



Interim report

1 January – 30 June 2011

The Swedish Covered Bond Corporation, SCBC

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Summary	2011 Jan-Jun	2010 Jan-Jun
Net interest income, SEK million	857	648
Operating profit/loss, SEK million	220	445
Net profit/loss for the period, SEK million	162	328
Lending, SEK billion	208.5	200.9
Capital adequacy ratio, %	10.4	10.3
Tier 1 capital ratio, %	10.4	10.3
Core Tier 1 capital ratio, %	10.4	10.3
Rating, long-term funding		
Standard & Poor's	AAA	AAA
Moody's	Aaa	Aaa

All comparable figures in parentheses pertaining to income statement items and new lending refer to the year-earlier period. For comparable figures pertaining to balance sheet items, capital adequacy and market share, the date of comparison is the preceding year-end.

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

Operations

The Swedish Covered Bond Corporation, SCBC, is a wholly owned subsidiary of SBAB Bank (publ). SCBC's operations focus primarily on issuance of covered bonds in Swedish and international capital markets. The operation shall be conducted in such a manner as to comply with the requirements specified in the Covered Bonds Act (2003:1223) pertaining issuance of covered bonds and the Swedish Financial Supervisory Authority's regulations FFFS 2004:11.

Operating profit

For the first six months of the year, SCBC's operating profit amounted to SEK 463 million (681) and operating income to SEK 220 million (445). The change was primarily due to a negative trend in the net income from financial transactions, which amounted to loss of SEK 343 million (profit: 70). A large part of the loss, SEK 316 million, was due to changes in market value of basis swaps, which is only an accounting effect. Basis swaps are held until maturity, but must be recognised at fair value.

Net interest income amounted to SEK 857 million (648). The increase was primarily attributable to a stable margin in the loan portfolio, combined with a larger volume compared with the year-earlier period.

The stability fee for the government stability fund amounted to SEK 33 million (16). Full fees will be paid from 2011, compared with 50% previously. Expenses for the period amounted to SEK 235 million (221), which were primarily attributable to higher costs for services performed by SBAB Bank pursuant to the outsourcing agreement.

The net loan loss amounted to SEK 8 million (15) as a result of lower provisions to the group reserve compared with the year-earlier period.

Lending

SCBC does not conduct any new lending activities itself, but acquires loans from SBAB Bank on an ongoing basis or as required. The aim of securing these loans is to increase the collateral for investors who are holders of SCBC's covered bonds. SCBC's lending portfolio mainly comprises loans for residential mortgages, with the retail market as the largest segment. The portfolio contains no loans for purely commercial properties. Information regarding SCBC's loans, the cover pool, is published monthly at the website www.scbc.se.

Funding

SCBC's funding is conducted through the issuance of covered bonds, and to a certain extent through repo transactions. For this purpose, the company uses two funding programmes: the Swedish mortgage bond programme for the issuance of covered bonds and SCBC's EUR 10 billion Euro Medium Term Covered Note Programme. Both programmes have received the highest possible long-term ratings of Aaa and AAA from the rating agencies Moody's and Standard & Poor's.

In addition to the funding programmes, SCBC is funded through a subordinated loan from SBAB Bank.

The average maturity of the debt portfolio has been extended through continuous issuances and repurchases in the international and Swedish covered bond markets.

The debt portfolio's volume increased through pre-funding.

Covered bonds are still the SBAB Group's principal source of funding and at 30 June, the value of debt

securities in issue totalled SEK 160.4 million (155.3), utilised as follows:

Swedish covered bonds SEK 89.6 billion (95.4) and the Euro Medium Term Covered Note Programme EUR 7.7 billion (6.7).

Capital adequacy

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

Current transitional regulations will apply at least until the end of 2011.

Through the new Basel III regulations, higher demands are placed on capital levels, the composition of the capital base, the size of the liquidity reserve and longer loan period than in the past for the financial sector. Adaptation to the new regulations will occur successively until 2019, when the new regulations must be fully implemented.

SCBC's capital adequacy ratio, Tier 1 capital ratio and core Tier 1 capital ratio according to Pillar 1, without taking the transitional regulations into account, amounted to 29.9% (30.6) at 30 June 2011. The calculation of the capital ratios above includes profit for the first six months of 2011.

Management of liquidity risks for SCBC is integrated with SBAB Bank. SCBC has a liquidity facility agreement with the Parent Company, SBAB Bank. The purpose of the agreement is to enable SCBC to borrow money from the Parent Company if SCBC is unable to make payments to bond holders on maturity of SCBC's bonds.

Current events

Chairman of the Board Eva Cederbalk will be stepping down from her position in conjunction with her resignation as CEO of SBAB Bank. She will continue to serve as CEO of SBAB Bank until a successor has been recruited.

Managing Director Johanna Clason resigned in May and was succeeded by Per Balazsi, who stepped down from the Board in conjunction with taking up the new position. Christine Ehnström is new Board member.

Financial information

The Year-end report for the 2011 financial year will be published in February 2012.

The Board of Directors and Managing Director provide their assurance that this interim report provides a fair and accurate view of the company's operations, position and earnings, and describes the significant risks and uncertainties to which the company is exposed.

Stockholm, 20 July 2011

Eva Cederbalk
Chairman of the Board

Bo Andersson
Board Member

Christine Ehnström
Board Member

Johan Brodin
Board Member

Per Balazsi
Managing Director

Income statement

SEK million	Note	2011 Jan-Jun	2010 Jan-Jun
Interest income		3,593	1,313
Interest expense		-2,736	-665
Net interest income		857	648
Commission income		5	5
Commission expense		-56	-42
Net income from financial transactions	2	-343	70
Other operating income		0	0
Total operating income		463	681
General administration expenses		-234	-220
Other operating expenses		-1	-1
Total expenses before loan losses		-235	-221
Profit before loan losses		228	460
Loan losses, net	3	-8	-15
Operating profit/loss		220	445
Tax		-58	-117
Profit for the period		162	328

Statement of comprehensive income

SEK million	2011 Jan-Jun	2010 Jan-Jun
Profit for the year	162	328
Other comprehensive income for the year, after tax	-	-
Total comprehensive income for the year	162	328

Balance sheet

SEK million	Note	30 June 2011	31 Dec 2010
ASSETS			
Loans and advances to credit institutions		15,908	7,629
Loans and advances to the public	4	208,503	209,661
Change in value of interest-hedged items in portfolio hedge		799	1,122
Derivative instruments	5	4,329	5,146
Deferred tax assets		26	-
Other assets		68	55
Prepaid expenses and accrued income		269	256
TOTAL ASSETS		229,902	223,869
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions		18,959	10,818
Debt securities in issue		160,413	155,319
Derivative instruments	5	4,773	5,546
Other liabilities		35	95
Accrued expenses and prepaid income		1,922	3,250
Deferred tax liabilities		-	17
Subordinated debt to Parent Company	6	33,277	38,363
Total liabilities		219,379	213,408
Equity			
Share capital		50	50
Shareholder contribution		9,550	9,550
Retained earnings		761	15
Profit for the year		162	846
Total equity		10,523	10,461
TOTAL LIABILITIES AND EQUITY		229,902	223,869

Statement of changes in equity

SEK million	Share capital	Shareholder contribution	Retained earnings	Profit for the period	Total equity
Opening balance, 1 January 2011	50	9,550	861		10,461
Total comprehensive income for the period				162	162
Transactions with shareholders:					
Dividend to Parent Company			-100		-100
Closing balance, 30 June 2011	50	9,550	761	162	10,523
Opening balance, 1 January 2010	50	9,550	15		9,615
Total comprehensive income for the period				328	328
Closing balance, 30 June 2010	50	9,550	15	328	9,943
Opening balance, 1 January 2010	50	9,550	15		9,615
Total comprehensive income for the period				846	846
Closing balance, 31 December 2010	50	9,550	15	846	10,461

The shareholder contributions that have been paid are conditional and the Parent Company, SBAB Bank AB (publ), is entitled to demand repayment of the contributions from SCBC's disposable earnings, provided that the Annual General Meeting approves such a course of action.

Cash flow statement

SEK million	2011 Jan-Jun	2010 Jan-Jun
Cash and cash equivalents at the beginning of the year	7,629	9,972
Cash flow from operating activities	8,179	3,548
Cash flow from investing activities	-	-
Cash flow from funding activities	100	610
Increase in cash and cash equivalents	8,279	4,158
Cash and cash equivalents at the end of the year	15,908	14,130

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

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 annual reports in credit institutions and securities companies undertakings (FFFS 2008:25), the Swedish Financial Reporting Board's recommendation on the publishing of information on capital adequacy and risk management (FFFS 2007:5) and the Annual Accounts (Credit Institutions and Securities Companies) Act.

As part of IASB's annual improvement project, IAS 34 has been amended. The amendment, which came into effect on 1 January 2011, pertains only to disclosure requirements, provides guidance concerning the application of disclosure principles under IAS 34 and adds further disclosure requirements concerning circumstances that will probably impact the fair value and classification of financial instruments, the transfer of financial instruments between various levels of the fair-value hierarchy and changes in the classification of financial assets. The amendments to IAS have had no impact on SCBC's interim report for the period from 1 January to 30 June 2011. In other respects, the accounting policies and methods of calculation remain unchanged compared with the 2010 Annual Report. The general economic development in Sweden is the primary risk factor for SBAB Bank's earnings capacity and the quality of its assets since the operation is mainly exposed to credit risks in the Swedish housing market. The management of interest-rate and currency risks entails certain exposure to price risks. For further information on SBAB Bank's risks and management, refer to the 2010 Annual Report.

Not 2 Net income from financial transactions

SEK million	2011 Jan-Jun	2010 Jan-Jun
Gains/losses on interest-bearing financial instruments		
- Hedged items	-24	-238
- Derivative instruments	-310	679
- Loan receivables	23	54
- Other financial liabilities	-31	-426
Currency translation effects	-1	1
Total	-343	70

Not 3 Loan losses, net

SEK million	2011 Jan-Jun	2010 Jan-Jun
CORPORATE MARKET		
COLLECTIVE PROVISION, CORPORATE MARKET LOANS		
Allocation to/reversal to collective provision	8	-10
Guarantees	-1	-1
Net cost for the period for collective provisions for corporate market loans	7	-11
RETAIL MARKET		
INDIVIDUAL PROVISION, RETAIL MARKET LOANS		
Provisions for probable loan losses for the period	-	0
Guarantees	-	-0
Net cost for the period for individual provisions for retail market loans	-	0
COLLECTIVE PROVISION, RETAIL MARKET LOANS		
Write-off of confirmed loan losses for the period	-0	-0
Allocation of collective provision	-13	-5
Guarantees	-2	1
Net cost for the period for collective provisions for retail market loans	-15	-4
NET COST FOR THE PERIOD FOR LOAN LOSSES	-8	-15

Guarantees pertain to received or anticipated receivables from the Swedish National Housing Credit Guarantee Board, insurance companies and banks.

Not 4 Loans and advances to the public

SEK million	30 Jun 2011		31 Dec 2010	
	Lending	Provision	Lending	Provision
Single-family dwellings and holiday homes	80,588	-77	82,005	-71
Tenant-owner rights	48,728	-52	48,060	-37
Tenant-owner associations	47,805	-0	48,280	-7
Private multi-family dwellings	24,694	-11	24,040	-11
Municipal multi-family dwellings	6,551	-	7,231	-
Commercial properties	277	-	171	-
Provision for probable loan losses	-140	-	-126	-
Total	208,503	-140	209,661	-126

Doubtful loan receivables and provisions	30 Jun 2011	31 Dec 2010
a) Doubtful loan receivables	-	-
b) Specific provisions for loan receivables	-	-
c) Collective provisions, corporate market loans	11	18
d) Collective provisions, retail market loans	129	108
e) Total provisions (b+c+d)	140	126
f) Doubtful loan receivables after individual provisions (a-b)	-	-
g) Provision ratio for individual provisions (b/a)	-	-

Not 5 Derivative instruments

30 June 2011, SEK million	Assets measured at fair value	Liabilities measured at fair value	Total nominal amount
Interest-rate related	1,250	1,776	373,223
Currency related	3,079	2,997	74,049
Total derivative instruments	4,329	4,773	447,272

Not 6 Subordinated debt to Parent Company

SEK million	30 Jun 2011	31 Dec 2010
Subordinated debt to Parent Company	33,277	38,363
Total	33,277	38,363

Conditions concerning subordination

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

Capital base

SEK million	30 Jun 2011	31 Dec 2010
Core Tier 1 capital		
Equity	10,523	10,461
Group contribution	-	-100
Deferred tax assets	-26	-
Net provisions for IRB exposures	-141	-121
Core Tier 1 capital	10,356	10,240
Tier 1 capital	10,356	10,240
Tier 2 capital		
Expanded part of capital base	-	-
Deduction from entire capital base	-	-
Amount for capital base net after deductible items and limit value	10,356	10,240

Capital requirement

SEK million	30 Jun 2011	31 Dec 2010
Credit risk recognised in accordance with IRB approach		
- Corporate exposures	1,925	1,927
- Retail exposures	564	536
Total exposures in accordance with IRB approach	2,489	2,463
Credit risk recognised in accordance with standardised approach		
- Exposures to governments and central banks	0	0
- Exposures to local governments and comparable associations	0	0
- Exposures to institutions	115	77
- Exposures to corporates	25	20
- Retail exposures	1	1
- Past due items	0	-
- Other items	2	2
Total exposures in accordance with standardised method	143	100
Risks in the trading book		
Operational risk	143	111
Currency risk	-	-
Commodity risk	-	-
Total minimum capital requirement	2,775	2,674
Addition during transitional period	5,207	5,274
Total capital requirement in accordance with the transition rules	7,982	7,948

Capital adequacy

SEK million	30 Jun 2011	31 Dec 2010
Core tier 1 capital	10,356	10,240
Tier 1 capital	10,356	10,240
Total capital	10,356	10,240
Without transition rules		
Risk-weighted assets	34,677	33,425
Core tier 1 capital ratio	29.9%	30.6%
Tier 1 capital ratio	29.9%	30.6%
Capital adequacy ratio	29.9%	30.6%
Capital quotient	3.73	3.83
With transition rules		
Risk-weighted assets	99,770	99,355
Core tier 1 capital ratio	10.4%	10.3%
Tier 1 capital ratio	10.4%	10.3%
Capital adequacy ratio	10.4%	10.3%
Capital quotient	1.30	1.29

Review report

To the Board of The Swedish Covered Bond Corporation (SCBC)
Corporate registration number 556645-9755

Introduction

We have reviewed the enclosed year-end report of the Swedish Covered Bond Corporation, SCBC, Corp. Reg. No. 556645-9755 for the period 1 January 2011 – 30 June 2011. The Board of Directors and the Managing Director are responsible for preparing and presenting this interim financial information in accordance with the Annual Accounts (Credit Institutions and Securities Companies) Act. Our responsibility is to express an opinion on this interim report, based on our review.

The direction and extent of the review

We have performed this review in accordance with the Swedish Standard on Review Engagements SÖG 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making enquiries, primarily to persons responsible for financial and accounting matters, performing an analytical review and undertaking other review measures.

A review has another direction and is substantially more limited in scope than an audit conducted in accordance with the Auditing Standard in Sweden (RS) and generally accepted auditing practices otherwise. The measures undertaken in a review do not permit us to be certain that we have become aware of all significant matters that might have been identified in an audit. The expressed conclusion based on a review thus lacks the degree of certainty that a conclusion expressed as a result of an audit has.

Conclusion

On the basis of our review, nothing has come to our attention which gives us cause to believe that the enclosed interim report has not been prepared, in all essentials, in accordance with the Annual Accounts (Credit Institutions and Securities Companies) Act.

Stockholm, 22 July 2011
Öhrlings PricewaterhouseCoopers AB

Catarina Ericsson
Authorised Public Accountant

AB Sveriges Säkerställda Obligationer (publ)

The Swedish Covered Bond Corporation, SCBC, is a wholly owned subsidiary of
SBAB Bank AB (publ).