



# Interim report 1 January – 30 June 2010

## THE SWEDISH HOUSING FINANCE CORPORATION, SBAB

*“The trend for the first six months of the year was favourable, with strong net interest income, low loan losses, increasing market shares and growth in the deposit portfolio.”*

EVA CEDERBALK, CEO SBAB

- **Net interest income continued to increase to SEK 949 million (655).**
- **Operating profit amounted to SEK 350 million (549).**
- **Expenses rose to SEK 311 million (293).**
- **Loan losses amounted to SEK 44 million (51). The loan loss rate was 0.04% (0.06).**
- **Lending totalled SEK 242.2 billion (226.0).**
- **SBAB's total market share\* in lending rose to 9.8% (9.5).**
- **Deposits increased to SEK 5.2 billion (4.7).**
- **The liquidity reserve corresponded to 74 days MCO (73).**
- **Without taking the transitional rules into consideration, the capital adequacy ratio amounted to 21.6% (19.7) and the Tier 1 capital ratio to 18.1% (15.9).**

\* 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

	Jan-Jun 2010	Jan-Jun 2009	Jan-Dec 2009
Net interest income, SEK million	949	655	1,519
Operating profit, SEK million	350	549	1,289
Net profit for the period, SEK million	257	406	951
Lending, SEK billion	242.2	202.1	226.0
Doubtful loan receivables after individual provisions, SEK million	33	102	29
Loan losses, net, SEK million	-44	-51	-107
Loan loss rate, % <sup>1)</sup>	0.04	0.06	0.06
Expenditure/Income ratio excl. loan losses, %	44	33	29
Expenditure/Income ratio incl. loan losses, %	50	39	35
Return on equity, % <sup>2)</sup>	11.0	9.8	13.8
Capital adequacy ratio without transitional regulations, %	21.6	19.6	19.7
Tier 1 capital ratio without transitional regulations, %	18.1	15.6	15.9
Capital adequacy ratio with transitional regulations, %	10.1	9.7	9.2
Tier 1 capital ratio with transitional regulations, %	8.5	7.7	7.4
Equity ratio, %	2.4	2.4	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 of whom temporary employees	430 47	383 18	396 28

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

<sup>2)</sup> Return on equity calculated for the most recent 12-month period.

## Operating profit

SBAB's operating profit declined compared with the year-earlier period to SEK 350 million (549). The decline was attributable to unrealised earnings effects charged to "Net income/expense from financial instruments measured at fair value" during the first half of the year. Not taking these unrealised earnings effects into consideration, SBAB's operations performed well, with high net interest income growth, a limited increase in expenses and continued low loan losses, thereby resulting in increased profit. The return on equity amounted to 11.0% (9.8).

Net interest income was highly positive at SEK 949 million (655) and was significantly higher than in the year-earlier period. The increase was primarily attributable to a favourable volume of business, as well as the stabilisation of the interest margin in the residential mortgage market. The trend in net commission income was largely attributable to the fee for the Government stability fund to support the financial system, which amounted to SEK 26 million (-). Net income/expense from financial instruments amounted to an expense of SEK 221 million (income: 231). This change was mainly due to unrealised earnings effects deriving from derivatives not included in hedge accounting, from changes in the value of assets in the liquidity portfolio with associated derivatives and from hedge accounting. SBAB enters into derivative contracts as a natural component of its work to manage interest-rate and currency risk.

SBAB's expenses totalled SEK 311 million (293). Personnel costs for the period increased to SEK 168 million (159), due to a larger number of employees as a result of the company's continued high volume of business and inflow of customers. SBAB's other expenses increased to SEK 130 million (120) and mainly pertained to marketing and business development activities. Depreciation/amortisation amounted to SEK 13 million (14).

The expenditure/income ratio, excluding loan losses, amounted to 44% (33). The increase was primarily attributable to the substantial change in income from the item "Net income/expense from financial instruments measured at fair value." If expenses are considered in relation to net interest income, which provides a more accurate link to the underlying development of the operations, the trend continued to improve steadily to 33% (45).

## Loan losses

Loan losses declined to SEK 44 million (51), net, and largely comprised provisions for possible loan losses. Confirmed loan losses remained low. The loan loss rate was 0.04% (0.06).

## Lending

SBAB's lending trend remained favourable, and new lending amounted to SEK 29.8 billion (28.6) during the period. Lending to the public totalled SEK 242.2 billion (226.0), up 7%. SBAB's total market share\* was 9.8% (9.5).

Lending to the retail market rose to SEK 143.9 billion (135.8), up 6%. New lending amounted to SEK 17.6 billion (16.4). Demand during the quarter caused SBAB's market share\* to increase to 8.2% (8.0).

Demand for lending to the corporate market and tenant-owner associations was also high and lending growth was positive. Lending to the corporate market and tenant-owner associations amounted to SEK 98.3 billion (90.1), up 9%. New lending totalled SEK 12.2 billion (12.2), enabling SBAB to increase its share\* in the market for lending to the corporate market and tenant-owner associations to 14.0% (13.4).

## Deposits

SBAB's deposits amounted to SEK 5.2 billion (4.7), up 11%. Despite generally low interest rates, SBAB's deposit products, which are characterised by a competitive interest rate and straightforward product terms, continued to attract new customers among the retail market, tenant-owner associations and the corporate market.

## Funding

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

Although SBAB was affiliated with the Swedish Government's guarantee programme for medium-term funding during 2009, the company discontinued its participation in the programme in November 2009. At the end of the period, the volume outstanding under the Government-guaranteed programme totalled SEK 16.2 billion (21.4). Repurchases during the quarter amounted to SEK 2.0 billion.

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

Loan portfolio	Jun 2010		Jun 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	143,884	149,281	125,091	127,865	135,842	139,966
- new lending	17,629	18,965	16,471	17,822	36,403	39,091
Corporate lending (incl. tenant-owner associations)	98,280	98,361	77,050	77,135	90,134	90,218
- new lending	12,199	12,199	12,178	12,178	28,223	28,223
<b>Total</b>	<b>242,164</b>	<b>247,642</b>	<b>202,141</b>	<b>205,000</b>	<b>225,976</b>	<b>230,184</b>
- new lending	29,828	31,164	28,649	30,000	64,626	67,314

\* In the SBAB Group, 51% of FriSpar Bolån AB (partnership with Finn and Gripen savings banks) is consolidated in accordance with the proportional method.

SBAB has long taken a proactive approach to extending the remaining term of its funding by reducing the proportion of short-term loans and extending its funding through repurchases and the issuance of bonds with longer terms.

Funding through the issuance of covered bonds takes place in SBAB's wholly owned subsidiary The Swedish Covered Bond Corporation, SCBC. The total volume of covered bonds issued amounted to SEK 154.6 billion (136.9).

The total value of debt securities in issue rose SEK 15.6 billion during the period to SEK 264.7 billion (249.1). Funding activity in the Swedish market increased during the second quarter, including the issuance of a new loan under the benchmark programme.

Programme utilisation	30 Jun 2010	31 Dec 2009
Swedish Commercial Paper Programme	SEK 9.8 billion	SEK 14.3 billion
Swedish covered bonds	SEK 83.1 billion	SEK 83.9 billion
European Commercial Paper Programme	USD 1,594 million	USD 1,176 million
US Commercial Paper Programme	USD 670 million	USD 200 million
Euro Medium Term Note Programme	USD 8,123 million	USD 8,867 million
Euro Medium Term Covered Note Programme	EUR 7,520 million	EUR 5,175 million
Swedish Government Guarantee Programme	SEK 16.2 billion	SEK 21.4 billion

## Capital adequacy and risk

Without taking the transitional regulations into account, the capital adequacy ratio was very high and amounted to 21.6% (19.7), the Tier 1 capital ratio to 18.1% (15.9) and the capital quotient to 2.70 (2.46).

Taking the transitional regulations into account, the capital quotient amounted to 1.27 (1.15), the capital adequacy ratio to 10.1% (9.2) and the Tier 1 capital ratio to 8.5% (7.4). The calculation of Tier 1 capital and total capital includes profit for the period.

SBAB has issued a Tier 1 capital contribution of SEK 2.0 billion with a settlement date of 8 April 2010, which has strengthened the capital base.

At 30 June 2010, the internally calculated capital requirement was SEK 7.1 billion (6.9).

At 30 June 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 SEK 4.7 million.

SBAB maintained a favourable liquidity situation, with a liquidity reserve corresponding to 74 days (73) measured in Maximum Cumulative Outflow (MCO).

For more information on SBAB's risks and risk management, refer to the Annual Report for 2009.

## Current events

- ➔ The Value Guide, SBAB's free online service for valuation estimates of Swedish homes, has been adapted and launched for iPhone and Android mobile platforms.

## Events after the balance-sheet date

- ➔ On 8 July 2010, the Swedish Financial Supervisory Authority established general guidelines regarding loans secured on residential properties, which stipulated that new loans should not exceed 85% of the market value of the residential property. The new rules will take effect on 1 October 2010.

## Performance in the second quarter of 2010 compared with the first quarter of 2010

As in the first quarter, the business volume trend in the second quarter was positive. New lending in the second quarter amounted to SEK 15.5 billion (14.3) and total lending to SEK 242.2 billion (234.4). New lending to the retail market totalled SEK 9.4 billion (8.2), and SBAB's market share\* was 8.2% (8.1). New lending to the corporate market and tenant-owner associations amounted to SEK 6.2 billion (6.0). SBAB's market share\* for lending to the corporate market and tenant-owner associations was 14.0% (13.9).

Deposits through SBAB's savings products increased during the second quarter and totalled SEK 5.2 billion (4.7) at the end of the quarter.

Net interest income declined somewhat to SEK 473 million (476). Total operating income amounted to SEK 372 million (333). The difference in income between the quarters was due to the less significant impact of the item "Net income/expense from financial instruments measured at fair value" during the second quarter, 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 155 million (156). The SEK 39 million (5) increase in loan losses between the quarters was attributable to higher provisions. Operating profit for the period rose to SEK 178 million (172).

## Performance of the Parent Company January-June 2010

In the Parent Company, lending to the public amounted to SEK 35.6 billion (48.2), due to lower volumes in the Parent Company as a result of transfers to SCBC. SCBC does not conduct any new lending activities itself, but acquires loans from SBAB on an ongoing basis or as required. Operating profit totalled SEK 160 million (324). Operating income amounted to SEK 498 million (670), primarily due to a reduction in net interest income of SEK 287 million (441) as a result of the lower volume. Expenses increased to SEK 309 million (291). Loan losses declined during the period to SEK 29 million (55). The Parent Company's capital adequacy was favourable. The Tier 1 capital ratio amounted to 34.3% (24.5) and the capital adequacy ratio to 41.4% (30.7).

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

## **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, 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. For the Parent Company, statutory IFRS is applied, which means that the interim report has been prepared in compliance with IFRS with the additions and exceptions that ensue from the Swedish Financial Reporting Board's recommendation RFR 2.3 Accounting for Legal Entities, the Swedish Financial Supervisory Authority's regulations and general guidelines on the annual accounts of credit institutions and securities companies and the Annual Accounts (Credit Institutions and Securities Companies) Act.

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**

SBAB will publish its interim report for the period January-September 2010 on 29 October 2010.

The Board of Directors and the CEO certify that the interim report provides a fair view of the Parent Company's and the Group's operations, position and earnings, and describes the significant risks and uncertainties to which the Parent Company and the companies in the Group are exposed.

Stockholm, 22 July 2010

Arne Liljedahl  
*Chairman of the Board*

Lennart Francke  
*Board Member*

Jakob Grinbaum  
*Board Member*

Hanna Lagercrantz  
*Board Member*

Helena Levander  
*Board Member*

Karin Moberg  
*Board Member*

Lena Smeby-Udesen  
*Board Member*

Anna Christenson  
*Board Member*  
*(Employee Representative)*

Göran Thilén  
*Board Member*  
*(Employee Representative)*

Eva Cederbalk  
*Chief Executive Officer*

# Income statement

SEK million	Group				Parent Company	
	Jan-Jun 2010	Jan-Jun 2009	Apr-Jun 2010	Apr-Jun 2009	Jan-Jun 2010	Jan-Jun 2009
Interest income	2,311	3,830	1,197	1,485	1,176	1,148
Interest expense	-1,362	-3,175	-724	-1,137	-889	-707
<b>Net interest income</b>	<b>949</b>	<b>655</b>	<b>473</b>	<b>348</b>	<b>287</b>	<b>441</b>
Dividends received	-	-	-	-	14	9
Commission income	26	18	14	10	54	41
Commission expense	-49	-17	-23	-7	-21	-10
Net income/expense from financial instruments measured at fair value (Note 1)	-221	231	-92	224	-41	-18
Other operating income	0	6	0	0	205	207
<b>Total operating income</b>	<b>705</b>	<b>893</b>	<b>372</b>	<b>575</b>	<b>498</b>	<b>670</b>
Personnel costs	-168	-159	-82	-82	-168	-159
Other expenses	-130	-120	-67	-53	-135	-125
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	-13	-14	-6	-7	-6	-7
<b>Total expenses before loan losses</b>	<b>-311</b>	<b>-293</b>	<b>-155</b>	<b>-142</b>	<b>-309</b>	<b>-291</b>
<b>Profit before loan losses</b>	<b>394</b>	<b>600</b>	<b>217</b>	<b>433</b>	<b>189</b>	<b>379</b>
Loan losses, net (Note 2)	-44	-51	-39	-45	-29	-55
<b>Operating profit</b>	<b>350</b>	<b>549</b>	<b>178</b>	<b>388</b>	<b>160</b>	<b>324</b>
Tax	-93	-143	-47	-102	-38	-82
<b>Profit for the period</b>	<b>257</b>	<b>406</b>	<b>131</b>	<b>286</b>	<b>122</b>	<b>242</b>

# Statement of comprehensive income

SEK million	Group				Parent Company	
	Jan-Jun 2010	Jan-Jun 2009	Apr-Jun 2010	Apr-Jun 2009	Jan-Jun 2010	Jan-Jun 2009
<b>Profit for the period</b>	<b>257</b>	<b>406</b>	<b>131</b>	<b>286</b>	<b>122</b>	<b>242</b>
<b>OTHER COMPREHENSIVE INCOME</b>						
Change in reclassified financial assets, after tax	32	31	13	18	32	31
Change in instruments used in cash flow hedging, after tax	0	-2	1	0	0	-2
<b>Other comprehensive income for the period, net after tax</b>	<b>32</b>	<b>29</b>	<b>14</b>	<b>18</b>	<b>32</b>	<b>29</b>
<b>Total comprehensive income for the period</b>	<b>289</b>	<b>435</b>	<b>145</b>	<b>304</b>	<b>154</b>	<b>271</b>

# Balance sheet

SEK million	Group			Parent Company	
	30 Jun 2010	30 Jun 2009	31 Dec 2009	30 Jun 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	3,494	22,508	8,098	3,494	8,098
Loans and advances to credit institutions (Note 3)	18,371	9,974	9,054	46,673	37,070
Loans and advances to the public (Note 4)	242,164	202,141	225,976	35,566	48,225
Change in fair value of hedge-accounted loan receivables	2,117	3,083	2,590	-19	-23
Bonds and other interest-bearing securities	36,190	32,791	32,412	36,190	32,412
Derivative instruments (Note 6)	13,259	19,765	15,123	10,837	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	22	13	22	22	22
Other assets	1,969	339	65	1,682	43
Prepaid expenses and accrued income	742	604	696	494	480
<b>TOTAL ASSETS</b>	<b>318,365</b>	<b>291,263</b>	<b>294,075</b>	<b>145,079</b>	<b>146,818</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Liabilities</b>					
Liabilities to credit institutions	23,094	22,111	16,339	8,932	8,707
Deposits from the public	5,152	4,185	4,653	5,152	4,653
Debt securities in issue	264,673	230,867	249,095	107,653	109,749
Derivative instruments (Note 6)	8,729	7,854	8,330	8,606	10,424
Other liabilities	536	12,260	331	434	922
Accrued expenses and prepaid income	2,528	3,351	4,066	530	869
Provisions	267	127	333	328	373
Subordinated debt	5,720	3,641	3,551	5,720	3,551
<b>Total liabilities</b>	<b>310,699</b>	<b>284,396</b>	<b>286,698</b>	<b>137,355</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	-108	-175	-140	-108	-140
Retained earnings	5,559	4,678	4,608	5,360	4,724
Profit for the period	257	406	951	122	636
<b>Total equity</b>	<b>7,666</b>	<b>6,867</b>	<b>7,377</b>	<b>7,724</b>	<b>7,570</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>318,365</b>	<b>291,263</b>	<b>294,075</b>	<b>145,079</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		32		257	289
<b>Closing balance 30 June 2010</b>	1,958	-108	5,559	257	7,666
<b>Opening balance 1 January 2009</b>	1,958	-204	4,678		6,432
Total comprehensive income for the period		29		406	435
<b>Closing balance 30 June 2009</b>	1,958	-175	4,678	406	6,867
<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			32		122	154
<b>Closing balance 30 June 2010</b>	1,958	392	-108	5,360	122	7,724
<b>Opening balance 1 January 2009</b>	1,958	392	-204	5,173		7,319
Total comprehensive income for the period			29		242	271
<b>Closing balance 30 June 2009</b>	1,958	392	-175	5,173	242	7,590
<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-Jun 2010	Jan-Jun 2009	Jan-Jun 2010	Jan-Jun 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	6,080	-4,244	-591	-2,161
Cash flow from investing activities	-12	-12	-31	-1,205
Cash flow from funding activities	2,000	-	1,390	1,600
<b>Increase/decrease in cash and cash equivalents</b>	8,068	-4,256	768	-1,766
<b>Cash and cash equivalents at the end of the period</b>	12,930	7,121	2,710	4,220

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 instruments measured at fair value

SEK million	Group		Parent Company	
	Jan-Jun 2010	Jan-Jun 2009	Jan-Jun 2010	Jan-Jun 2009
Gains/losses on interest-bearing financial instruments				
- Securities measured at fair value through profit and loss	237	45	237	45
- Change in hedged items in hedge accounting	-457	215	32	302
- Realised loss from financial liabilities	-647	-313	-221	-84
- Derivative instruments	580	184	-100	-307
- Loan receivables	70	98	16	24
Currency translation effects	-4	2	-5	2
<b>Total</b>	<b>-221</b>	<b>231</b>	<b>-41</b>	<b>-18</b>

## Note 2 Loan losses, net

Group	Jan-Jun 2010	Jan-Jun 2009
<b>CORPORATE MARKET</b>		
SEK million		
INDIVIDUAL PROVISION FOR CORPORATE MARKET LOANS		
Write-off of confirmed loan losses for the period	-5	-9
Reversal of prior year provisions for probable loan losses recognised as confirmed loan losses in the financial statements for the period	5	11
Provision for probable loan losses for the period	-9	-19
Recoveries in respect of confirmed loan losses in prior years	0	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>-8</b>	<b>-16</b>
COLLECTIVE PROVISION FOR CORPORATE MARKET LOANS		
Allocation to collective provision	-12	-2
Guarantees	-3	1
<b>Net cost for the period for collective provisions for corporate market loans</b>	<b>-15</b>	<b>-1</b>
<b>RETAIL MARKET</b>		
SEK million		
INDIVIDUAL PROVISION FOR RETAIL 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	3	4
Provision for probable loan losses for the period	-8	-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>-10</b>	<b>-1</b>
COLLECTIVE PROVISION FOR RETAIL MARKET LOANS		
Write-off of confirmed loan losses for the period	-10	-6
Recoveries in respect of confirmed loan losses in prior years	1	0
Allocation to collective provision	-6	-28
Guarantees	4	1
<b>Net cost for the period for collective provisions for retail market loans</b>	<b>-11</b>	<b>-33</b>
<b>NET COST FOR THE PERIOD FOR LOAN LOSSES</b>	<b>-44</b>	<b>-51</b>

Both the write-off of confirmed loan losses for the period 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 32,914 million (26,626) relates 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	30 Jun 2010		31 Dec 2009	
	Loans and advances	Provision	Loans and advances	Provision
Single-family dwellings and holiday homes	89,242	-150	86,588	-145
Tenant-owner rights	54,899	-108	49,500	-101
Tenant-owner associations	54,106	-68	49,018	-71
Private multi-family dwellings	27,137	-43	25,272	-26
Municipal multi-family dwellings	7,846	-	8,178	-
Commercial properties	9,302	-	7,763	-
Other	1	-	-	-
Provision for probable loan losses	-369	-	-343	-
<b>Total</b>	<b>242,164</b>	<b>-369</b>	<b>225,976</b>	<b>-343</b>

Doubtful and nonperforming loan receivables	30 Jun 2010	31 Dec 2009
a) Doubtful loan receivables	116	104
b) Nonperforming loan receivables* included in doubtful loan receivables	20	26
c) Nonperforming loan receivables* not included in doubtful loan receivables	286	331
d) Individual provisions for loan receivables	83	75
e) Collective provisions for corporate market loans	50	38
f) Collective provisions for retail market loans	236	230
g) Total provisions (d+e+f)	369	343
h) Doubtful loan receivables after individual provisions (a-d)	33	29
i) Provision ratio for individual provisions (d/a)	72%	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 30 June 2010, SEK million	Assets measured at fair value through profit and loss	Hedge- accounted derivative instruments	Loan receivables	Total
<b>Financial assets</b>				
Cash and balances at central banks			0	0
Chargeable treasury bills and other eligible bills	3,494			3,494
Loans and advances to credit institutions			18,371	18,371
Loans and advances to the public			242,164	242,164
Change in fair value of hedge-accounted loan receivables			2,117	2,117
Bonds and other interest-bearing securities	18,594		17,596	36,190
Derivative instruments	2,416	10,843		13,259
Other assets			1,969	1,969
Prepaid expenses and accrued income	380		362	742
<b>Total</b>	<b>24,884</b>	<b>10,843</b>	<b>282,579</b>	<b>318,306</b>
<b>Financial liabilities</b>				
Liabilities to credit institutions			23,094	23,094
Deposits from the public			5,152	5,152
Debt securities in issue			264,673	264,673
Derivative instruments	3,241	5,488		8,729
Other liabilities			536	536
Accrued expenses and prepaid income			2,528	2,528
Subordinated debt			5,720	5,720
<b>Total</b>	<b>3,241</b>	<b>5,488</b>	<b>301,703</b>	<b>310,432</b>

## Note 5 Cont.

### Parent Company

30 June 2010, SEK million

Financial assets	Assets measured at fair value through profit and loss	Hedge-accounted derivative instruments	Loan receivables	Total
Cash and balances at central banks			0	0
Chargeable treasury bills and other eligible bills	3,494			3,494
Loans and advances to credit institutions			46,673	46,673
Loans and advances to the public			35,566	35,566
Change in fair value of hedge-accounted loan receivables			-19	-19
Bonds and other interest-bearing securities	18,594		17,596	36,190
Derivative instruments	6,806	4,031		10,837
Other assets			1,682	1,682
Prepaid expenses and accrued income	380		114	494
<b>Total</b>	<b>29,274</b>	<b>4,031</b>	<b>101,612</b>	<b>134,917</b>

Financial liabilities	Liabilities measured at fair value through profit and loss	Hedge-accounted derivative instruments	Other financial liabilities	Total
Liabilities to credit institutions			8,932	8,932
Deposits from the public			5,152	5,152
Debt securities in issue			107,653	107,653
Derivative instruments	7,298	1,308		8,606
Other liabilities			434	434
Accrued expenses and prepaid income			530	530
Subordinated debt			5,720	5,720
<b>Total</b>	<b>7,298</b>	<b>1,308</b>	<b>128,421</b>	<b>137,027</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 30 June 2010, the fair value of the assets would have amounted to SEK 16.8 billion had the assets continued to be recognised as "Available-for-sale financial assets." The carrying amount at 30 June 2010 was SEK 17.6 billion. At the same date, the fair value reserve attributable to the reclassified assets would have amounted to a negative SEK 0.6 billion, net after tax, had the assets continued to be recognised as "Available-for-sale financial assets." The reserve amounted to a negative SEK 104 million, net after tax, at 30 June 2010. After the reclassification date, SEK 140 million of the reserve before tax was reversed and exchange rate fluctuations had a negative impact of SEK 5 million before tax on the value of the reserve.

## Note 6 Derivative instruments

### Group

30 June 2010, SEK million

	Assets measured at fair value	Liabilities measured at fair value	Total nominal amount
Interest-rate related	6,458	5,216	327,552
Currency related	6,801	3,513	149,576
<b>Total</b>	<b>13,259</b>	<b>8,729</b>	<b>477,128</b>

### Parent Company

30 June 2010, SEK million

	Assets measured at fair value	Liabilities measured at fair value	Total nominal amount
Interest-rate related	6,511	6,316	484,909
Currency related	4,326	2,290	85,653
<b>Total</b>	<b>10,837</b>	<b>8,606</b>	<b>570,562</b>

## Note 7 Operating segments

Group Risk-adjusted income statement, SEK million	Jan-Jun 2010 Corporate				Jan-Jun 2009 Corporate			
	Consumer	Clients	Finance	Total	Consumer	Clients	Finance	Total
Risk-adjusted income	498	115	71	684	337	78	467	882
Risk-adjusted expenses	-250	-59	-48	-357	-222	-70	-48	-340
Tax	-65	-15	-6	-86	-31	-2	-110	-143
<b>Risk-adjusted profit after tax</b>	<b>183</b>	<b>41</b>	<b>17</b>	<b>241</b>	<b>84</b>	<b>6</b>	<b>309</b>	<b>399</b>
RAROC*, after tax	11.0%	6.0%	5.6%	9.1%	6.1%	1.0%	36.3%	14.1%

\* 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 30 June 2010, the return on equity in the risk-adjusted income statement is lower. In the risk-adjusted expenses, 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 Reconciliation, SEK million	Jan-Jun 2010	Jan-Jun 2009
Risk-adjusted income	684	882
Adjustment to return on recognised equity	21	11
<b>Total operating income</b>	<b>705</b>	<b>893</b>
Risk-adjusted expenses	-357	-340
Adjustment to recognised loan losses	2	-4
<b>Expenses and loan losses</b>	<b>-355</b>	<b>-344</b>
Risk-adjusted profit before tax	327	542
Tax according to risk-adjusted income statement	-86	-143
<b>Risk-adjusted profit after tax</b>	<b>241</b>	<b>399</b>
Operating profit	350	549
Recognised tax	-93	-143
<b>Profit for the period after tax</b>	<b>257</b>	<b>406</b>

SBAB applies in advance the amendment 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		SEK million	
		30 Jun 2010	31 Dec 2009
<b>Tier 1 capital</b>			
Equity		7,774	7,517
Tier 1 capital contribution		2,994	994
Minority interest		516	492
<b>Total Tier 1 capital, gross</b>		<b>11,284</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		-101	-116
<b>Total Tier 1 capital, net</b>		<b>11,146</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		-101	-115
<b>Total Tier 2 capital</b>		<b>2,159</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>13,305</b>	<b>10,993</b>

## Capital requirement

Group		SEK million	
		30 Jun 2010	31 Dec 2009
<b>Credit risk reported in accordance with IRB approach</b>			
- Corporate exposures		2,224	2,014
- Retail exposures		876	889
<b>Total credit risk in accordance with IRB approach</b>		<b>3,100</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 local governments and comparable associations		0	0
- Exposures to institutions		276	188
- Exposures to corporates		1,137	1,044
- Retail exposures		27	23
- Past-due items		1	1
- Other items		6	5
<b>Total credit risk in accordance with standardised method</b>		<b>1,447</b>	<b>1,261</b>
<b>Risks in trading book</b>		<b>201</b>	<b>158</b>
<b>Operational risk</b>		<b>183</b>	<b>140</b>
<b>Currency risk</b>		-	-
<b>Commodity risk</b>		-	-
<b>Total minimum capital requirement</b>		<b>4,931</b>	<b>4,462</b>
Addition during transitional period		5,579	5,120
<b>Capital requirement including addition</b>		<b>10,510</b>	<b>9,582</b>

## Capital adequacy

SEK million	Group		Parent Company	
	30 Jun 2010	31 Dec 2009	30 Jun 2010	31 Dec 2009
Tier 1 capital	11,146	8,848	10,800	8,647
Total capital	13,305	10,993	13,039	10,855
<b>With transitional regulations</b>				
Risk-weighted assets	131,379	119,776	31,507	35,311
Tier 1 capital ratio	8.5%	7.4%	34.3%	24.5%
Capital adequacy ratio	10.1%	9.2%	41.4%	30.7%
Capital quotient	1.27	1.15	5.17	3.84
<b>Without transitional regulations</b>				
Risk-weighted assets	61,642	55,780	27,954	29,147
Tier 1 capital ratio	18.1%	15.9%	38.6%	29.7%
Capital adequacy ratio	21.6%	19.7%	46.7%	37.2%
Capital quotient	2.70	2.46	5.83	4.66

When calculating the capital adequacy ratio and 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 – 30 June 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, 22 July 2010  
Öhrlings PricewaterhouseCoopers AB

Ulf Westerberg  
Authorised Public Accountant



The Swedish Housing Finance Corporation, SBAB