



Year-end report for 2009

The Swedish Housing Finance Corporation, SBAB

Year-end report for 2009

1 January – 31 December 2009 • The Swedish Housing Finance Corporation, SBAB

- **Operating profit rose to SEK 1,289 million (585).**
- **Net interest income increased during the year to SEK 1,519 million (1,141). Total operating income rose to SEK 1,974 million (1,127).**
- **Considerable demand for lending, which increased 23% to SEK 225,976 million (183,959).**
- **SBAB's total market share rose to 9.5% (8.6).**
- **Deposits increased to SEK 4,653 million (3,542).**
- **Expenses totalled SEK 578 million (520).**
- **Loan losses amounted to SEK 107 million (22). The loan loss rate was 0.06% (0.01).**
- **Capital adequacy amounted to 9.2% (9.4) and the primary capital ratio was 7.4% (7.6). Following full implementation of Basel II, capital adequacy amounted to 19.7% (16.8) and the primary capital ratio to 15.9% (13.5).**
- **On 18 December 2009, SBAB submitted an application to the Swedish Financial Supervisory Authority requesting permission to conduct banking operations.**

“We had a substantial inflow of customers during the year and experienced considerable demand in our lending business at the same time as it is gratifying to state that our loan losses were very low.”

Eva Cederbalk, CEO SBAB

Operating profit

SBAB's operating profit increased compared with the preceding year and amounted to SEK 1,289 million (585).

Operating income rose significantly, up 75% to SEK 1,974 million (1,127). Net interest income continued to increase and amounted to SEK 1,519 million (1,141). Operating profit was charged with costs connected to issuances under the Swedish Government's guarantee programme amounting to SEK 214 million (-) in net interest income and SEK 46 million (-) in net commission income pertaining to stability fees. The strong demand and growth in SBAB's lending operations, combined with more

Summary

SBAB Group

	Dec 2009	Dec 2008
Net interest income, SEK million	1,519	1,141
Operating profit, SEK million	1,289	585
Net profit for the year, SEK million	951	424
Lending, SEK million	225,976	183,959
Doubtful loan receivables after specific provisions, SEK million	29	43
Loan losses, net, SEK million	107	22
Loan loss rate, % ¹⁾	0.06	0.01
Volume international funding, SEK million	129,304	128,326
Expenditure/Income ratio excl. loan losses, % ²⁾	29	46
Expenditure/Income ratio incl. loan losses, % ²⁾	35	48
Return on equity, %	13.8	6.7
Capital adequacy, %	9.2	9.4
Primary capital ratio, %	7.4	7.6
Equity ratio, %	2.5	2.5
Rating, long-term funding, SBAB		
Standard & Poor's	A+	A+
Moody's	A1	A1
Rating, long-term funding, SCBC		
Standard & Poor's	AAA ³⁾	AAA
Moody's	Aaa	Aaa
Rating, short-term funding, SBAB		
Standard & Poor's	A-1	A-1
Moody's	P-1	P-1
Average number of employees during the period	396	365
of whom temporary employees	28	8

¹⁾ Loan losses in relation to opening balance for lending to the public.

²⁾ Expenses/operating income.

³⁾ On 16 December 2009, Standard & Poor's placed SCBC and 97 other issuers of covered bonds on CreditWatch.

stable funding conditions in global capital markets, contributed positively to this trend. “Net income/expense from financial instruments measured at fair value” amounted to income of SEK 495 million (expense: 26). The market value trend for bonds held for the purpose of reducing the company's liquidity risk, as well as for derivative and hedge-accounted items, had a positive impact on this item. SBAB extended the average maturity of the debt portfolio during the year, which resulted in the item being affected adversely by costs for repurchases.

Expenses amounted to SEK 578 million (520). A large part of the increase was due to higher staff costs, which

All comparable figures in parentheses refer to the end of the preceding year.

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

totalled SEK 309 million (268). The increase in staff costs resulted from the high volume of business and an increase in the average number of employees during the year by 31. In addition, provisions were posted for the incentive programme, including social security expenses, of SEK 28 million (8). SBAB's incentive programme complies with the guidelines established by the owner. SBAB's Board of Directors will make a decision concerning payment from the 2009 incentive programme later during the spring of 2010. The SBAB Board will conduct a review of the incentive programme in view of the Swedish Financial Supervisory Authority's new regulations and general guidelines regarding remuneration policies in credit institutions, securities companies and fund management companies (FFFS 2009:6).

Other expenses amounted to SEK 241 million (220). The increase in other expenses, excluding depreciation/amortisation, was mainly attributable to larger volumes of business and higher consultant expenses related to the broadening of SBAB's operations. In view of the considerable demand prevailing in the residential mortgage market, SBAB adopted a restrictive approach to marketing activities, whereby marketing costs declined by SEK 10 million and amounted to SEK 45 million (55). Depreciation/amortisation amounted to SEK 28 million (32).

Loan losses

Loan losses rose to SEK 107 million, net (22). Despite this increase, the loan loss rate¹⁾ remained extremely low, corresponding to 0.06% (0.01). The increase was primarily due to a rise of SEK 98 million (21) in net provisions for anticipated loan losses. The loan to value for single-family dwellings and tenant-owned apartments was at approximately the same level as in the preceding year. However, SBAB's assessment is that, due to the uncertain future market conditions, there is an increased need for provisions for anticipated loan losses. During the year, SBAB sharpened its requirements concerning the amount of money that customers should retain after they have paid their interest

¹⁾ Loan losses in relation to opening balance for lending to the public.

and amortisations. In the event of new loans that exceed 85% of the home's value, SBAB is now also imposing stricter requirements concerning amortisation. Confirmed loan losses totalled SEK 32 million (11), of which SEK 17 million (6) pertained to individual reserves from earlier years. An additional SEK 3 million (3) derived from credit loss insurance. The effect of the recession were not noticeable to any significant extent in SBAB's lending operations. SBAB monitors this trend closely.

Lending

The volume trend was robust during the year, enabling the company's market share to increase to 9.5% (8.6). Demand was considerable throughout the company and SBAB nearly doubled its level of new lending for the year, compared with the preceding year. New lending totalled SEK 64,626 million (32,425) and lending to the public SEK 225,976 million (183,959), up 23%.

Lending to the retail market amounted to SEK 135,842 million (116,823). New lending totalled SEK 36,403 million (19,164), causing SBAB's share in the retail market to continue to rise to 8.0% (7.5).

Lending to the corporate market and tenant-owner associations amounted to SEK 90,134 million (67,136). New lending totalled SEK 28,223 million (13,261) and SBAB's market share in the corporate market increased to 13.4% (11.4).

Programme utilisation	31 Dec 2009	31 Dec 2008
Swedish Commercial Paper Programme	SEK 14.3 bn	SEK 11.8 bn
Swedish covered bonds	SEK 83.9 bn	SEK 56.6 bn
European Commercial Paper Programme	USD 1,176 mn	USD 510 mn
US Commercial Paper Programme	USD 200 mn	USD 75 mn
Euro Medium Term Note Programme	USD 8,867 mn	USD 7,097 mn
Euro Medium Term Covered Note Programme	EUR 5,175 mn	EUR 5,994 mn
Swedish Government Guarantee Programme	SEK 21.4 bn	-

Loan portfolio	Dec 2009		Dec 2008	
	SBAB-Group*	Group incl. all of FriSpar	SBAB-Group*	Group incl. all of FriSpar
SEK million				
Retail lending	135,842	139,966	116,823	117,931
- new lending	36,403	39,091	19,164	21,222
Corporate lending (incl. tenant-owner associations)	90,134	90,218	67,136	67,236
- new lending	28,223	28,223	13,261	13,261
Total	225,976	230,184	183,959	185,167
- new lending	64,626	67,314	32,425	34,483

* Within the SBAB Group, 51% of FriSpar is consolidated in accordance with the proportional

Deposits

SBAB's deposits rose 31% to SEK 4,653 million (3,542) at the end of the year. SBAB broadened its operations in 2009 and now also offers deposits for the corporate market and tenant-owner associations. Customers are offered deposit products at competitive interest rates and on simple product terms.

Funding

SBAB attaches considerable importance to having a well-diversified funding portfolio, which requires an active market presence and a flexible range of products. The fourth quarter of 2009 was characterised by continued increased stability in global money and capital markets.

During the year, SBAB and its wholly owned subsidiary The Swedish Covered Bond Corporation (SCBC) joined the Swedish Government's guarantee programme for medium-term funding. Thanks to the improvement in financial markets, SBAB and SCBC opted not to extend their participation in the guarantee programme after 31 October 2009, when the Government extended the possibility to participate until 30 April 2010. Issues under the Government guarantee programme were conducted by SBAB and the outstanding issue volume during the course of the programme totalled SEK 21,386 million (-). In 2009, SBAB repurchased government-guaranteed securities with a nominal value of SEK 6,458 million.

The total carrying amount of the outstanding securities in issue was SEK 249,095 million (198,643).

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 standard method. Taking into account the transitional regulations, the capital ratio for the SBAB Group amounted to 1.15 (1.17), capital adequacy to 9.2% (9.4) and the primary capital ratio to 7.4% (7.6). Once Basel II is fully implemented, without taking the transitional regulations into consideration, capital adequacy in accordance with Pillar 1 will amount to 19.7% (16.8) and the primary capital ratio to 15.9% (13.5). Net profit for the year was included in the calculation of primary and total capital.

The scope of the buffer capital in the model for calculating internally calculated capital requirements was adjusted in 2009. In accordance with this adjustment, the comparable figure at December 2008 was reduced by SEK 34 million.

At 31 December 2009, the internally calculated capital requirement was SEK 6,939 million (5,986). A portfolio increase naturally results in a larger total credit risk expo-

sure. An increase was noted in the expected loss calculated in the risk model.

At 31 December 2009, 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 42.5 million.

Liquidity portfolio

SBAB's liquidity portfolio is a liquidity reserve whose purpose is to manage liquidity and funding risks. The portfolio amounted to SEK 32.0 billion (31.5) and comprised assets classified as "Loan receivables and accounts receivable" in an amount of SEK 19.4 billion (23.1) and "Securities measured at fair value through profit or loss" of SEK 12.6 billion (8.4).

The intention of having these securities holdings in the liquidity portfolio is long term. The portfolio consists only of items that achieve the highest rating, meaning Aaa from Moody's and/or AAA from Standard & Poor's. SBAB's liquidity portfolio has never been subject to any exposure to the US, to North American assets or to mortgage loans that are not classified as prime. To manage currency and interest rate risks in the liquidity portfolio, derivative contracts have been entered into.

Events after the balance-sheet date

- ➔ SBAB and Folksam have initiated a cooperative venture whereby SBAB's residential mortgage loans will be included in a number of product packages aimed at Folksam customers.

Performance in the fourth quarter of 2009 compared with the third quarter of 2009

SBAB's lending to the public was favourable during the year, a trend that continued during the fourth quarter of 2009. The increase in lending during the fourth quarter amounted to SEK 10,860 million (12,975). Lending to the retail market rose SEK 6,048 million (4,703). SBAB's share of the retail market was 8.0% (7.9). Lending to the corporate market and tenant-owner associations rose SEK 4,812 million (8,272). SBAB's share of the corporate market totalled 13.4% (13.0).

Deposits to SBAB's savings products continued to rise, but at a slower rate than before. The increase for the fourth quarter was SEK 225 million (243).

Net interest income improved to SEK 457 million (407). Total operating income amounted to SEK 397 million (684). The lower operating income during the fourth quarter compared with the preceding quarter was primarily due to a negative contribution from the item "Net income/expense from financial instruments measured at

fair value,” while the corresponding item in the third quarter had a relatively substantial positive impact. Expenses rose 23% in the fourth quarter to SEK 157 million (128). Loan losses increased during the fourth quarter compared with the third quarter and amounted to SEK 42 million (14). The increase was mainly due to possible loan losses.

Operating profit for the period was lower than in the third quarter, totalling SEK 198 million (542).

Capital adequacy amounted to 9.2% (9.6) and the primary capital ratio was 7.4% (7.7).

Performance of the Parent Company in 2009

In the Parent Company, lending to the public amounted to SEK 48,225 million (24,910). The Parent Company’s profit trend was stronger than in the preceding year. Operating income totalled SEK 1,513 million (557), primarily due to changes in the item “Net income/expense from financial instruments measured at fair value.” Net interest income amounted to SEK 683 million (270). Expenses increased to SEK 571 million (514). Loan losses rose during the year to SEK 82 million (4). Operating profit amounted to SEK 860 million (39). The Parent Company’s capital adequacy was highly favourable. The primary capital ratio was 24.5% (27.2) and capital adequacy amounted to 30.7% (35.3).

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 1.2, Supplementary Accounting Rules for Groups and RFR 2.2 Accounting for Legal Entities for the Parent Company.

This interim report complies with the requirements of IAS 34, Interim Financial Reporting, and the new presentation of financial statements according to IAS 1, Presentation of Financial Statements.

In accordance with the amendment to IAS 1, income and expenses are recognised in two statements, an income statement and a statement of comprehensive income. The statement of comprehensive income includes other comprehensive income items that comprise transactions that, until the 2008 year-end report, were recognised directly in equity.

These components are no longer presented in the statement of changes in equity, since this only includes transactions with the company’s shareholders.

The accounting policies and methods of calculation are unchanged compared with the Annual Report for 2008, with the exception of the fact that SBAB now applies IFRS 8, Operating Segments instead of IAS 14, Segment Reporting. SBAB has also amended its accounting policy pertaining to IAS 19, Employee Benefits.

According to IFRS 8, an operating segment is a part of a company that can accrue income and incur expenses. Discrete financial information must be available, and operating profit shall be regularly reviewed and monitored by the company’s highest executive. The highest executive, in the case of SBAB the company’s CEO, is the function that is responsible for allocating resources and assessing the results of the operating segments. SBAB has identified three operating segments: Consumers, Corporate Clients and Finance. The operating segments correspond with the structure of SBAB’s organisation and also with the segments presented earlier in accordance with IAS 14. Overhead expenses/indirect costs have been allocated to the segments with the aid of relevant indexes for distribution.

SBAB has both defined-contribution and defined-benefit pension plans. Both of these plans were previously recognised as defined-contribution pension plans due to a lack of information. The information now available regarding the defined-benefit plan is designed to enable the plan to be recognised as a defined-benefit plan as of 1 January 2009 according to IAS 19. Pursuant to the transitional regulations for IAS 19, the defined-benefit liability is recognised directly in accordance with IAS 8. As of 1 January 2009, the pension liability under the item “Provisions” was calculated to be SEK 76 million (SEK 94 million including special employers’ contributions). Taking deferred tax into account, this had an impact of SEK 70 million on retained earnings.

Financial information	2010
Annual Report 2009	31 March
Annual General Meeting	21 April
Interim report January-March	29 April
Interim report January-June	23 July
Interim report January-September	29 October

Stockholm, 4 February 2010

Eva Cederbalk
CEO

Income statement

SEK million	Group				Parent Company	
	Jan-Dec 2009	Jan-Dec 2008	Oct-Dec 2009	Oct-Dec 2008	Jan-Dec 2009	Jan-Dec 2008
Interest income	6,043	11,222	1,074	2,987	2,294	4,445
Interest expense	(4,524)	(10,081)	(617)	(2,777)	(1,611)	(4,175)
Net interest income	1,519	1,141	457	210	683	270
Dividends received	-	-	-	-	9	-
Commission income	44	45	17	11	90	73
Commission expense	(90)	(33)	(31)	(7)	(40)	(18)
Net income/expense from financial instruments measured at fair value (Note 1)	495	(26)	(46)	196	356	(143)
Other operating income	6	0	0	0	415	375
Total operating income	1,974	1,127	397	410	1,513	557
Staff costs	(309)	(268)	(81)	(72)	(308)	(268)
Other expenses	(241)	(220)	(68)	(67)	(250)	(230)
Depreciation of property, plant and equipment and amortisation of intangible fixed assets	(28)	(32)	(8)	(8)	(13)	(16)
Total expenses before loan losses	(578)	(520)	(157)	(147)	(571)	(514)
Profit before loan losses	1,396	607	240	263	942	43
Loan losses, net (Note 2)	(107)	(22)	(42)	(23)	(82)	(4)
Operating profit	1,289	585	198	240	860	39
Tax	(338)	(161)	(52)	(64)	(224)	16
Net profit for the year	951	424	146	176	636	55

Statement of comprehensive income

SEK million	Group				Parent Company	
	Jan-Dec 2009	Jan-Dec 2008	Oct-Dec 2009	Oct-Dec 2008	Jan-Dec 2009	Jan-Dec 2008
Net profit for the year	951	424	146	176	636	55
OTHER COMPREHENSIVE INCOME						
Income/expense recognised directly in equity						
Changes in reclassified financial assets, after tax	67	(203)	13	(15)	67	(203)
Changes in instruments for cash flow hedges, after tax	(3)	(15)	0	(12)	(3)	(15)
Other comprehensive income/expense for the year, after tax	64	(218)	13	(27)	64	(218)
Total comprehensive income/expense for the year	1,015	206	159	149	700	(163)

Balance sheet

SEK million	Group		Parent Company	
	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008
ASSETS				
Cash and balances at central banks	0	0	0	0
Chargeable treasury bills and other eligible bills	8,098	10	8,098	10
Loans and advances to credit institutions (Note 3)	9,054	12,570	37,070	33,094
Loans and advances to the public (Note 4)	225,976	183,959	48,225	24,910
Fair value adjustment of hedge-accounted loan receivables	2,590	3,270	(23)	(41)
Bonds and other interest-bearing securities	32,412	31,787	32,412	31,787
Derivative financial instruments (Note 6)	15,123	20,649	10,375	11,694
Shares and participations in joint ventures	-	-	510	510
Shares and participations in Group companies	-	-	9,600	9,600
Deferred income tax assets	-	24	-	-
Intangible fixed assets	39	48	6	12
Property, plant and equipment	22	12	22	12
Other assets	65	228	43	1,686
Prepaid expenses and accrued income	696	737	480	506
TOTAL ASSETS	294,075	253,294	146,818	113,780
LIABILITIES AND EQUITY				
Liabilities				
Liabilities to credit institutions	16,339	29,692	8,707	14,449
Customer accounts	4,653	3,542	4,653	3,542
Debt securities in issue	249,095	198,643	109,749	72,872
Derivative financial instruments (Note 6)	8,330	7,543	10,424	9,312
Other liabilities	331	172	922	1,342
Accrued expenses and prepaid income	4,066	3,604	869	924
Provisions	333	-	373	354
Subordinated liabilities	3,551	3,666	3,551	3,666
Total liabilities	286,698	246,862	139,248	106,461
Equity				
Share capital	1,958	1,958	1,958	1,958
Legal reserve	-	-	392	392
Other reserves/Fair value reserve	(140)	(204)	(140)	(204)
Retained earnings	4,608	4,254	4,724	5,118
Net profit for the year	951	424	636	55
Total equity	7,377	6,432	7,570	7,319
TOTAL LIABILITIES AND EQUITY	294,075	253,294	146,818	113,780

Statement of changes in equity

Group						
SEK million	Share capital	Other reserves	Retained earnings	Net profit for the year	Total equity	
Opening balance 1 January 2009	1,958	(204)	4,678		6,432	
Changed accounting policy, IAS 19			(70)		(70)	
Adjusted opening balance 1 January 2009	1,958	(204)	4,608		6,362	
Total comprehensive income for the year		64		951	1,015	
Closing balance 31 December 2009	1,958	(140)	4,608	951	7,377	
Opening balance 1 January 2008	1,958	14	4,254		6,226	
Total comprehensive income for the year		(218)		424	206	
Closing balance 31 December 2008	1,958	(204)	4,254	424	6,432	
Parent Company						
SEK million	Share Capital	Legal reserve	Fair value fund	Retained earnings	Net profit for the year	Total equity
Opening balance 1 January 2009	1,958	392	(204)	5,173		7,319
Total comprehensive income for the year			64		636	700
Group contribution paid				(449)		(449)
Closing balance 31 December 2009	1,958	392	(140)	4,724	636	7,570
Opening balance 1 January 2008	1,958	392	14	3,966		6,330
Total comprehensive income for the year			(218)		55	(163)
Group contribution received				1,152		1,152
Closing balance 31 December 2008	1,958	392	(204)	5,118	55	7,319

Cash flow statement

SEK million	Group		Parent Company	
	Jan-Dec 2009	Jan-Dec 2008	Jan-Dec 2009	Jan-Dec 2008
Cash and cash equivalents at the beginning of the year	11,377	10,140	5,986	3,124
Cash flow from operating activities	(6,487)	853	(4,427)	5,573
Cash flow from investing activities	(28)	(19)	(1,217)	(3,114)
Cash flow from financing activities	-	403	1,600	403
Increase/decrease in cash and cash equivalents	(6,515)	1,237	(4,044)	2,862
Cash and cash equivalents at the end of the year	4,862	11,377	1,942	5,986

Cash and cash equivalents are defined as cash in hand and loans and advances to credit institutions with a maturity of less 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-Dec 2009	Jan-Dec 2008	Jan-Dec 2009	Jan-Dec 2008
Gains/losses on interest-bearing financial instruments				
- Securities measured at fair value through profit or loss	432	(146)	432	(146)
- Hedge items	1,147	(1,672)	357	(444)
- Derivative financial instruments	(321)	1,650	(359)	454
- Loan receivables	190	32	50	4
- Liabilities measured at fair value	-	(2)	-	(2)
- Other financial liabilities	(949)	119	(121)	0
Gains/losses on shares and participations	-	0	-	0
Currency translation effects	(4)	(7)	(3)	(9)
Total	495	(26)	356	(143)

Note 2 Loan losses, net

Group	Jan-Dec 2009	Jan-Dec 2008
CORPORATE MARKET		
SEK million		
INDIVIDUAL PROVISIONS FOR CORPORATE MARKET LOANS		
Write-off of confirmed loan losses for the year	9	2
Reversal of prior year provisions for probable loan losses recognised		
as confirmed loan losses in the financial statements for the year	(11)	(2)
Provision for probable loan losses for the year	7	15
Recoveries in respect of confirmed loan losses in prior years	(1)	(0)
Reversal of prior year provisions for probable loan losses no longer required	(17)	(41)
Guarantees	6	16
Net cost for the year for individual provisions for corporate market loans	(7)	(10)
COLLECTIVE PROVISION FOR CORPORATE MARKET LOANS		
Allocation to/reversal of collective provisions	13	(28)
Guarantees	(3)	2
Net cost for the year for collective provisions for corporate market loans	10	(26)
RETAIL MARKET		
SEK million		
INDIVIDUAL PROVISIONS FOR RETAIL MARKET LOANS		
Write-off of confirmed loan losses for the year	7	4
Reversal of prior year provisions for probable loan losses recognised		
as confirmed loan losses in financial statements for the year	(6)	(4)
Provision for probable loan losses for the year	6	9
Reversal of prior year provisions for probable loan losses no longer required	(0)	(2)
Guarantees	-	-
Net cost for the year for individual provisions for retail market loans	7	7
COLLECTIVE PROVISION FOR RETAIL MARKET LOANS		
Write-off of confirmed loan losses for the year	16	5
Recoveries in respect of confirmed loan losses in prior years	(2)	(1)
Allocation to/reversal of collective provisions	96	42
Guarantees	(13)	5
Net cost for the year for collective provisions for retail market loans	97	51
NET COST FOR THE YEAR FOR LOAN LOSSES	107	22

Both the write-offs for the year regarding confirmed loan losses and the 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, a receivable from the wholly owned subsidiary The Swedish Covered Bond Corporation (SCBC) accounts for SEK 26,626 million (19,426). In the event of bankruptcy, liquidation or corporate reconstruction, this receivable is subordinated, 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 Dec 2009		31 Dec 2008	
	Loans and advances	Provision	Loans and advances	Provision
Single-family dwellings and holiday homes	86,588	(145)	80,320	(108)
Tenant-owned apartments	49,500	(101)	36,653	(42)
Tenant-owner associations	49,018	(71)	34,901	(80)
Private multi-family dwellings	25,272	(26)	21,035	(25)
Municipal multi-family dwellings	8,178	-	5 046	-
Commercial properties	7,763	-	6,259	-
Provision for probable loan losses	(343)		(255)	
Total	225,976	(343)	183,959	(255)

Doubtful and nonperforming loan receivables	31 Dec 2009	31 Dec 2008
a) Doubtful loan receivables	104	138
b) Nonperforming loan receivables* included in doubtful loan receivables	26	17
c) Nonperforming loan receivables* not included in doubtful loan receivables	331	297
d) Individual provisions for loan receivables	75	95
e) Collective provisions for corporate market loans	38	25
f) Collective provisions for retail market loans	230	135
g) Total provisions (d+e+f)	343	255
h) Doubtful loan receivables after individual provisions (a-d)	29	43
i) Provision ratio for individual provisions (d/a)	72%	69%

* where cash flows are >60 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	Assets measured at fair value through profit or loss	Hedge-accounted derivative financial instruments	Loan receivables	Total
31 Dec 2009, SEK million				
Financial assets				
Cash and balances at central banks			0	0
Chargeable treasury bills and other eligible bills	8,098			8,098
Loans and advances to credit institutions			9,054	9,054
Loans and advances to the public			225,976	225,976
Fair value adjustment of hedge-accounted loan receivables			2,590	2,590
Bonds and other interest-bearing securities	13,011		19,401	32,412
Derivative financial instruments	2,888	12,235		15,123
Other assets			65	65
Prepaid expenses and accrued income	351		345	696
Total	24,348	12,235	257,431	294,014
Financial liabilities				
Liabilities to credit institutions			16,339	16,339
Customer accounts			4,653	4,653
Debt securities in issue			249,095	249,095
Derivative financial instruments	2,224	6,106		8,330
Other liabilities			331	331
Accrued expenses and prepaid income			4,066	4,066
Subordinated liabilities			3,551	3,551
Total	2,224	6,106	278,035	286,365

Note 5 Cont.

Parent Company 31 Dec 2009, SEK million	Assets measured at fair value through profit or loss	Hedge- accounted derivate financial instruments	Loan receivables	Total
Financial assets				
Cash and balances at central banks			0	0
Chargeable treasury bills and other eligible bills	8,098			8,098
Loans and advances to credit institutions			37,070	37,070
Loans and advances to the public			48,225	48,225
Fair value adjustment of hedge-accounted loan receivables			(23)	(23)
Bonds and other interest-bearing securities	13,011		19,401	32,412
Derivative financial instruments	7,756	2,619		10,375
Other assets			43	43
Prepaid expenses and accrued income	351		129	480
Total	29,216	2,619	104,845	136,680

Financial liabilities	Liabilities measured at fair value through profit or loss	Hedge- accounted derivate financial instruments	Other financial liabilities	Total
Liabilities to credit institutions			8,707	8,707
Customer accounts			4,653	4,653
Debt securities in issue			109,749	109,749
Derivative financial instruments	8,047	2,377		10,424
Other liabilities			922	922
Accrued expenses and prepaid income			869	869
Subordinated liabilities			3,551	3,551
Total	8,047	2,377	128,451	138,875

As of 1 July 2008, the fair value of the reclassified portfolio amounted to SEK 21.7 billion. 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 December 2009, the fair value of the assets would have amounted to SEK 18.4 billion had the assets continued to be recognised as "Financial assets available for sale." The carrying amount at 31 December 2009 was SEK 19.4 billion. At the same date, the fair value reserve attributable to the reclassified assets would have amounted to a negative SEK 0.8 billion, net after tax, had the assets continued to be recognised as "Financial assets available for sale". The reserve amounted to a negative SEK 136 million, net after tax, at 31 December 2009. After the reclassification date, SEK 116.9 million of the reserve before tax has been reversed and exchange rate fluctuations had a negative impact of SEK 25 million before tax on the value of the reserve.

Note 6 Derivative financial instruments

Group 31 Dec 2009, SEK million	Assets measured at fair value	Liabilities measured at fair value	Total nominal amount
Interest-rate related	7,285	5,596	330,265
Currency related	7,838	2,734	132,856
Total	15,123	8,330	463,121

Parent Company 31 Dec 2009, SEK million	Assets measured at fair value	Liabilities measured at fair value	Total nominal amount
Interest-rate related	7,900	7,718	502,274
Currency related	2,475	2,706	88,669
Total	10,375	10,424	590,943

Note 7 Operating segments

Group SEK million	Jan-Dec 2009 Corporate				Jan-Dec 2008 Corporate			
	Consumer	Clients	Finance	SBAB	Consumer	Clients	Finance	SBAB
Risk-adjusted income statement								
Risk-adjusted income	759	161	1,001	1,921	647	144	252	1,043
Risk-adjusted expenses	(451)	(127)	(92)	(670)	(458)	(76)	(64)	(598)
Tax	(81)	(9)	(239)	(329)	(53)	(19)	(53)	(125)
Risk-adjusted profit after tax	227	25	670	922	136	49	135	320
RAROC*, after tax	7.8%	2.3%	42.4%	16.5%	5.0%	5.8%	18.5%	7.5%

*Risk Adjusted Return On (economic) Capital Information on operating segments is risk-adjusted

In the risk-adjusted earnings follow-up, return on recognised equity is replaced by return on economic capital. Economic capital represents the capital that SBAB estimates will be required to offset unexpected losses during the coming year. On 31 December 2009, economic capital was lower than recognised equity, which means that return on equity in the risk-adjusted income statement will be lower. The recognised loan losses are replaced by anticipated losses in risk-adjusted expenses. In contrast to recognised loan losses, expected losses are attained by calculating, using credit risk models, the risk for each individual loan based on the outcome over a protracted period. For more information concerning economic capital and expected losses, refer to www.sbab.se / In English / IR / Risk Management.

Below is a comparison between SBAB's risk-adjusted income statement (according to the above) and SBAB's external earnings.

SEK million	Jan-Dec 2009	Jan-Dec 2008
Reconciliation	SBAB	SBAB
Risk-adjusted income	1,921	1,043
Adjustment to return on recognised equity	53	84
Total operating income	1,974	1,127
Risk-adjusted expenses	(670)	(598)
Adjustment to recognised loan losses	(15)	56
Expenses and loan losses	(685)	(542)
Risk-adjusted profit before tax	1,251	445
Tax according to risk-adjusted income statement	(329)	(125)
Risk-adjusted profit after tax	922	320
Operating profit	1,289	585
Recognised tax	(338)	(161)
Profit after tax for the year	951	424

Information previously submitted, in accordance with IAS 14, is based on SBAB's external profit, compared with information submitted according to the above (in accordance with IFRS 8), which represents the risk-adjusted profit.

Group SEK million	31 Dec 2009 Corporate				31 Dec 2008 Corporate			
	Consumer	Clients	Finance	SBAB	Consumer	Clients	Finance	SBAB
Assets								
Chargeable treasury bills and other eligible bills			8,098	8,098			10	10
Loans and advances to credit institutions	3,772	187	5,095	9,054	1,260	85	11,225	12,570
Loans and advances to the public	184,789	41,187		225,976	151,644	32,315		183,959
Derivative financial instruments			15,123	15,123			20,649	20,649

The above table shows the recognised assets that have been affected by significant changes since 31 December 2008.

Capital base

Group

SEK million	31 Dec 2009	31 Dec 2008
Primary capital		
Equity	7,517	6,637
Primary capital contribution	994	994
Minority interest	492	500
Total primary capital, gross	9,003	8,131
Less other intangible assets	(39)	(48)
Less deferred income tax receivables	-	(24)
Deduction under Chapter 3, Section 8, of the Capital Adequacy Act	(116)	(411)
Total primary capital, net	8,848	7,648
Supplementary capital		
Perpetual subordinated loans	-	-
Time-limited subordinated loans	2,260	2,260
Deduction under Chapter 3, Section 8, of the Capital Adequacy Act	(115)	(410)
Total supplementary capital	2,145	1,850
Expanded part of capital base	-	-
Deduction from entire capital base	-	-
Amount for capital base net after deductible items and limit values	10,993	9,498

Capital requirements

Group

SEK million	31 Dec 2009	31 Dec 2008
Credit risk reported according to IRB approach		
- Corporate exposures	2,014	1,577
- Retail exposures	889	672
Total credit risk according to IRB approach	2,903	2,249
Credit risk reported according to standard method		
- Exposures to states and central banks	0	0
- Exposures to municipalities and comparable associations	0	0
- Institutional exposures	188	978
- Corporate exposures	1,044	980
- Retail exposures	23	14
- Unregulated items	1	1
- Other items	5	4
Total credit risk according to standard method	1,261	1,977
Risks in commercial stocks	158	149
Operational risk	140	143
Currency risk	-	-
Commodity risk	-	-
Total minimum capital requirement	4,462	4,518
Addition during transitional period	5,120	3,577
Capital requirement including addition	9,582	8,095

Capital adequacy

SEK million	Group		Parent Company	
	31 Dec 2009	31 Dec 2008	31 Dec 2009	31 Dec 2008
Primary capital	8,848	7,648	8,647	7,287
Total capital	10,993	9,498	10,855	9,481
With transitional regulations:				
Risk-weighted assets	119,776	101,182	35,311	26,840
Primary capital ratio	7.4%	7.6%	24.5%	27.2%
Capital adequacy	9.2%	9.4%	30.7%	35.3%
Capital ratio	1.15	1.17	3.84	4.42
Without transitional regulations:				
Risk-weighted assets	55,780	56,474	29,147	23,666
Primary capital ratio	15.9%	13.5%	29.7%	30.8%
Capital adequacy	19.7%	16.8%	37.2%	40.1%
Capital ratio	2.46	2.10	4.66	5.01

When calculating capital adequacy and the capital ratio, FriSpar Bolån AB is consolidated as a subsidiary, unlike in the consolidated financial statements, in which FriSpar Bolån AB is consolidated in accordance with the proportional consolidation method. This is due to differences between the regulations for capital adequacy and large exposures, as well as IFRS.

Review Report

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

Introduction

We have reviewed the year-end financial information of The Swedish Housing Finance Corporation, SBAB, corp. reg. no. 556253-7513 for the period 1 January 2009 – 31 December 2009. The Board of Directors and the CEO are responsible for preparing and presenting this year-end financial information in accordance with IAS 34 and the Annual Accounts (Credit Institutions and Securities Companies) Act. Our responsibility is to express an opinion on this year-end financial information, 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 year-end financial information has not been prepared, in all essentials, in accordance with IAS 34 and the Annual Accounts (Credit Institutions and Securities Companies) Act for the Group and in accordance with the Annual Accounts (Credit Institutions and Securities Companies) Act for the Parent Company.

Stockholm, 4 February 2010
Öhrlings PricewaterhouseCoopers AB

Ulf Westerberg
Authorised Public Accountant



The Swedish Housing Finance Corporation, SBAB