in the balance sheet are provided in Note 1 Accounting policies in the 2014 Annual Report. In the column "Total fair value" above, information is also provided on the fair value of financial instruments that are recognised at amortised cost in the balance sheet. The carrying amount for current receivables and liabilities has been assessed to be equal to the fair value, level 3. For "Lending to the public", where there are no observable credit margin data at the time of measurement, the credit margin on the most recent stipulated date of expiry is applied, Level 3. Debt securities in issue are measured at the Group's current borrowing rate, Level 2.

Note 7 Information about fair value

| SEK million | 30/06/2015 | | | Total |
|-----------------------------------|--------------------------------|--|------------------------------------|--------------|
| | Quoted market prices (Level 1) | Other observable market data (Level 2) | Unobservable market data (Level 3) | |
| Assets | | | | |
| Derivatives in the category trade | - | 195 | - | 195 |
| Other derivatives | - | 5,092 | - | 5,092 |
| Total | - | 5,287 | - | 5,287 |
| Liabilities | | | | |
| Derivatives in the category trade | - | 182 | - | 182 |
| Other derivatives | - | 2,027 | - | 2,027 |
| Total | - | 2,209 | - | 2,209 |

The principles for the measurement of financial instruments recognised at fair value in the balance sheet are provided in Note 1 Accounting policies in the 2014 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 methods used. There have been no transfers between the levels in 2015.

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 valuation method is currently not used for any assets or liabilities.

Measurement based on observable 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. Level 2 is used for financial instruments that are not traded on an active market. This group includes all non-quoted derivative instruments.

Measurement based in part on 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 for any assets or liabilities.

Note 8 Subordinated debt to Parent Company

| SEK million | 30/06/2015 | 31/12/2014 | 30/06/2014 |
|---|---------------|---------------|---------------|
| Subordinated debt to the Parent Company | 27,637 | 31,181 | 53,142 |
| Total | 27,637 | 31,181 | 53,142 |

Terms and conditions governing subordination

The subordinated debt was issued by the Parent Company. The subordinated debt is the subordinate to the company's other liabilities in the event of bankruptcy or liquidation, which means that it carries an entitlement to payment after other claimants have received payment.

Review Report

To the Board of Directors of AB Sveriges Säkerställda Obligationer (publ) (The Swedish Covered Bond Corporation – SCBC)

Corp. ID No. 556645-9755

Introduction

We have reviewed the interim report of the interim financial information (the interim report) for the Swedish Covered Bond Corporation - SCBC as of 30 June 2015 and for the six-month period then ended. The Board of directors and the CEO are responsible for the preparation and fair 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.

The direction and extent of the review

We have performed this review in accordance with the International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making enquiries, primarily to persons responsible for financial and accounting matters, performing an analytical review and undertaking other review measures. A review has another direction and is substantially more limited in scope than an audit conducted in accordance with the International Standards on Auditing 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. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Opinion

On the basis of our review, nothing has come to our attention that gives us cause to believe that the enclosed year-end report has not been prepared, in all essentials, in accordance with IAS 34 and the Annual Accounts Act for Credit Institutions and Securities Companies.

Stockholm, 16 July 2015

KPMG AB

Hans Åkervall
Authorised Public Accountant