



# Interim report 1 January – 31 March 2010

## THE SWEDISH HOUSING FINANCE CORPORATION, SBAB

*“We have had a positive start to the year, with a high volume of business, continued low loan losses and significantly higher net interest income.”*

EVA CEDERBALK, CEO SBAB

- **Operating profit rose to SEK 172 million (161).**
- **Net interest income increased during the period to SEK 476 million (307). Total operating income rose to SEK 333 million (318).**
- **Considerable demand for lending, which increased 4% to SEK 234.4 billion (226.0).**
- **SBAB's total market share\* in lending rose to 9.7% (9.5).**
- **Deposits amounted to SEK 4.7 billion (4.7).**
- **Expenses totalled SEK 156 million (151).**
- **Loan losses amounted to SEK 5 million (6). The loan loss rate was 0.01% (0.01).**
- **Without taking the transitional rules into consideration, the capital adequacy ratio and the Tier 1 capital ratio amounted to 21.8% (19.7) and 18.3% (15.9) respectively after the Tier 1 capital contribution.**

\* According to statistics from the Swedish Bankers' Association.

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.

### SUMMARY SBAB GROUP

	Mar 2010	Mar 2009	Dec 2009
Net interest income, SEK million	476	307	1,519
Operating profit, SEK million	172	161	1,289
Net profit for the period, SEK million	126	120	951
Lending, SEK billion	234.4	190.3	226.0
Doubtful loan receivables after specific provisions, SEK million	30	32	29
Loan losses, net, SEK million	-5	-6	-107
Loan loss rate, % <sup>1)</sup>	0.01	0.01	0.06
Expenditure/Income ratio excluding loan losses, % <sup>2)</sup>	47	48	29
Expenditure/Income ratio including loan losses, % <sup>2)</sup>	48	50	35
Return on equity, %	13.6	7.7	13.8
Capital adequacy ratio, %	8.8	10.3	9.2
Tier 1 capital ratio, %	7.1	8.3	7.4
Equity ratio, %	2.4	2.3	2.5
Rating, long-term funding, SBAB			
Standard & Poor's	A+	A+	A+
Moody's	A1	A1	A1
Rating, long-term funding, SCBC			
Standard & Poor's	AAA	AAA	AAA
Moody's	Aaa	Aaa	Aaa
Rating, short-term funding, SBAB			
Standard & Poor's	A-1	A-1	A-1
Moody's	P-1	P-1	P-1
Average no. of employees during the period	423	372	396
of whom temporary employees	44	9	28

<sup>1)</sup> Annualised loan losses in relation to opening balance for lending to the public.

<sup>2)</sup> Expenses/operating income.

## Operating profit

SBAB's operating profit rose 7% to SEK 172 million (161). The return on equity amounted to 13.6% (7.7).

Operating income increased to SEK 333 million (318). Net interest income was significantly higher compared with the year-earlier period and amounted to SEK 476 million (307). The increase was primarily attributable to high volume growth, as well as the stabilisation of the interest margin in the residential mortgage market and increased stability in global bond markets. The lower net commission income was largely due to the stability fee, which amounted to SEK 13 million (-). "Net income/expense from financial instruments measured at fair value" amounted to an expense of SEK 129 million (income: 7) due to unrealised fair value changes in hedge-accounted derivative items.

SBAB's expenses amounted to SEK 156 million (151) and personnel costs to SEK 86 million (77). The increase in personnel costs was attributable to the higher number of employees in SBAB as a result of the new recruitments being implemented gradually to manage the high volume of business. SBAB's other expenses declined to SEK 63 million (67). Lower consultancy expenses during the period restricted the expenses, while marketing activities and other cost items were relatively unchanged. Depreciation/amortisation amounted to SEK 7 million (7) and the expenditure/income ratio, excluding loan losses, fell to 47% (48).

## Loan losses

Loan losses amounted to SEK 5 million, net (6). The loan loss rate remained very low, corresponding to 0.01% (0.01). SBAB is monitoring this trend closely and is prepared to handle any problems should they arise.

## Lending

SBAB's volume trend remained robust, and new lending amounted to SEK 14.3 billion (11.4) during the period. Lending to the public totalled SEK 234.4 billion (226.0), up 4%. SBAB's total market share\* was 9.7% (9.5).

Lending to the retail market rose to SEK 139.8 billion (135.8). New lending amounted to SEK 8.2 billion (6.6). Demand during the quarter caused SBAB's market share\* to increase to 8.1% (8.0).

Demand for lending to the corporate market and tenant-owner associations was also high and amounted to SEK 94.6 billion (90.1). New lending totalled SEK 6.0 billion (4.7), enabling SBAB to increase its market share\* in lending to the corporate market and tenant-owner associations to 13.9% (13.4).

## Deposits

SBAB offers deposits for the retail market, corporate market and tenant-owner associations. Customers are offered deposit products at a competitive interest rate and on straightforward terms. At the end of the period, deposits amounted to SEK 4.7 billion (4.7).

## Funding

SBAB attaches considerable importance to having a well-diversified funding portfolio, which requires an active market presence and a flexible range of products.

While SBAB was affiliated with the Swedish Government's guarantee programme for medium-term funding during 2009, the company discontinued its participation in the programme on November 2009. At the end of the period, the volume outstanding under the Government-guaranteed programme totalled SEK 17.4 billion (21.4). Repurchases during the quarter amounted to SEK 4.0 billion.

Funding through the issuance of covered bonds takes place in SBAB's wholly owned subsidiary The Swedish Covered Bond Corporation, SCBC.

Programme utilisation	31 Mar 2010	31 Dec 2009
Swedish Commercial Paper Programme	SEK 12.4 billion	SEK 14.3 billion
Swedish covered bonds	SEK 78.1 billion	SEK 83.9 billion
European Commercial Paper Programme	USD 1,484 million	USD 1,176 million
US Commercial Paper Programme	USD 274 million	USD 200 million
Euro Medium Term Note Programme	USD 9,658 million	USD 8,867 million
Euro Medium Term Covered Note Programme	EUR 6,813 million	EUR 5,175 million
Swedish Government Guarantee Programme	SEK 17.4 billion	SEK 21.4 billion

Loan portfolio	Mar 2010		Mar 2009		Dec 2009	
	SBAB Group**	Group incl. all of FriSpar	SBAB Group**	Group incl. all of FriSpar	SBAB Group**	Group incl. all of FriSpar
SEK million						
Retail lending	139,794	144,447	119,715	121,677	135,842	139,966
- new lending	8,225	8,786	6,625	7,228	36,403	39,091
Corporate lending (incl. tenant-owner associations)	94,607	94,689	70,625	70,724	90,134	90,218
- new lending	6,042	6,042	4,733	4,733	28,223	28,223
<b>Total</b>	<b>234,401</b>	<b>239,136</b>	<b>190,340</b>	<b>192,401</b>	<b>225,976</b>	<b>230,184</b>
- new lending	14,267	14,828	11,358	11,961	64,626	67,314

\* According to statistics from the Swedish Bankers' Association.

\*\* In the SBAB Group, 51% of FriSpar is consolidated in accordance with the proportional method.

The total value of outstanding debt securities in issue rose SEK 10.8 billion to SEK 259.9 billion (249.1). The largest issuances included a seven-year covered bond amounting to EUR 1 billion. SCBC also issued a five-year covered bond totalling EUR 1 billion.

### Capital adequacy and risk

SBAB recognises credit risk mainly in accordance with the Internal Ratings-Based (IRB) approach and operational risks and market risks according to the standardised approach. Taking into account the transitional regulations, the capital quotient for the SBAB Group amounted to 1.10 (1.15), capital adequacy ratio to 8.8% (9.2) and the Tier 1 capital ratio to 7.1% (7.4). In accordance with Basel II, without taking the transitional regulations into consideration, capital adequacy ratio according to Pillar 1 amounted to 18.5% (19.7) and the Tier 1 capital ratio to 14.9% (15.9). Net profit for the quarter was included in the calculation of Tier 1 and total capital.

SBAB has issued a Tier 1 capital contribution of SEK 2.0 billion with a trade date of 30 March and settlement date of 8 April. The Swedish Financial Supervisory Authority granted permission for the Tier 1 capital contribution to be included in the capital base as Tier 1 capital. If the contribution had been approved for inclusion in the capital base from the trade date instead of the settlement date, the capital quotient at the end of the period would have been 1.30, capital adequacy ratio 10.4% and the Tier 1 capital ratio 8.7%. Without taking the transitional rules into consideration, capital adequacy ratio would have been 21.8% and the Tier 1 capital ratio 18.3%.

The calculated expected loss in the credit risk model increased as a result of the large credit risk exposure arising due to the rise in the credit portfolio. The calculated market risks declined during the period. At 31 March 2010, the internally calculated capital requirement was SEK 6.8 billion (6.9).

At 31 March 2010, a parallel shift of the yield curve by plus one percentage point would have reduced the net value of SBAB's interest-bearing assets and liabilities, including derivative transactions, by approximately SEK 41.2 million.

For more information on risk management, refer to page 28 of SBAB's Annual Report for 2009.

### Current events

- On 16 March 2010, SBAB's Board of Directors made a decision regarding payments under the incentive programme for the 2009 financial year. SBAB complies with the Swedish Financial Supervisory Authority's regulations and general guidelines regarding remuneration policies in credit institutions, investment firms and fund management companies (FFFS 2009:6).
- SBAB launched "The Value Guide," a new service providing online valuation estimates of tenant-owner rights, single-family dwellings and holiday homes.

### Events after the balance-sheet date

- SBAB's Annual General Meeting on 21 April, elected Arne Liljedahl as the new Chairman of the Board and Jakob Grinbaum and Hanna Lagercrantz as new Board Members. At the same time, Board Members Lennart Francke, Helena Levander, Karin Moberg and Lena Smeby-Udesen were re-elected. Former Chairman Claes Kjellander and Board Members Lars Linder-Aronson and Michael Thorén stepped down in conjunction with the Annual General Meeting.

### Performance in the first quarter of 2010 compared with the fourth quarter of 2009

The trend in SBAB's lending to the public was favourable during the first quarter of the year. The increase in lending to the public during the first quarter amounted to SEK 8.4 billion (10.9). Lending to the retail market rose SEK 4.0 billion (6.0). SBAB's retail market share\* was 8.1% (8.0). Lending to the corporate market and tenant-owner associations increased SEK 4.5 billion (4.8). SBAB's market share\* to the corporate market and tenant-owner associations amounted to 13.9% (13.4).

Deposits through SBAB's savings products amounted to SEK 4.7 billion (4.7) at the end of the period.

Net interest income improved to SEK 476 million (457). Total operating income amounted to SEK 333 million (397). The difference in income between the quarters was due to the more significant impact of the item "Net income/expense from financial instruments measured at fair value," with the market value of derivatives associated with hedge-accounted items resulting in a negative outcome. Expenses remained largely unchanged between the quarters and totalled SEK 156 million (157). Loan losses declined compared with the fourth quarter and amounted to SEK 5 million (42). Operating profit for the period fell to SEK 172 million (198).

Capital adequacy ratio amounted to 8.8% (9.2) and the Tier 1 capital ratio to 7.1% (7.4).

### Performance of the Parent Company January-March 2010

In the Parent Company, lending to the public amounted to SEK 49.7 billion (48.2) and operating profit to SEK 89 million (loss: 176). Operating income amounted to SEK 247 million (expense: 21), primarily because the item "Net income/expense from financial instruments measured at fair value" was not as negative as it was in the year-earlier period. Net interest income totalled SEK 132 million (320). Expenses increased to SEK 154 million (150) and loan losses to SEK 4 million (5). The Parent Company's capital adequacy ratio remained highly favourable. The Tier 1 capital ratio was 23.6% (24.5) and capital adequacy ratio amounted to 29.6% (30.7).

### Accounting policies

The SBAB Group applies the International Financial Reporting Standards (IFRS) as adopted by the EU. It also complies with the Swedish Financial Supervisory Authority's accounting directives,

\* According to statistics from the Swedish Bankers' Association.

the Annual Accounts (Credit Institutions and Securities Companies) Act, and the Swedish Financial Reporting Board's recommendation RFR 1.3 Supplementary Accounting Rules for Groups, and for the Parent Company RFR 2.3 Accounting for Legal Entities.

This interim report complies with the requirements of IAS 34 Interim Financial Reporting and IAS 1 Presentation of Financial Statements. The accounting policies and methods of calculation are unchanged compared with the Annual Report for 2009. The standards that became effective on 1 January 2010, IAS 27 (Amendment) and IFRS 3 (Revised), have not impacted the company's financial statements.

## **Financial information 2010**

Interim report January-June

23 July

Interim report January-September

29 October

*Stockholm, 28 April 2010*

Eva Cederbalk  
CEO

# Income statement

SEK million	Group		Parent Company	
	Jan-Mar 2010	Jan-Mar 2009	Jan-Mar 2010	Jan-Mar 2009
Interest income	1,114	2,345	582	499
Interest expense	-638	-2,038	-450	-179
<b>Net interest income</b>	<b>476</b>	<b>307</b>	<b>132</b>	<b>320</b>
Commission income	12	8	26	19
Commission expense	-26	-10	-12	-5
Net income/expense from financial instruments measured at fair value (Note 1)	-129	7	-2	-454
Other operating income	0	6	103	99
<b>Total operating income</b>	<b>333</b>	<b>318</b>	<b>247</b>	<b>-21</b>
Personnel costs	-86	-77	-86	-77
Other expenses	-63	-67	-65	-70
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	-7	-7	-3	-3
<b>Total expenses before loan losses</b>	<b>-156</b>	<b>-151</b>	<b>-154</b>	<b>-150</b>
<b>Profit before loan losses</b>	<b>177</b>	<b>167</b>	<b>93</b>	<b>-171</b>
Loan losses, net (Note 2)	-5	-6	-4	-5
<b>Operating profit/loss</b>	<b>172</b>	<b>161</b>	<b>89</b>	<b>-176</b>
Tax	-46	-41	-24	48
<b>Net profit/loss for the period</b>	<b>126</b>	<b>120</b>	<b>65</b>	<b>-128</b>

# Statement of comprehensive income

SEK million	Group		Parent Company	
	Jan-Mar 2010	Jan-Mar 2009	Jan-Mar 2010	Jan-Mar 2009
<b>Net profit/loss for the period</b>	<b>126</b>	<b>120</b>	<b>65</b>	<b>-128</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Change in reclassified financial assets, after tax	19	13	19	13
Change in instruments used in cash flow hedging, after tax	-1	-2	-1	-2
<b>Other comprehensive income for the period, net after tax</b>	<b>18</b>	<b>11</b>	<b>18</b>	<b>11</b>
<b>Total comprehensive income/loss for the period</b>	<b>144</b>	<b>131</b>	<b>83</b>	<b>-117</b>

# Balance sheet

SEK million	Group			Parent Company	
	31 Mar 2010	31 Mar 2009	31 Dec 2009	31 Mar 2010	31 Dec 2009
<b>ASSETS</b>					
Cash and balances at central banks	0	0	0	0	0
Chargeable treasury bills and other eligible bills	7,528	24,007	8,098	7,528	8,098
Loans and advances to credit institutions (Note 3)	23,210	7,979	9,054	44,852	37,070
Loans and advances to the public (Note 4)	234,401	190,340	225,976	49,664	48,225
Change in fair value of hedge-accounted loan receivables	2,432	3,764	2,590	-21	-23
Bonds and other interest-bearing securities	32,767	31,615	32,412	32,767	32,412
Derivative instruments (Note 6)	13,800	22,901	15,123	11,622	10,375
Shares and participations in joint ventures	-	-	-	535	510
Shares and participations in Group companies	-	-	-	9,600	9,600
Intangible fixed assets	37	45	39	5	6
Property, plant and equipment	21	12	22	21	22
Other assets	2,728	417	65	2,467	43
Prepaid expenses and accrued income	684	587	696	468	480
<b>TOTAL ASSETS</b>	<b>317,608</b>	<b>281,667</b>	<b>294,075</b>	<b>159,508</b>	<b>146,818</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Liabilities</b>					
Liabilities to credit institutions	24,467	25,475	16,339	14,785	8,707
Deposits from the public	4,738	3,988	4,653	4,738	4,653
Debt securities in issue	259,939	217,258	249,095	113,217	109,749
Derivative instruments (Note 6)	9,622	8,954	8,330	10,978	10,424
Other liabilities	1,125	11,537	331	1,646	922
Accrued expenses and prepaid income	4,422	4,185	4,066	629	869
Provisions	204	20	333	292	373
Subordinated liabilities	5,570	3,687	3,551	5,570	3,551
<b>Total liabilities</b>	<b>310,087</b>	<b>275,104</b>	<b>286,698</b>	<b>151,855</b>	<b>139,248</b>
<b>Equity</b>					
Share capital	1,958	1,958	1,958	1,958	1,958
Legal reserve	-	-	-	392	392
Other reserves/Fair value reserve	-122	-193	-140	-122	-140
Retained earnings	5,559	4,678	4,608	5,360	4,724
Net profit for the period	126	120	951	65	636
<b>Total equity</b>	<b>7,521</b>	<b>6,563</b>	<b>7,377</b>	<b>7,653</b>	<b>7,570</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>317,608</b>	<b>281,667</b>	<b>294,075</b>	<b>159,508</b>	<b>146,818</b>

# Statement of changes in equity

<b>Group</b> SEK million	Share capital	Other reserves	Retained earnings	Net profit for the period	Total equity
<b>Opening balance 1 January 2010</b>	1,958	-140	5,559		7,377
Total comprehensive income for the period		18		126	144
<b>Closing balance 31 March 2010</b>	1,958	-122	5,559	126	7,521
<b>Opening balance 1 January 2009</b>	1,958	-204	4,678		6,432
Total comprehensive income for the period		11		120	131
<b>Closing balance 31 March 2009</b>	1,958	-193	4,678	120	6,563
<b>Opening balance 1 January 2009</b>	1,958	-204	4,678		6,432
Change in accounting policies, IAS 19			-70		-70
<b>Adjusted opening balance 1 January 2009</b>	1,958	-204	4,608		6,362
Total comprehensive income for the period		64		951	1,015
<b>Closing balance 31 December 2009</b>	1,958	-140	4,608	951	7,377

<b>Parent Company</b> SEK million	Share capital	Legal reserve	Fair value reserve	Retained earnings	Net profit/loss for the period	Total equity
<b>Opening balance 1 January 2010</b>	1,958	392	-140	5,360		7,570
Total comprehensive income for the period			18		65	83
<b>Closing balance 31 March 2010</b>	1,958	392	-122	5,360	65	7,653
<b>Opening balance 1 January 2009</b>	1,958	392	-204	5,173		7,319
Total comprehensive income/loss for the period			11		-128	-117
<b>Closing balance 31 March 2009</b>	1,958	392	-193	5,173	-128	7,202
<b>Opening balance 1 January 2009</b>	1,958	392	-204	5,173		7,319
Total comprehensive income for the period			64		636	700
Group contribution paid				-449		-449
<b>Closing balance 31 December 2009</b>	1,958	392	-140	4,724	636	7,570

# Cash flow statement

SEK million	<b>Group</b>		<b>Parent Company</b>	
	Jan-Mar 2010	Jan-Mar 2009	Jan-Mar 2010	Jan-Mar 2009
<b>Cash and cash equivalents at the beginning of the period</b>	4,862	11,377	1,942	5,986
Cash flow from operating activities	13,642	-5,445	3,636	-1,728
Cash flow from investing activities	-5	-4	-27	-1,201
Cash flow from financing activities	-	-	-	-
<b>Increase/decrease in cash and cash equivalents</b>	13,637	-5,449	3,609	-2,929
<b>Cash and cash equivalents at the end of the period</b>	18,499	5,928	5,551	3,057

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 Net income/expense from financial items measured at fair value

SEK million	Group		Parent Company	
	Jan-Mar 2010	Jan-Mar 2009	Jan-Mar 2010	Jan-Mar 2009
Gains/losses on interest-bearing financial instruments				
- Securities measured at fair value through profit and loss	187	27	187	27
- Change in hedged items in hedge accounting	190	-432	71	65
- Realised loss from financial liabilities	-508	-173	-107	-82
- Derivative instruments	-33	538	-158	-477
- Loan receivables	36	43	7	9
Currency translation effects	-1	4	-2	4
<b>Total</b>	<b>-129</b>	<b>7</b>	<b>-2</b>	<b>-454</b>

## Note 2 Loan losses, net

Group	Jan-Mar 2010	Jan-Mar 2009
<b>CORPORATE MARKET</b>		
SEK million		
INDIVIDUAL PROVISION FOR CORPORATE MARKET LOANS		
Write-off of confirmed loan losses for the period	-5	-4
Reversal of prior year provisions for probable loan losses recognised as confirmed loan losses in the financial statements for the period	5	6
Provision for probable loan losses for the period	-0	-1
Recoveries in respect of confirmed loan losses in prior years	-	1
Reversal of prior year provisions for probable loan losses no longer required	0	6
Guarantees	1	-6
<b>Net cost for the period for individual provisions for corporate market loans</b>	<b>1</b>	<b>2</b>
COLLECTIVE PROVISION FOR CORPORATE MARKET LOANS		
Allocation to/reversal of collective provision	-13	2
Guarantees	-2	1
<b>Net cost for the period for collective provisions for corporate market loans</b>	<b>-15</b>	<b>3</b>
<b>RETAIL MARKET</b>		
SEK million		
INDIVIDUAL PROVISION FOR RETAIL MARKET LOANS		
Write-off of confirmed loan losses for the period	-2	-
Reversal of prior year provisions for probable loan losses recognised as confirmed loan losses in the financial statements for the period	2	-
Provision for probable loan losses for the period	-2	-1
Reversal of prior year provisions for probable loan losses no longer required	0	-
Guarantees	0	-
<b>Net cost for the period for individual provisions for retail market loans</b>	<b>-2</b>	<b>-1</b>
COLLECTIVE PROVISION FOR RETAIL MARKET LOANS		
Write-off of confirmed loan losses for the period	-5	-1
Recoveries in respect of confirmed loan losses in prior years	1	0
Allocation to/reversal of collective provision	15	-8
Guarantees	0	-1
<b>Net cost for the period for collective provisions for retail market loans</b>	<b>11</b>	<b>-10</b>
<b>NET COST FOR THE PERIOD FOR LOAN LOSSES</b>	<b>-5</b>	<b>-6</b>

Both the write-offs for the period regarding confirmed loan losses and reversal of prior year write-offs as specified above relate to receivables from the public.



### Note 3 Loans and advances to credit institutions

Of the Parent Company's loans and advances to credit institutions, SEK 29,741 million (26,626) related to a receivable from the wholly owned subsidiary The Swedish Covered Bond Corporation (SCBC). This receivable is subordinated in the event of bankruptcy or liquidation, which means that payment is received only after other creditors of the subsidiary have been paid.

### Note 4 Loans and advances to the public

Group SEK million	31 Mar 2010		31 Dec 2009	
	Loans and advances	Provision	Loans and advances	Provision
Single-family dwellings and holiday homes	87,885	-137	86,588	-145
Tenant-owner rights	52,141	-95	49,500	-101
Tenant-owner associations	51,367	-70	49,018	-71
Private multi-family dwellings	26,031	-33	25,272	-26
Municipal multi-family dwellings	8,233	-	8,178	-
Commercial properties	9,079	-	7,763	-
Provision for probable loan losses	-335		-343	
<b>Total</b>	<b>234,401</b>	<b>-335</b>	<b>225,976</b>	<b>-343</b>

Doubtful and nonperforming loan receivables	31 Mar 2010	31 Dec 2009
a) Doubtful loan receivables	99	104
b) Nonperforming loan receivables* included in doubtful loan receivables	21	26
c) Nonperforming loan receivables* not included in doubtful loan receivables	229	331
d) Individual provisions for loan receivables	69	75
e) Collective provisions for corporate market loans	50	38
f) Collective provisions for retail market loans	216	230
g) Total provisions (d+e+f)	335	343
h) Doubtful loan receivables after individual provisions (a-d)	30	29
i) Provision ratio for individual provisions (d/a)	70%	72%

\* where cash flows are > 60 days past due.

In certain partnerships on the lending side, it is possible for the partner to acquire brokered loans.

### Note 5 Classification of financial instruments

Group 31 March 2010, SEK million	Assets measured at fair value through profit and loss	Hedge- accounted derivative financial instruments	Loan receivables	Total
<b>Financial assets</b>				
Cash and balances at central banks			0	0
Chargeable treasury bills and other eligible bills	7,528			7,528
Loans and advances to credit institutions			23,210	23,210
Loans and advances to the public			234,401	234,401
Change in fair value of hedge-accounted loan receivables			2,432	2,432
Bonds and other interest-bearing securities	14,789		17,978	32,767
Derivative instruments	2,701	11,099		13,800
Other assets			2,728	2,728
Prepaid expenses and accrued income	339		345	684
<b>Total</b>	<b>25,357</b>	<b>11,099</b>	<b>281,094</b>	<b>317,550</b>
<b>Financial liabilities</b>				
Liabilities to credit institutions			24,467	24,467
Deposits from the public			4,738	4,738
Debt securities in issue			259,939	259,939
Derivative instruments	3,107	6,515		9,622
Other liabilities			1,125	1,125
Accrued expenses and prepaid income			4,422	4,422
Subordinated liabilities			5,570	5,570
<b>Total</b>	<b>3 107</b>	<b>6,515</b>	<b>300,261</b>	<b>309,883</b>

**Note 5** Cont.**Parent Company**

31 March 2010, SEK million

	Assets measured at fair value through profit and loss	Hedge- accounted derivative financial instruments	Loan receivables	Total
<b>Financial assets</b>				
Cash and balances at central banks			0	0
Chargeable treasury bills and other eligible bills	7,528			7,528
Loans and advances to credit institutions			44,852	44,852
Loans and advances to the public			49,664	49,664
Change in fair value of hedge-accounted loan receivables			-21	-21
Bonds and other interest-bearing securities	14,789		17,978	32,767
Derivative instruments	8,205	3,417		11,622
Other assets			2,467	2,467
Prepaid expenses and accrued income	339		129	468
<b>Total</b>	<b>30,861</b>	<b>3,417</b>	<b>115,069</b>	<b>149,347</b>

	Liabilities measured at fair value through profit and loss	Hedge- accounted derivative financial instruments	Other financial liabilities	Total
<b>Financial liabilities</b>				
Liabilities to credit institutions			14,785	14,785
Deposits from the public			4,738	4,738
Debt securities in issue			113,217	113,217
Derivative instruments	8,924	2,054		10,978
Other liabilities			1,646	1,646
Accrued expenses and prepaid income			629	629
Subordinated liabilities			5,570	5,570
<b>Total</b>	<b>8,924</b>	<b>2,054</b>	<b>140,585</b>	<b>151,563</b>

As of 1 July 2008, the fair value of the reclassified portfolio amounted to SEK 21.7 billion. The average effective compounded interest rate used in reclassification was 6.3%. At the same date, the fair value reserve attributable to these assets had a negative value of SEK 200 million, net after tax. At 31 March 2010, the fair value of the assets would have amounted to SEK 17.3 billion had the assets continued to be recognised as "Available-for-sale financial assets." The carrying amount at 31 March 2010 was SEK 18.0 billion. At the same date, the fair value reserve attributable to the reclassified assets would have amounted to a negative SEK 0.5 billion, net after tax, had the assets continued to be recognised as "Available-for-sale financial assets." The reserve amounted to a negative SEK 118 million, net after tax, at 31 March 2010. After the reclassification date, SEK 127.4 million of the reserve before tax has been reversed and exchange rate fluctuations had a negative impact of SEK 11.0 million before tax on the value of the reserve.

**Note 6** Derivative instruments**Group**

31 March 2010, SEK million

	Assets measured at fair value	Liabilities measured at fair value	Total nominal amount
Interest-rate related	7,881	5,968	354,203
Currency related	5,919	3,654	158,626
<b>Total</b>	<b>13,800</b>	<b>9,622</b>	<b>512,829</b>

**Parent Company**

31 March 2010, SEK million

	Assets measured at fair value	Liabilities measured at fair value	Total nominal amount
Interest-rate related	8,155	8,126	510,140
Currency related	3,467	2,852	101,082
<b>Total</b>	<b>11,622</b>	<b>10,978</b>	<b>611,222</b>

## Note 7 Operating segments

Group	Jan-Mar 2010				Jan-Mar 2009			
	Consumer	Corporate Clients	Finance	Total	Consumer	Corporate Clients	Finance	Total
<b>Risk-adjusted income statement, SEK million</b>								
Risk-adjusted income	250	58	21	329	164	35	109	308
Risk-adjusted expenses	-125	-30	-24	-179	-114	-34	-24	-172
Tax	-33	-7	1	-39	-13	-0	-23	-36
<b>Risk-adjusted profit/loss after tax</b>	<b>92</b>	<b>21</b>	<b>-2</b>	<b>111</b>	<b>37</b>	<b>1</b>	<b>62</b>	<b>100</b>
RAROC*, after tax	11.1%	6.3%	-1.3%	8.2%	5.5%	0.6%	13.9%	7.4%

\* Risk Adjusted Return On (economic) Capital, risk-adjusted return after tax.

The disclosures concerning operating segments are risk-adjusted. In the risk-adjusted earnings follow-up, return on recognised equity is replaced by return on economic capital. Economic capital comprises the capital that SBAB regards as necessary to cover unexpected losses during the coming year. Since economic capital was lower than recognised equity on 31 March 2010, the return on equity in the risk-adjusted income statement is lower. In the risk-adjusted costs, recognised loan losses are replaced by expected losses. For more information concerning economic capital and expected losses, refer to pages 30 and 43 of the Annual Report for 2009.

The following is a reconciliation between SBAB's risk-adjusted income statement (as above) and SBAB's external result.

Group	Jan-Mar 2010	Jan-Mar 2009
<b>Reconciliation, SEK million</b>		
Risk-adjusted income	329	308
Adjustment to return on recognised equity	4	10
<b>Total operating income</b>	<b>333</b>	<b>318</b>
Risk-adjusted expenses	-179	-172
Adjustment to recognised loan losses	18	15
<b>Expenses and loan losses</b>	<b>-161</b>	<b>-157</b>
Risk-adjusted profit before tax	150	136
Tax according to risk-adjusted income statement	-39	-36
<b>Risk-adjusted profit after tax</b>	<b>111</b>	<b>100</b>
Operating profit	172	161
Recognised tax	-46	-41
<b>Profit for the period after tax</b>	<b>126</b>	<b>120</b>

SBAB applies in advance the improvement to IFRS 8 and the disclosure requirements for total assets allocated by segment as established in IASB's "Annual improvement project" and adopted by the EU, which means that the company is no longer obligated to disclose its total assets by segment, since these are not included in the company's internal reporting to the CEO.

## Capital base

Group	31 Mar 2010	31 Dec 2009
SEK million		
<b>Tier 1 capital</b>		
Equity	7,615	7,517
Tier 1 capital contribution	994	994
Minority interest	530	492
<b>Total Tier 1 capital, gross</b>	<b>9,139</b>	<b>9,003</b>
Less other intangible assets	-37	-39
Less deferred tax assets	-	-
Deductions in accordance with Chapter 3, Section 8 of the Capital Adequacy Act	-118	-116
<b>Total Tier 1 capital, net</b>	<b>8,984</b>	<b>8,848</b>
<b>Tier 2 capital</b>		
Perpetual subordinated debentures (Upper Tier 2)	-	-
Time-limited subordinated debentures (Lower Tier 2)	2,260	2,260
Deductions in accordance with Chapter 3, Section 8 of the Capital Adequacy Act	-118	-115
<b>Total Tier 2 capital</b>	<b>2,142</b>	<b>2,145</b>
Expanded part of capital base	-	-
Deduction from entire capital base	-	-
<b>Amount for capital base net after deductible items and limit values</b>	<b>11,126</b>	<b>10,993</b>

## Capital requirements

Group	31 Mar 2010	31 Dec 2009
SEK million		
<b>Credit risk reported in accordance with IRB approach</b>		
- Exposures to corporates	2,074	2,014
- Retail exposures	893	889
<b>Total credit risk in accordance with IRB approach</b>	<b>2,967</b>	<b>2,903</b>
<b>Credit risk reported in accordance with standardised approach</b>		
- Exposures to governments and central banks	0	0
- Exposures to municipalities and comparable associations	0	0
- Exposures to institutions	288	188
- Exposures to corporates	1,167	1,044
- Retail exposures	23	23
- Unregulated items	1	1
- Other items	6	5
<b>Total credit risk in accordance with standardised approach</b>	<b>1,485</b>	<b>1,261</b>
Risks in trading book	175	158
Operational risk	183	140
Currency risk	-	-
Commodity risk	-	-
<b>Total minimum capital requirement</b>	<b>4,810</b>	<b>4,462</b>
Addition during transitional period	5,281	5,120
<b>Capital requirement including addition</b>	<b>10,091</b>	<b>9,582</b>

## Capital adequacy

SEK million	Group		Parent Company	
	31 Mar 2010	31 Dec 2009	31 Mar 2010	31 Dec 2009
Tier 1 capital	8,984	8,848	8,718	8,647
Total capital	11,126	10,993	10,931	10,855
<b>With transitional regulations</b>				
Risk-weighted assets	126,136	119,776	36,979	35,311
Tier 1 capital ratio	7.1%	7.4%	23.6%	24.5%
Capital adequacy ratio	8.8%	9.2%	29.6%	30.7%
Capital quotient	1.10	1.15	3.70	3.84
<b>Without transitional regulations</b>				
Risk-weighted assets	60,127	55,780	30,968	29,147
Tier 1 capital ratio	14.9%	15.9%	28.2%	29.7%
Capital adequacy ratio	18.5%	19.7%	35.3%	37.2%
Capital quotient	2.31	2.46	4.41	4.66

When calculating capital adequacy ratio and the capital quotient, FriSpar Bolån AB is consolidated as a subsidiary, in contrast to the consolidated financial statements where FriSpar Bolån AB is consolidated in accordance with the proportional method. This is because the rules and regulations for capital adequacy and major exposures differ from IFRS.

# Review Report

*To the Board of The Swedish Housing Finance Corporation, SBAB  
Corporate registration number 556253-7513*

## **Introduction**

We have reviewed the interim report of The Swedish Housing Finance Corporation, SBAB, corp. reg. no. 556253-7513, for the period 1 January 2010 – 31 March 2010. The Board of Directors and the CEO are responsible for preparing and presenting this interim report in accordance with IAS 34 and 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 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. The expressed conclusion based on a review does not therefore have 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 IAS 34 and the Annual Accounts (Credit Institutions and Investment Firms) Act for the Group and in accordance with the Annual Accounts (Credit Institutions and Investment Firms) Act for the Parent Company.

Stockholm, 28 April 2010  
Öhrlings PricewaterhouseCoopers AB

Ulf Westerberg  
*Authorised Public Accountant*



The Swedish Housing Finance Corporation, SBAB