

INTERIM REPORT

1 January – 30 June 2016 | The Swedish Covered Bond Corporation, SCBC

BAR

SCBC

— Covered Bonds of SBAB —

THE QUARTER IN BRIEF

January–June 2016 (January–June 2015)

- Operating profit increased to SEK 841 million (723), and to SEK 901 million (722) excluding net income/expense from financial transactions.
- Net interest income increased to SEK 1,262 million (1,093).
- Expenses totalled SEK 344 million (319).
- Net loan losses amounted to SEK 0 million (gain: 1).
- The Common Equity Tier 1 capital ratio amounted to 72.6% (79.2).
- All funding programmes continue to have the highest credit rating from Moody's.

Operating profit

SEK 841 million

(SEK 723 million)

Net interest income

SEK 1,262 million

(SEK 1,093 million)

Common Equity Tier 1 capital ratio

72.6%

(79.2%)

Lending to the public

SEK 245.1 billion

(SEK 217.7 billion)

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

OVERVIEW OF EARNINGS

Summary, SEK million	2016	2015	2015
	Jan-Jun	Jan-Jun	Jan-Dec
Net interest income	1,262	1,093	2,280
Net commission income/expense	-17	-53	-106
Net result from financial transactions (Note 2)	-60	1	-16
Total operating income	1,185	1,041	2,158
Expenses	-344	-319	-627
Loan losses, net (Note 3)	1	1	12
Operating profit	842	723	1,543
Operating profit excl. net result from financial transactions	902	722	1,559
Tax	-185	-160	-340
Profit for the period	657	563	1,203
Balance sheet items			
Lending to the public, SEK billion, as of 30 June 2016	245.1	217.7	215.8
Key figures			
Common Equity Tier 1 capital ratio, %, as of 30 June 2016	72.6	79.2	86.1
Rating, long-term funding			
Moody's	Aaa	Aaa	Aaa

Performance for January–June 2016 compared with January–June 2015

Operating profit

SCBC's operating profit increased to SEK 841 million (723). The increase is mainly attributable to lower funding costs for covered bonds. Operating profit, excluding net income/expense from financial transactions, increased to SEK 901 million (722).

Net interest and net commission

SCBC's net interest income increased to SEK 1,262 million (1,093). The higher net interest income is mainly due to a reduction of SCBC's funding costs. The net commission expense was SEK 17 million (53), including a fee of SEK 0 million (35) for the government stability fund. As of the first quarter of 2016, the fee to the government stability fund was replaced by a resolution fee, reported in net interest income. The provision for the resolution fee amounted to SEK 45 million during the period.

Loan losses

The net effect of loan losses were a positive SEK 1 million (gain: 1). Confirmed loan losses remained low. Rising prices in the property market and the low interest-rate situation have contributed favourably to low loan losses.

Net income/expense from financial transactions

Net expense from financial transactions measured at fair value amounted to SEK 60 million (income: 1). The greatest factor impacting earnings was the repurchase of own bonds. During the period, SEK 4 billion was repurchased, compared to SEK 3.6 billion in the previous period. For further information, please see Note 2.

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. SCBC's lending portfolio 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 245.1 billion (217.7), compared with SEK 215.8 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.

SCBC uses three funding programmes: a Swedish covered bond programme without a preset limit, a EUR 10 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 2016, the total value of covered debt securities in issue under SCBC's lending programme was SEK 191.2 billion (177.5), distributed as follows: Swedish covered bonds SEK 116.4 billion (106.9) and the Euro Medium Term Covered Note Programme SEK 74.8 billion (70.6). During the period, securities amounting to SEK 21 billion were issued. At the same time, securities amounting to SEK 4 billion were repurchased, while securities amounting to SEK 14 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 4 billion.

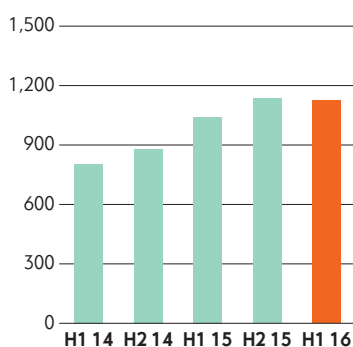
Capital adequacy and liquidity risk

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.

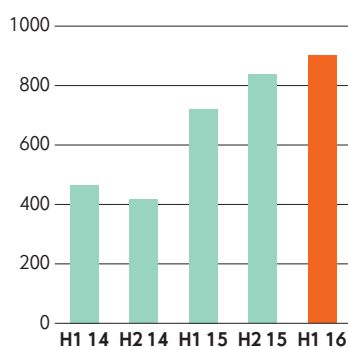
SCBC's total capital ratio and Common Equity Tier 1 capital ratio under Pillar 1, without transitional rules, amounted to 72.6% (79.2) at 30 June 2016, compared to 86.1% at the beginning of the year. Profit for the period is included in own funds while the expected dividend has reduced own funds. For other capital ratios, refer to the tables starting on page 9. The internally assessed capital requirement amounted to SEK 4,471 million (3,554) on 30 June 2016.

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.

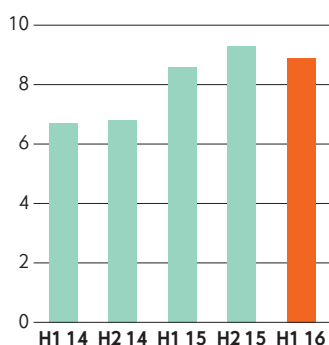
Operating income, excluding net income/expense from financial instruments (SEK million)



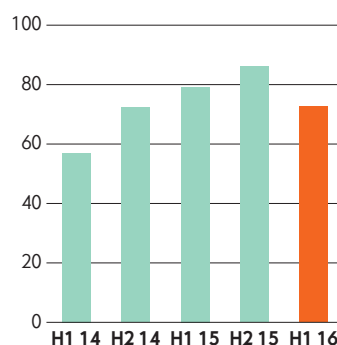
Operating profit, excluding net income/expense from financial instruments (SEK million)



Return on equity (%)



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



OTHER SIGNIFICANT INFORMATION

Risks and uncertainties

The economic trend in Sweden is the primary risk factor for SCBC's future earnings capacity, while the quality of its 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 shows a stable trend, underpinned by low inflation, low interest rates and rising stock market and property prices. A housing market with soaring prices and growing household indebtedness make the Swedish economy sensitive to changes in interest rates and housing prices. The risks associated with these factors are expected to increase as long as house 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 susceptible 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 2015 Annual Report.

Brexit

In a referendum on 23 June 2016, a scant majority of the

British people voted no to continued membership of the EU ("Brexit"). The United Kingdom's exit from the EU contributes to increased economic, political and financial insecurity in the United Kingdom and the surrounding world. Sweden and the Swedish economy will be affected by the unfolding events related to the United Kingdom's role and relation to Europe and the EU in coming years. A small country such as Sweden, with its extensive foreign trade, large financial sector and many cross-border exchanges, is heavily dependent on the external world. In the short term, the United Kingdom's exit will likely result in a dampening of the Swedish and international economic cycles caused by increased uncertainty, possibly leading to interest rate reductions. It is also likely that the Riksbank will wait longer before raising the key interest rate, if the effect on growth and inflation becomes appreciable. Consequently, we should expect continued low residential mortgage rates. Housing prices are primarily affected by supply and demand in the Swedish housing market and should therefore not be directly affected by the outcome of the referendum, even if more long-term effects cannot be ruled out.

Review Report

This report has been reviewed by the company's auditor according to ISRE 2410. The review report is given on page 18.

INCOME STATEMENT

SEK million	2016	2015	2015	2015
	Jan-Jun	Jul-Dec	Jan-Jun	Jan-Dec
Interest income	1,971	1,904	2,293	4,197
Interest expense	-709	-717	-1,200	-1,917
Net interest income	1,262	1,187	1,093	2,280
Commission income	6	5	5	10
Commission expense	-23	-58	-58	-116
Net result from financial transactions (Note 2)	-60	-17	1	-16
Other operating income	-	-	-	-
Total operating income	1,185	1,117	1,041	2,158
General administrative expenses	-343	-309	-317	-626
Other expenses	-1	1	-2	-1
Total expenses before loan losses	-344	-308	-319	-627
Profit before loan losses	841	809	722	1,531
Loan losses, net (Note 3)	1	11	1	12
Operating profit	842	820	723	1,543
Tax	-185	-180	-160	-340
Profit for the period	657	640	563	1,203

STATEMENT OF COMPREHENSIVE INCOME

SEK million	2016	2015	2015	2015
	Jan-Jun	Jul-Dec	Jan-Jun	Jan-Dec
Profit/loss for the period	657	640	563	1,203
<i>Components that will be reclassified to profit or loss</i>				
Changes related to cash flow hedges, before tax	819	253	-72	181
Tax attributable to cash flow hedges	-180	-56	16	-40
Other comprehensive income, net after tax	639	197	-56	141
Total comprehensive income for the period	1,296	837	507	1,344

BALANCE SHEET

SEK million	30 June 2016	30 June 2015	31 Dec 2015
ASSETS			
Lending to credit institutions	1,395	2,065	1,219
Lending to the public (Note 4)	245,126	217,683	215,774
Change in value of interest rate-hedged items in portfolio hedges	764	952	717
Derivative instruments (Note 5)	5,234	5,287	4,784
Deferred tax assets	-	10	-
Other assets	570	567	695
Prepaid expenses and accrued income	130	137	122
TOTAL ASSETS	253,219	226,701	223,311
LIABILITIES AND EQUITY			
Liabilities			
Liabilities to credit institutions	1,559	3,576	2,143
Debt securities in issue	191,248	177,509	187,280
Derivative instruments (Note 5)	1,397	2,209	2,437
Other liabilities	11	322	10
Accrued expenses and prepaid income	1,931	2,096	2,201
Deferred tax liabilities	294	-	131
Subordinated debt to the Parent Company (Note 8)	41,294	27,637	14,920
Total liabilities	237,734	213,349	209,122
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	880	44	241
Retained earnings	4,348	3,145	3,145
Profit for the period	657	563	1,203
Total unrestricted equity	5,885	3,752	4,589
Total equity	15,485	13,352	14,189
TOTAL LIABILITIES AND EQUITY	253,219	226,701	223,311
MEMORANDUM ITEMS			
Assets pledged for own liabilities	240,353	211,651	211,420

STATEMENT OF CHANGES IN EQUITY

SEK million	Share capital	Fair value reserve	Shareholder Contribution	Retained earnings	P/L for the period	Total equity
OPENING BALANCE, 1 JANUARY 2016	50	241	9,550	4,348		14,189
Other comprehensive income, net after tax		639				640
Profit/loss for the period					657	656
Total comprehensive income for the period						
CLOSING BALANCE, 30 JUNE 2016	50	880	9,550	4,348	657	15,485
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 period					563	563
Total comprehensive income for the period						
CLOSING BALANCE, 30 JUNE 2015	50	44	9,550	3,145	563	13,352
OPENING BALANCE, 1 JANUARY 2015	50	100	9,550	3,145		12,845
Other comprehensive income, net after tax		141				141
Profit/loss for the period					1,203	1,203
Total comprehensive income for the period						
CLOSING BALANCE, 31 DECEMBER 2015	50	241	9,550	3,145	1,203	14,189

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	2016	2015	2015
	Jan-Jun	Jan-Jun	Jan-Dec
Cash and cash equivalents at the beginning of the period	1,219	2,841	2,841
Cash flow from operating activities	176	-776	-1,622
Cash flow from investing activities	-	-	-
Cash flow from funding activities	-	-	-
Increase/Decrease in cash and cash equivalents	176	-776	-1,622
Cash and cash equivalents at the end of the period	1,395	2,065	1,219

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

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.

SCBC, SEK million	30 June 2016	30 June 2015	31 Dec 2015
Common Equity Tier 1 capital: Instruments and reserves			
Capital instruments and the related share premium reserves	9,600	9,600	9,600
Retained earnings	4,348	3,145	3,145
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	880	44	241
Independently reviewed interim profits net of any foreseeable charge or dividend	657	563	1,203
Common Equity Tier 1 capital before regulatory adjustments	15,485	13,352	14,189
Common Equity Tier 1 capital: Regulatory adjustments			
Additional value adjustments (negative amount)	-7	-7	-7
Fair value reserves to gain or losses on cash flow hedges	-881	-44	-241
Negative amounts resulting from the calculation of expected loss amounts	-23	-27	-34
Gains or losses on liabilities valued at fair value resulting from changes in the own credit standing	-1	1	-1
Total regulatory adjustments to the Common Equity Tier 1 capital	-912	-77	-283
Common Equity Tier 1 capital	14,573	13,275	13,906
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 = Common Equity Tier 1 capital + Additional Tier 1 capital)	14,573	13,275	13,906
Tier 2 capital: Instruments and provisions			
Tier 2 capital before regulatory adjustments	-	-	-
Tier 2 capital: Regulatory adjustments			
Total regulatory adjustments to Tier 2 capital	-	-	-
Tier 2 capital	-	-	-
Total capital (Total capital = Tier 1 capital + Tier 2 capital)	14,573	13,275	13,906
Total risk-weighted assets	20,064	16,755	16,151
Capital ratios and buffers			
Common Equity Tier 1 (as a percentage of risk exposure amount)	72.6	79.2	86.1
Tier 1 (as a percentage of total risk exposure amount)	72.6	79.2	86.1
Total capital (as a percentage of total risk exposure amount)	72.6	79.2	86.1
Institution specific buffer requirement (common equity Tier 1 capital requirement in accordance with Article 92(1)(a) plus capital conservation buffer and countercyclical capital buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer (G-SII buffer and O-SII buffer) expressed as a percentage of risk exposure amount, %	8.5	7.0	8.0
- of which: Common Equity Tier 1 capital, minimum requirement, %	4.5	4.5	4.5
- of which: capital conservation buffer requirement, %	2.5	2.5	2.5
- of which: countercyclical buffer requirement, %	1.5	-	1.0
- of which: systemic risk buffer requirement, %	-	-	-
- of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer, %	-	-	-
Common Equity Tier 1 capital, available to meet buffers (as a percentage of risk exposure amount), %	64.6	71.2	78.1

CAPITAL REQUIREMENTS

SCBC, SEK million	30 June 2016		30 June 2015		31 Dec 2015	
	Capital require- ment	Risk exposure amount	Capital require- ment	Risk exposure amount	Capital require- ment	Risk exposure amount
Credit risk recognised in accordance with IRB approach						
Exposures to corporates	432	5,400	359	4,482	379	4,743
Retail exposures	772	9,651	657	8,212	628	7,856
- of which: exposures to SME	75	944	90	1,124	78	980
- of which: retail exposures secured by immovable property	697	8,707	567	7,088	550	6,876
Total exposures in accordance with IRB approach	1,204	15,051	1,016	12,694	1,007	12,599
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 ¹⁾	20	255	38	476	27	335
- of which: derivatives according to CRR, Appendix 2	5	238	34	429	26	319
- of which: repos	0	9	4	45	1	14
Exposures to corporates	-	-	2	26	-	-
Retail exposures	-	-	1	9	-	-
Exposures in default	-	-	-	-	-	-
Exposures in the form of covered bonds	-	-	-	-	-	-
Exposures to institutions and corporates with a short-term credit assessment	1	15	0	0	0	0
Other items	74	919	81	1,013	64	798
Total exposures in accordance with standardised approach	95	1,189	122	1,524	91	1,133
Market risk	36	450	27	344	29	361
- of which: position risk	-	-	-	-	-	-
- of which: currency risk	36	450	27	344	29	361
Operational risk	241	3,008	150	1,874	150	1,874
Credit valuation adjustment risk	29	366	25	319	15	184
Total capital requirements and risk exposure amount	1,605	20,064	1,340	16,755	1,292	16,151
Capital requirements for capital conservation buffer	502		419		404	
Capital requirements for countercyclical buffer	302		0		162	
Total capital requirements	2,409		1,759		1,858	

¹⁾ The risk-weighted exposure amount for counterparty risk according to CRR, Article 92(3)(f), amounts to SEK 247 million (333).

CAPITAL ADEQUACY

SCBC, SEK million	30 June 2016	30 June 2015	31 Dec 2015
Common Equity Tier 1 capital	14,573	13,275	13,906
Tier 1 capital	14,573	13,275	13,906
Total own funds	14,573	13,275	13,906
Without transition rules			
Risk exposure amount	20,064	16,755	16,151
Common Equity Tier 1 capital ratio, %	72.6	79.2	86.1
Excess ¹⁾ Common Equity Tier 1 capital	13,670	12,521	13,179
Tier 1 capital ratio, %	72.6	79.2	86.1
Excess ¹⁾ Tier 1 capital	13,369	12,269	12,937
Total capital ratio, %	72.6	79.2	86.1
Excess ¹⁾ total capital	12,968	11,934	12,614
With transition rules			
Own funds	14,597	13,312	13,940
Risk exposure amount	132,772	114,798	115,555
Total capital ratio, %	11.0	11.6	12.1

¹⁾ Surplus of capital has been calculated based on the minimum capital requirements (without buffer requirements)

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, 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 in comparison with the 2015 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	2016	2015	2015	2015
	Jan-Jun	Jul-Dec	Jan-Jun	Jan-Dec
Gains/losses on interest-bearing financial instruments				
- Change in value of hedged items in hedge accounting	-689	365	531	896
- Derivative instruments	705	-388	-548	-936
- Loan receivables	42	58	48	106
- Realised expense from financial liabilities	-119	-52	-30	-82
Currency translation effects	1	0	0	0
Total	-60	-17	1	-16

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.

Major variations in fair value between reporting periods could result in significant changes in the carrying amount and hence also in capital adequacy.

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, as the unrealised interest rate-related value changes that affect the performance 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	2016	2015	2015	2015
	Jan-Jun	Jul-Dec	Jan-Jun	Jan-Dec
CORPORATE MARKET				
INDIVIDUAL PROVISION FOR CORPORATE MARKET LOANS				
Provision for probable loan losses for the period	5	5	-0	5
Guarantees	-1	1	-2	-1
Net cost for the period for individual provisions for corporate market loans	4	6	-2	4
RETAIL MARKET				
INDIVIDUAL PROVISION FOR RETAIL MARKET LOANS				
Write-off of confirmed loan losses for the period	-	-	-	-
Reversal of prior year provisions for probable loan losses recognised as confirmed loan losses in the financial statements for the period	-	-	-	-
Provision for probable loan losses for the period	-	-	-	-
Net cost for the period for individual provisions for retail market loans	-	-	-	-
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	-2	8	8	16
Guarantees	-1	-3	-5	-8
Net cost for the period for collective provisions for retail market loans	-3	5	3	8
Net cost for the period for loan losses	1	11	1	12

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 June 2016		30 June 2015		31 December 2015	
	Lending	Provision	Lending	Provision	Lending	Provision
Single-family dwellings and holiday homes	97,706	-48	89,871	-43	86,975	-32
Tenant-owner rights	85,349	-37	67,299	-30	71,668	-30
Tenant-owner associations	40,671	-6	42,241	-9	38,436	-5
Private multi-family dwellings	21,018	-0	18,129	-2	18,414	-1
Municipal multi-family dwellings	393	-	215	-	349	-
Commercial properties ¹⁾	80	-	12	-	-	-
Provision for probable loan losses	-91		-84		-68	
Total	245,126	-91	217,683	-84	215,774	-68

¹⁾ Refers only to non-pure commercial properties

Doubtful and non-performing loan receivables	30 June 2016	30 June 2015	31 Dec 2015
a) Doubtful loan receivables	-	-	-
b) Specific provisions for individually measured loan receivables	-	-	-
c) Collective provisions for corporate market loans	6	11	6
d) Collective provisions for retail market loans	85	73	62
e) Total provisions (b+c+d)	91	84	68
f) Doubtful loan receivables after individual provisions (a-b)	-	-	-
g) Provision ratio for individual provisions (b/a), %	-	-	-

NOTE 5 Derivative instruments

SEK million	30 June 2016		
	Assets measured at fair value	Liabilities measured at fair value	Total nominal amount
Interest rate-related	4,171	818	141,477
Currency-related	1,063	579	48,021
Total	5,234	1,397	189,498

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

NOTE 6 Classification of financial instruments

Financial assets

SEK million	30 June 2016				
	Assets measured at fair value through P/L	Hedge-accounted derivative instruments	Loan receivables	Total	Total fair value
Lending to credit institutions			1,395	1,395	1,395
Lending to the public			245,126	245,126	246,439
Change in value of interest rate-hedged items in portfolio hedges			764	764	-
Derivative instruments	192	5,042		5,234	5,234
Other assets			570	570	570
Prepaid expenses and accrued income			130	130	130
Total	192	5,042	247,985	253,219	253,768

Financial liabilities

SEK million	30 June 2016				
	Liabilities measured at fair value through P/L	Hedge-accounted derivative instruments	Other financial liabilities	Total	Total fair value
Liabilities to credit institutions			1,559	1,559	1,559
Debt securities in issue			191,248	191,248	193,401
Derivative instruments	74	1,323		1,397	1,397
Other liabilities			11	11	11
Accrued expenses and prepaid income			1,931	1,931	1,931
Subordinated debt to the Parent Company			41,294	41,294	41,294
Total	74	1,323	236,043	237,440	239,593

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 2015 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. 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 June 2016			Total
	Quoted market prices (Level 1)	Other observable market data (Level 2)	Unobservable market data (Level 3)	
Assets				
Derivatives in the category trade	-	192	-	192
Other derivatives	-	5,042	-	5,042
Total	-	5,234	-	5,234
Liabilities				
Derivatives in the category trade	-	74	-	74
Other derivatives	-	1,323	-	1,323
Total	-	1,397	-	1,397

The principles for the measurement of financial instruments recognised at fair value in the balance sheet are given in Note 1. Accounting Policies in the 2015 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. There have been no transfers between the levels in 2016.

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 on any asset or liability.

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 on any asset or liability.

NOTE 8 Subordinated debt to Parent Company

SEK million	30 June 2016	30 June 2015	31 Dec 2015
Subordinated debt to the Parent Company	41,294	27,637	14,920
Total	41,294	27,637	14,920

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 bankruptcy or liquidation, which means that it carries an entitlement to payment after other claimants have received payment.

Financial Calendar

Year-end report 2016

8 February 2017

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 19 July 2016 at 8.00 a.m. (CET).

Contacts

For further information, contact:

CEO Mikael Inglander, +46 8 614 43 28, mikael.inglander@sbab.se.

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.

Solna, 18 July 2016

Bo Magnusson
Chairman

Jakob Grinbaum
Board Member

Klas Danielsson
Board Member

Mikael Inglander
CEO

REVIEW REPORT

Introduction

We have reviewed the interim report for The Swedish Covered Bond Corporation (publ) for the period January 1 – June 30 2016. 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, 2016

Deloitte AB

Patrick Honeth

Authorised Public Accountant